University Place 27th Street Business District Plan

Market Analysis

Final Version – Jan 28, 2025

Introduction

Leland Consulting Group (LCG) was engaged by the City of University Place as part of a consulting team led by Otak to develop a Market Analysis of the 27th Street Business District, a sub-area of the University Place Regional Growth Center. This market analysis is organized as follows:

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Executive Summary

Background and Vision

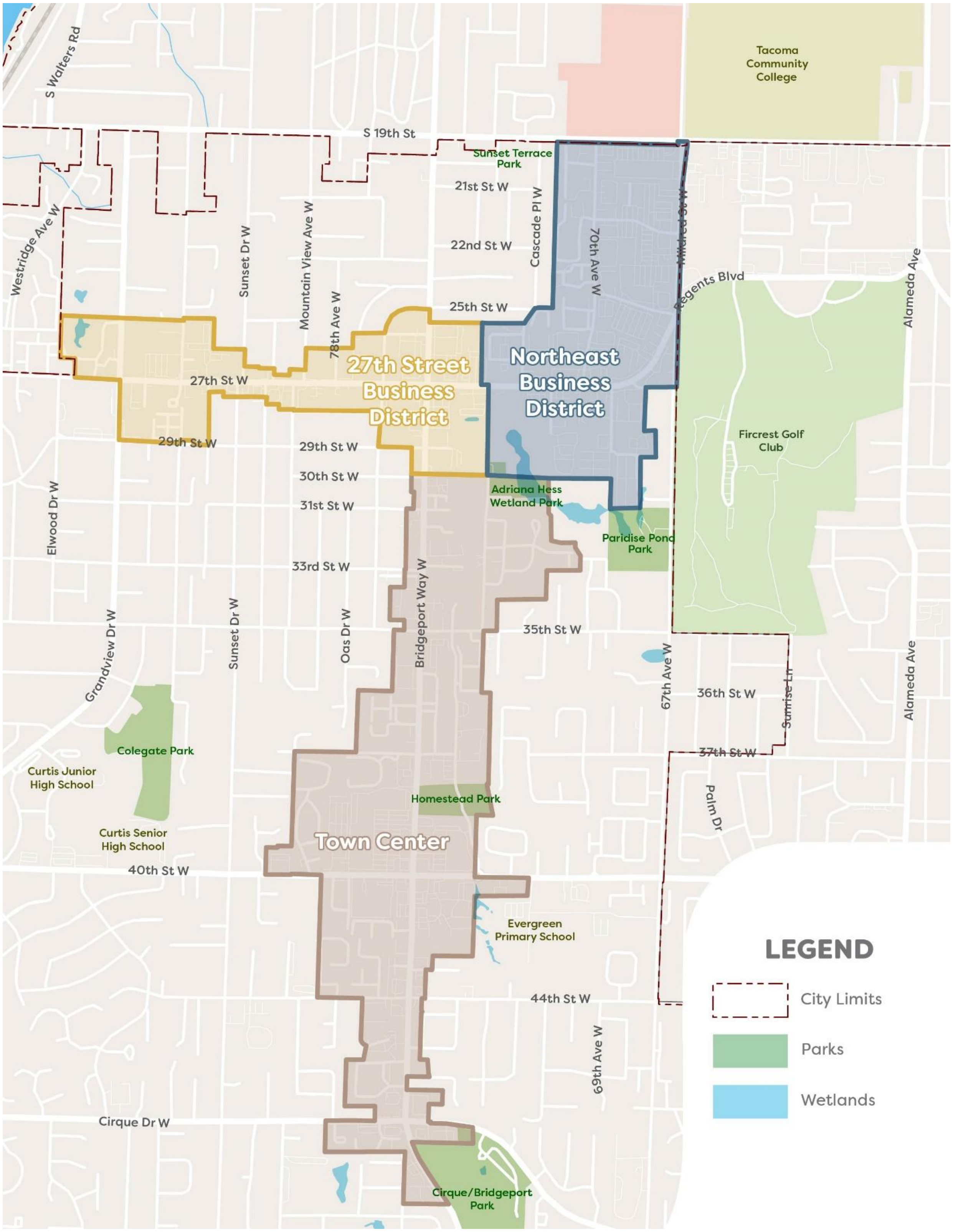
The 27th Street Business District is one of three Subareas of the University Place Regional Growth Center (RGC), a 481-acre commercial, multi-family, and mixed-use area officially designated by the Puget Sound Regional Council (PSRC) in 2018. Regional Growth Centers are areas around the Puget Sound region characterized by compact pedestrian-oriented development with a mix of uses, facilities, and services needed to accommodate population and employment growth. As outlined in the City of University Place's 2017 Regional Growth Center Plan[1], the vision statement for the RGC is as follows:

> *The University Place Regional Growth Center will continue to transform into a* ***vibrant, walkable regional destination with dense mixed use and transit-oriented development in neighborhoods that offer a variety of housing and employment opportunities, shopping and services, culture, arts, entertainment, and parks****. The Plan provides flexibility and capacity for redevelopment and development to occur over time while retaining the character and livability of the community that make it a desirable place to live, work, and play. Development of new businesses and retention of existing businesses, as well as other growth and investment, will broaden employment opportunities and enhance economic vitality, fostering shared prosperity in the community that will benefit existing and future residents in numerous ways.*

The three Subareas of the RGC are the Town Center, Northeast Business District, and 27th Street Business District. The Town Center has seen significant redevelopment and growth in recent years, and the Northeast Business District has begun to see some investment and development, particularly of multifamily residential. The city completed a Subarea plan for the Northeast Business District in 2023. The map below in Figure 1 shows the RCG and its three subareas.

[1] https://www.cityofup.com/DocumentCenter/View/329/Regional-Growth-Center-Subarea-Plan-PDF

Figure 1. University Place RGC Subareas



Source: Otak

The 2017 RGC plan describes the past and current conditions of the 27th Street Business District:

> *As the home of over 130 businesses in University Place, the 27th Street district provides a link to the area's past, having been a major commercial corridor for the region in previous years. This district nostalgically reaches back to the community's past with many businesses that have long been popular to local and area residents. Although still a major east/west thoroughfare, the area has a home-town feel, a bit removed from the hustle and bustle of Bridgeport Way.*

Finally, the RGC plan contains the following vision statement for the District:

> *The 27th Street Business District will continue to transform into a smaller village setting than the Town Center, with neighborhood-serving local businesses and new multi-family residential and retail uses filling in over time in a highly walkable redevelopment pattern.*

While this 27th Street Business District Plan process will be soliciting additional community input on the vision for the subarea, these past vision statements still appear to reflect the community and city's vision for the area. The City has taken some steps towards realizing this vision, such as improving sidewalks and landscaped areas, and installing historic streetlights. Since the adoption of the 2017 RGC plan, some new multi-family residential development in the form of senior housing projects have been proposed in the area, beginning to implement one important element of the vision.

As part of this planning process, the city and stakeholders crafted an updated vision statement for the 27th Street Business District which reflects the goals of this subarea planning process:

> ***Over time, the 27th Street Business District will become a community destination, with a cohesive identity and quality design. Pedestrian friendly redevelopment and civic improvements will provide opportunities for: new gathering spaces; neighborhood-serving local businesses; dining and retail opportunities; and housing.***

District Profile

Zoning

The 27th St. Business District contains **80.5 acres of privately-owned properties or parcels**, excluding right-of-way. Aside from 0.1 acres zoned POS (Parks & Open Space), the District is comprised of two zones from the Regional Growth Center form-based zoning framework established in the 2017 RGC plan and found in UPMC 19.54. Overall, **this form-based code is relatively flexible and easy to navigate, reducing barriers to development throughout the RGC**. The form-based code contains four districts which regulate development with the goal that "new development projects exhibit the highest standards of urban design, architecture, and landscaping at the scale of the neighborhood, block, lot, and building." The zones are described with example building types, desired form, streetscape, parking, and use considerations, with accompanying renderings of example development. Example renderings of the zones found in the 27th St. District are shown below.

Figure 2. RGC Form-Based Code Development Prototypes

Source: City of University Place Zoning Code

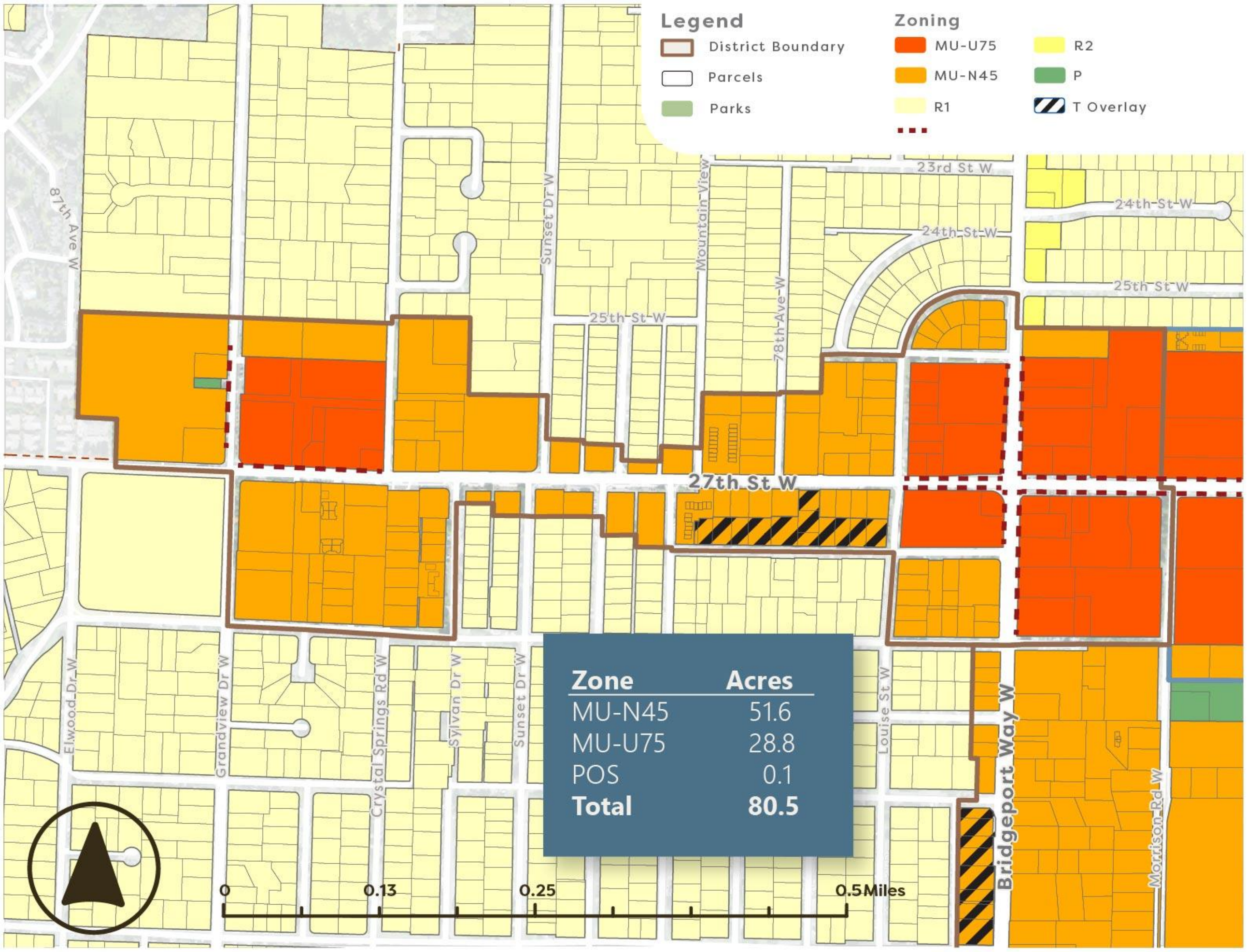
The commercial area on the corners of the intersection of 27th St. and Bridgeport Way and the northwest corner of 27th Street at Grandview, a total of **28.8 acres**, is zoned **Mixed Use-Urban (MU-U75)**. This zone, also found throughout the main core of the Town Center Subarea, is intended for "**multifamily residential and commercial uses along arterial streets**" and allows heights of up to **75 feet**. Along arterials, the intended development form is "mixed use with a focus on residential upper floors and active uses at the ground floor level," with allowances for ground floor residential fronting smaller streets. There is a wide range of allowed uses, including multifamily housing, assisted living, religious use, office, retail, restaurants, hotels, and government services.

The remainder of the District, another **51.6 acres**, is zoned **Mixed Use-Neighborhood (MU-N45)**. This zone is a transition zone between residential areas and more intense commercial uses (such as the MU-U75 zone), with a 45-foot height limit. The allowed uses are similar to the MU-U75 zone, with a **wide range of housing and commercial uses** of up to 4-story wood frame construction, with required landscape and buffering to transition between uses.

The **Storefront Frontage Overlay** requires "storefront frontage and a minimum floor-to-ceiling height to accommodate ground floor live-work, commercial, retail, or other such nonresidential activity on streets where the vision expects active, pedestrian-oriented streetscapes."

There is also a **Transition Properties Overlay zone** on a row of MU-N45 parcels on 28th Street. According to UPMC 19.20.040, this zone creates a "uniform set of design standards aimed at protecting single-family neighborhoods that abut commercial areas," including "limits on access, additional buffering and/or setback requirements, building modulation, and location of windows."

Figure 3. Zoning in 27th St. Business District with Parcel Acreage

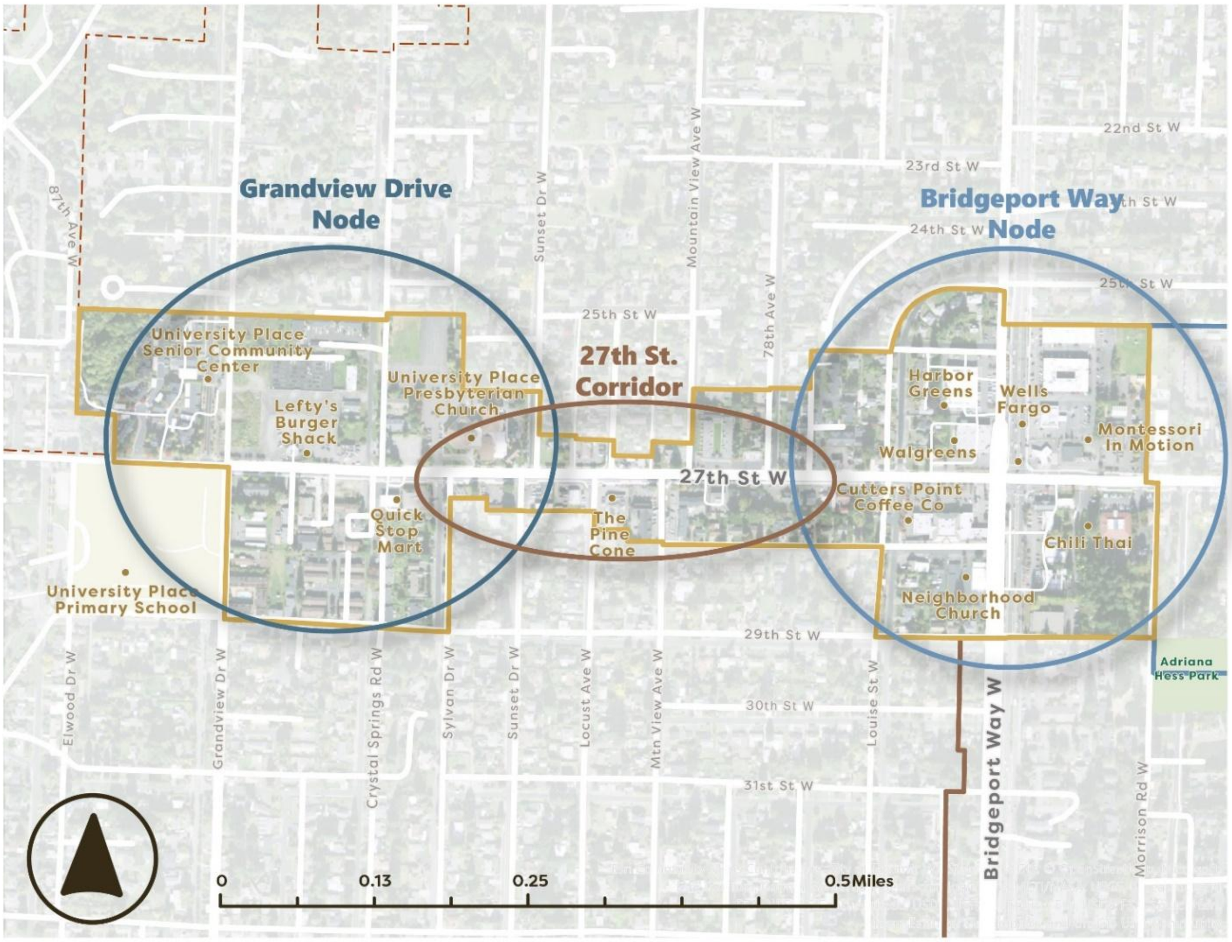


Source: City of University Place, Pierce County, Otak, Leland Consulting Group

Current Land Use and Node Analysis

Based on our visits to and analysis of the subarea, LCG believes that it is useful to think of the subarea as the combination of three different nodes, or smaller areas. Figure 4 below shows these three nodes, each of which have different characteristics, development patterns, and potential for different types of future changes.

Figure 4. 27th St. Business District Nodes with Aerial Imagery



Source: Otak, Leland Consulting Group.

Grandview Drive Node. In the west, the Grandview Drive Node centers around the intersection of 27th and Grandview. Along with the existing primary school and apartments on the west side of Grandview, there are several large senior multifamily housing projects that are expected to break ground in the near future in this area, and are discussed later in this report. This node contains numerous large vacant properties, some of which comprise the land for the future senior housing developments and others which remain significant development opportunities, including the underutilized properties and parking lots to the west and north of the U.P. Presbyterian Church. Overall, as pipeline activity indicates, the quiet neighborhood surroundings in this node favor housing—particularly senior housing and potentially market-rate or affordable multifamily housing— and given the attractive, quiet surrounding neighborhoods as well as the potential for views of the Puget Sound from upper floors, this area is more likely to see future multifamily development than significant amounts of new commercial space. The relatively low traffic volumes here and distance from other large nodes of commercial, employment, and institutional activity make new commercial development less likely here.

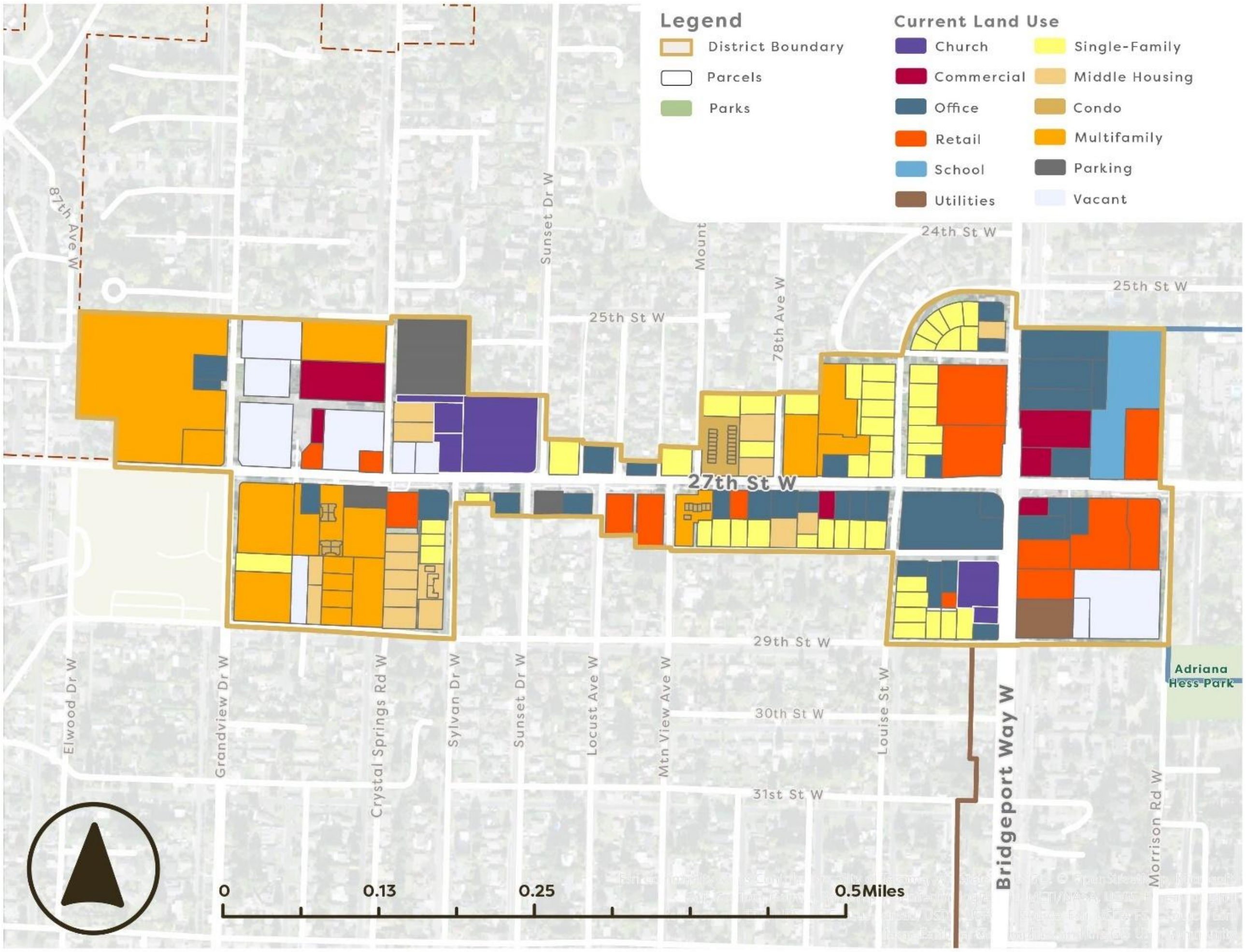
Figure 5. Aerial View of 27th St.

Source: Google Maps

The 27th Street Corridor area in the center of the District is an eclectic mix of retail, office, multifamily, and single-family development. There are numerous small businesses in unique and charming buildings, and overall smaller lots than the intersection areas to the east and west. This area is quite narrow, with the subarea boundary and accompanying zoning extending only one parcel deep from 27th in some areas. There are also fewer lots that are obviously vacant and underutilized. As a result of the narrow width, small parcels, and existing uses, large-scale development is unlikely in this area. Instead, adaptive reuse of existing structures is the most likely future use along this section of the corridor, and some smaller-scale infill housing development is also possible.

Bridgeport Way Node. In the east, there is another node centering on the intersection of Bridgeport Way and 27th. This area is more commercial in character, with retail and office uses clustered around Bridgeport Way and serving as a connection between the District, University Place's Town Center, and other regional destinations. There are numerous established retail uses and national/regional chains (or "credit" tenants) such as Walgreen's. Overall, the high traffic and visibility here indicate that most retail structures will remain in place throughout the next several decades, though tenants within the structures will change. One example is the former Bartell Drugs space, which LCG believes will be rentenanted, and is discussed more below. There are also some a number of buildings that contain smaller-scale professional offices and service providers. While these buildings provide some of the distinctive charm of the area, they tend to be older and of lower value, and are therefore more likely to be redeveloped in the near- or medium-term. There are also several low-value or vacant properties as well, including in the southeast corner of the node. Current land uses from Pierce County Assessor's data are shown below in Figure 6.

Figure 6. Current Land Use in the 27th Street Business District



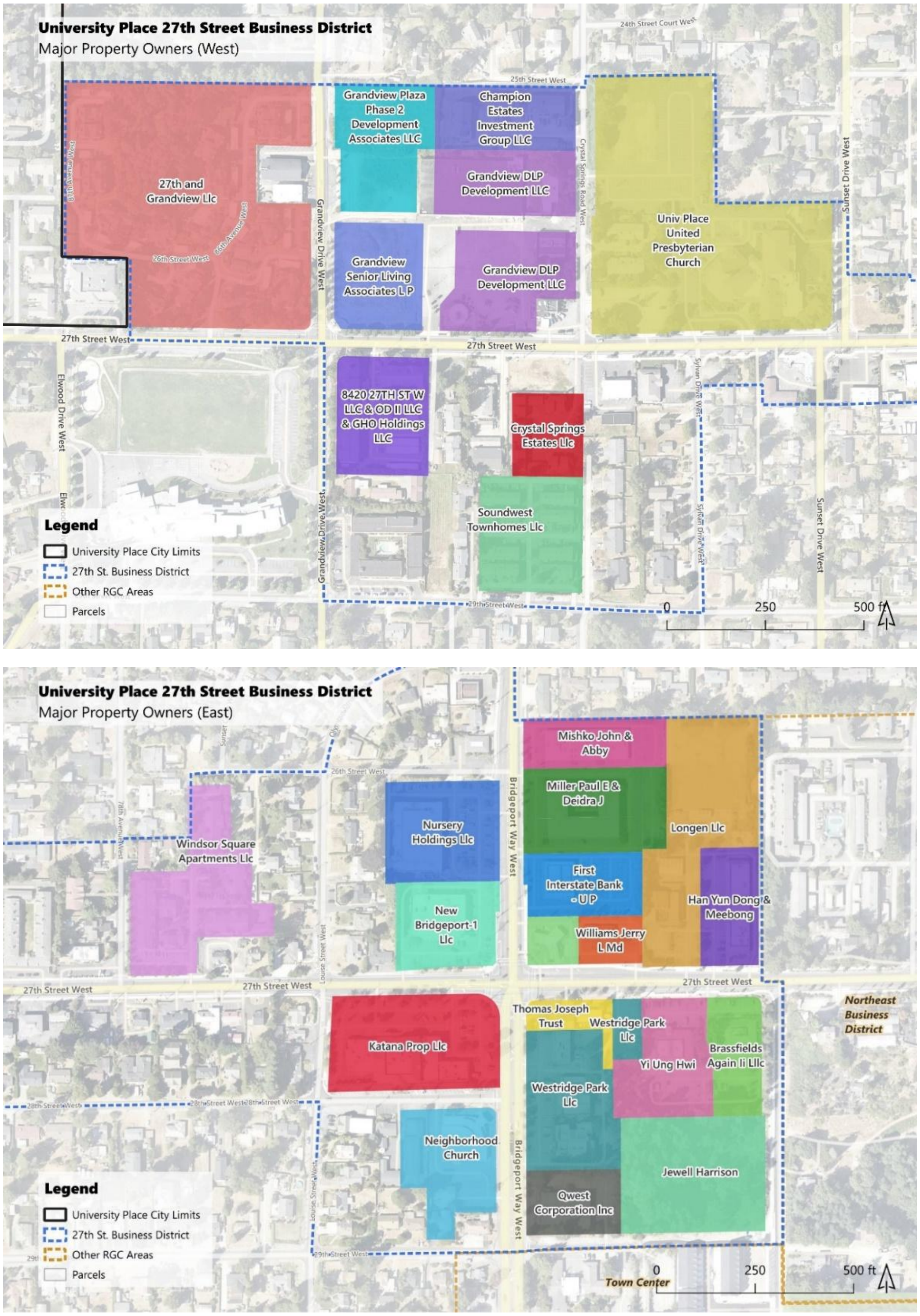
Source: City of University Place, Pierce County, Leland Consulting Group

Property Ownership

Overall, the District has a wide range of property owners from single-family homeowners to large corporations. There are few property owners with notably large parcels or control over large areas. The maps below in Figure 7 show property owners in the eastern and western sections of the District with parcels of substantial size (i.e. larger than a single-family home or single commercial building). In the west, there are several large residential property owners including 27th and Granville LLC, Grand View Estates LLC, Crystal Springs Estates LLC, and Soundwest Townhomes LLC. On the Northeast corner of 27th and Grandview are property owners associated with the large forthcoming developments in that block. The University Place United Presbyterian Church is the largest single landowner in the Subarea, with 4.6 acres of land, at least half of which is comprised of surface parking. In the eastern part of the District, there is a more fragmented property ownership. Several individuals and trusts own commercial centers and buildings, and there are several apartment complexes and a church as well.

From the perspective of redevelopment, more fragmented property ownership presents more challenges to parcel assembly and larger-scale redevelopment. In the eastern part of the subarea, the likely candidate parcels for redevelopment have already been purchased and consolidated and are in the process of being redeveloped, although the large church parking lots may present an opportunity. In the western area, some level of consolidation between LLCs, individuals, and/or large corporations would likely be necessary for site assembly.

Figure 7. Property Ownership in the 27th St. Business District

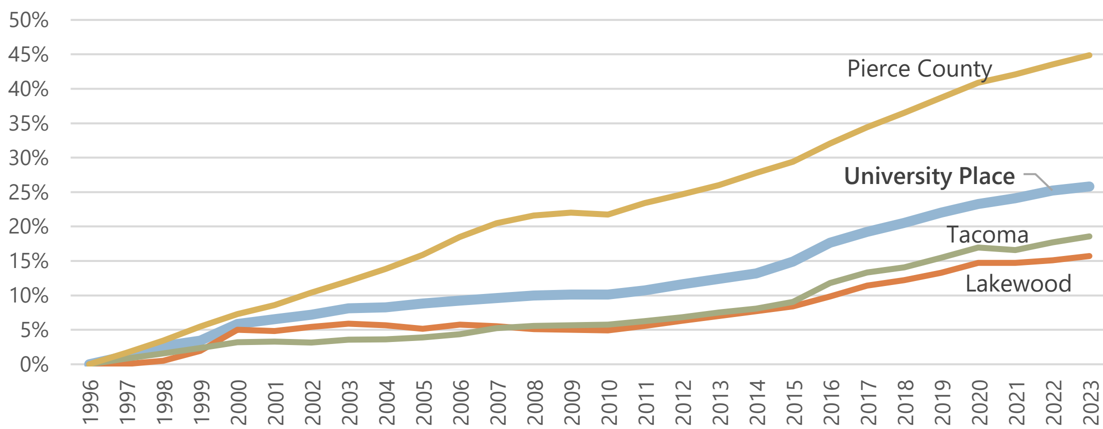


Source: City of University Place, Pierce County, Leland Consulting Group

Population and Demographics

Since incorporation in 1996, University Place has grown by about 25 percent in population. This is a slower rate of growth than that seen in Pierce County overall, but faster than the rate of growth in neighboring Lakewood, as shown below in Figure 8. Tacoma, the largest city in Pierce County, grew considerably more slowly than the county in recent decades, suggesting a trend of increasing population in the more suburban and smaller jurisdictions in the county, such as University Place. This growth in suburban and smaller areas is likely related to the overall regional population increases driven by Seattle's technology and aerospace industries, as well as likely spillover from King County as housing prices have increased in recent years.

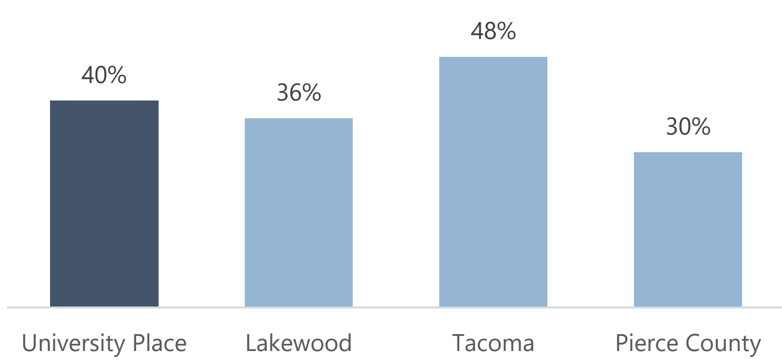
Figure 8. Change in Population in University Place, Lakewood, Tacoma, and Pierce County, 1996-2023



Source: WA Office of Financial Management

Pierce County sets population targets for its cities, as part of the Countywide Planning Policies and the overall Comprehensive Plan update process. These targets are based on countywide population forecasts issued by the state and reflect the amount of growth that each city needs to plan to accommodate over the coming decades. University Place's current population is 34,866 and the city's 2044 population target is 48,758 – an increase of 40 percent. This represents a growth rate of 1.4 percent per year on average, nearly double the 0.8 percent per year rate seen over the past 20 years. This is also a higher rate of growth than that expected countywide, although not as high as the rate of population growth expected in Tacoma, as shown below in Figure 9. Overall, these growth targets represent a reversal of recent trends, with Tacoma expected to absorb a higher share of overall Pierce County growth in the coming decades, compared to the more dispersed growth seen in previous years.

Figure 9. Growth Target Population Increase, 2023-2044

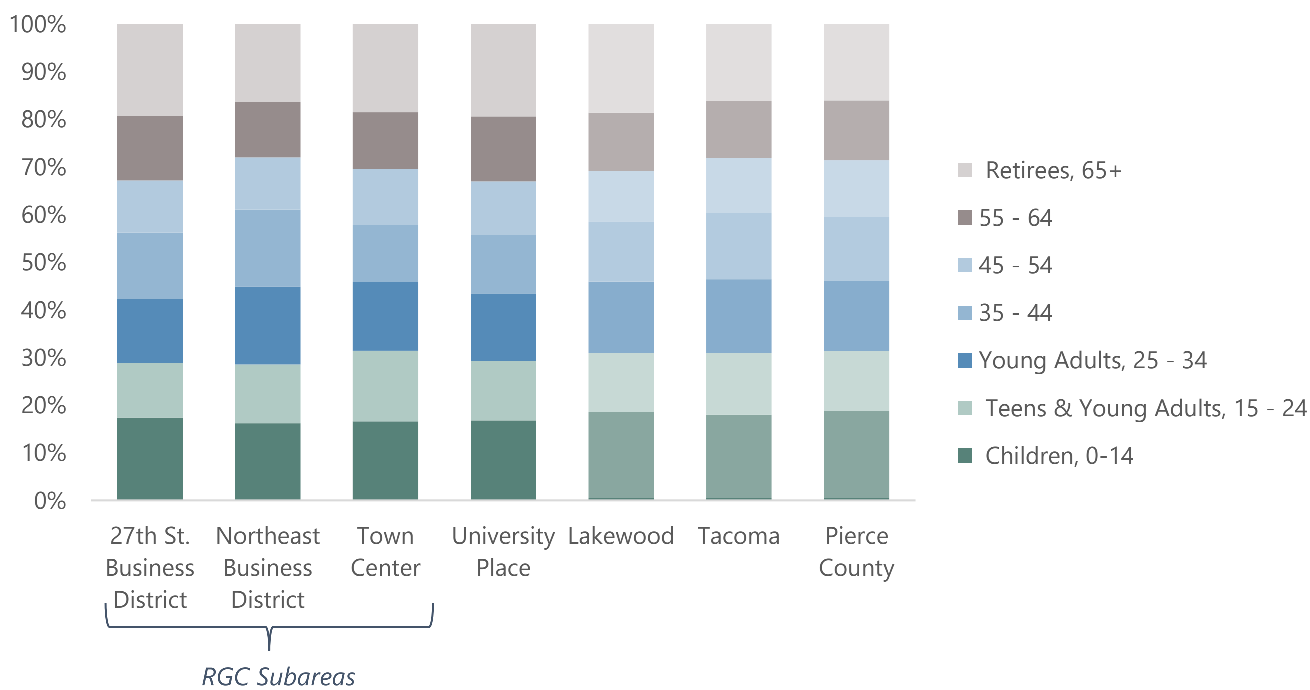


Source: WA Office of Financial Management, Pierce County Countywide Planning Policies

As of 2023, the 27th St. Business District has an estimated 1,301 residents. This is similar to the 1,559 residents of the Northeast Business District but considerably less than the population of the Town Center subarea, at 4,545. The following charts compare the demographics of 27th St. Business District residents to the other two RGC Subareas, to the city, and to comparison geographies.

Residents of the 27th St. Business District are similar in age breakdown to the city as a whole, which skews slightly older than Tacoma and Pierce County, as shown below in Figure 10. Within the RGC Subareas, the NEBD has a slightly younger population, with a higher share of adults aged 25-34 and a smaller share of residents over 65. The slightly larger population of households aged 55+ and 65+ in the study area reflects legacy single family neighborhoods, and supports the trend towards increased senior housing development in the area.

Figure 10. Age in the University Place RGC Subareas and Comparison Geographies, 2023

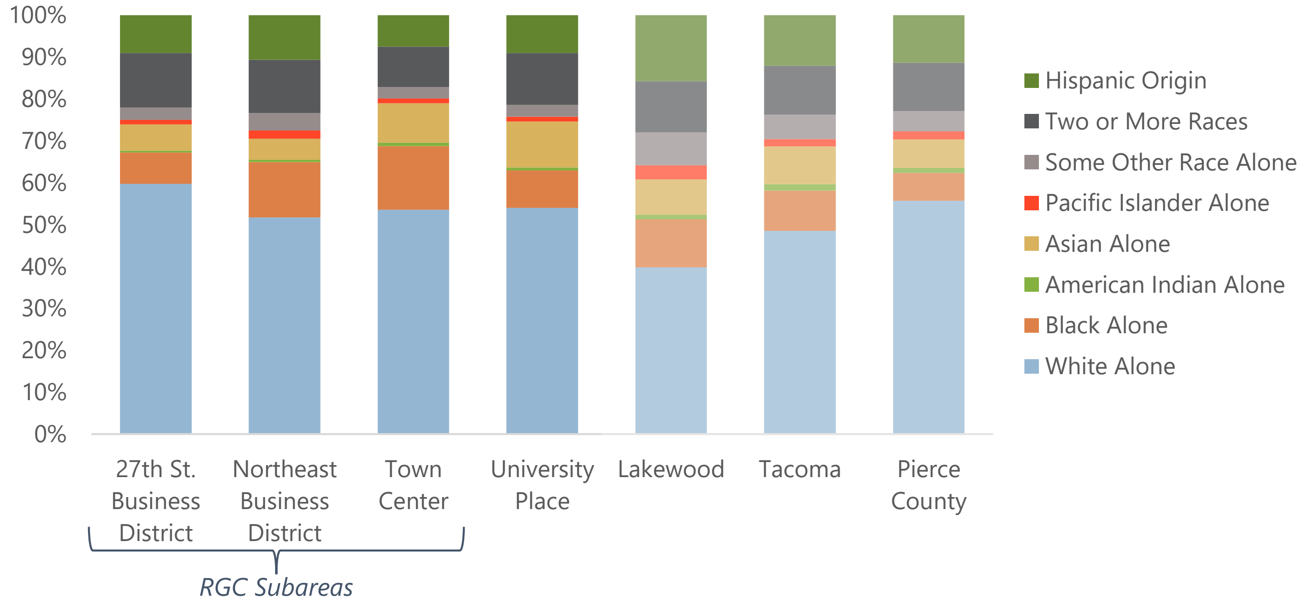


Source: ESRI [2]

Figure 11 below shows that about 65 percent of residents in the 27th St. District are white, a higher share than in the other parts of the RGC and in University Place overall, as shown in Figure 11. The NEBD and Town Center are significantly more diverse, as are the neighboring communities of Lakewood and Tacoma.

[2] Environmental Systems Research Institute (ESRI), a leading provider of Geographic Information Systems (GIS) software and data. ESRI's demographic data is based on the Decennial U.S. Census and yearly estimates are supplemented with additional data from the American Community Survey, U.S. Post Office, and numerous other data sources.

Figure 11. Race & Ethnicity in the University Place RGC Subareas and Comparison Geographies, 2023



Source: ESRI

One way in which the three RGC subareas differ noticeably is in housing tenure. As shown in Figure 12 below, compared with the other RGC subareas, more households in the 27th St. BD are homeowners – which fits with the existing housing stock in the area. On the other hand, most homes in the NEBD and Town Center are rental apartments. However, University Place as a whole has a higher share of homeowners than Lakewood and Tacoma, at 55 percent.

Figure 12. Housing Tenure in the University Place RGC Subareas and Comparison Geographies, 2023

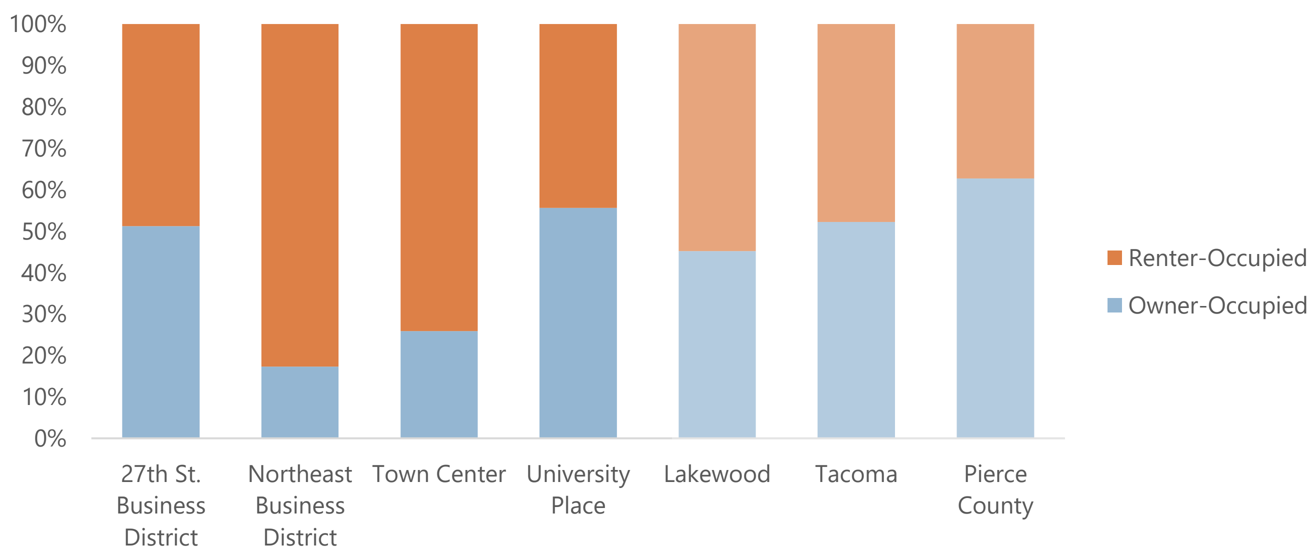
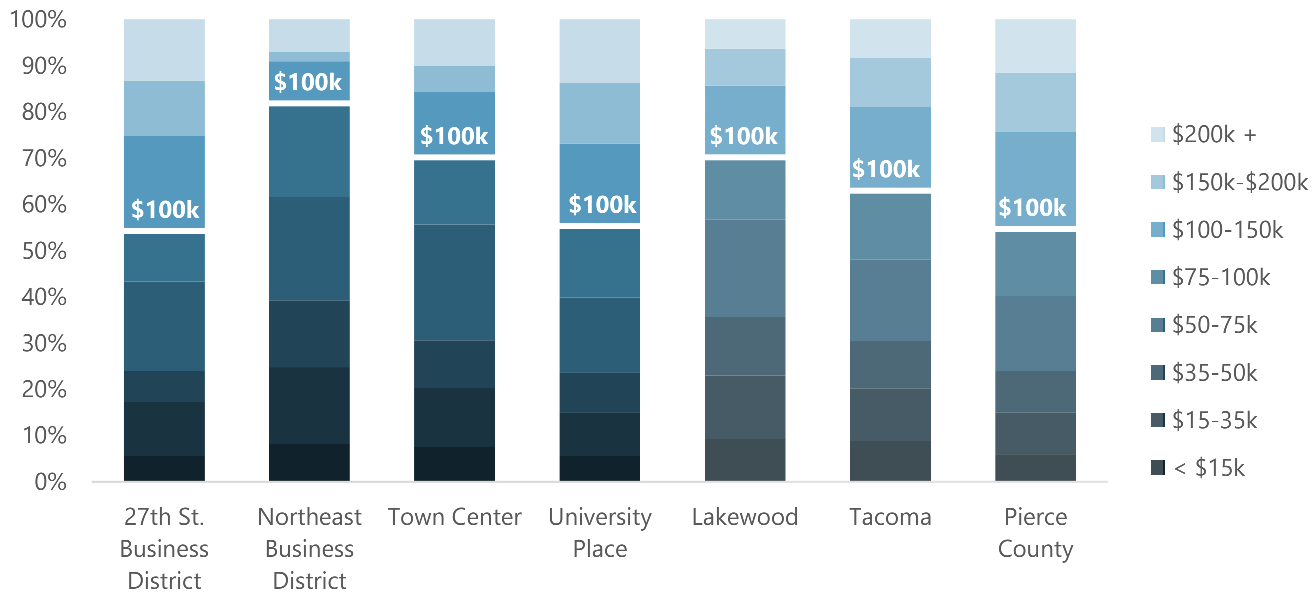


Figure 13 below shows that current residents of the 27th St. District are significantly higher income-earners than in the other RGC subareas, though similar to the University Place population overall. This also fits with the above trends in homeownership since renters tend to have lower household incomes than homeowners. Lakewood and Tacoma have lower shares of residents earning over $100,000 in particular. University Place and Pierce County are broadly similar in income distribution.

Figure 13. Household Income in the University Place RGC Subareas and Comparison Geographies, 2023



Employment

Figure 14 shows the top employment sectors in the 27th Street Business District and comparison areas. Medical, retail, office, and food service are the major sectors in the 27th St. Business District. These trends are shared regionally, with a particularly high share of medical employment in Lakewood. The 27th St. Business District, The 27th St. District has a more specialized employment landscape than the city overall, as would be expected given the mix of small offices, retail, and restaurants along the corridor. The Town Center is broadly similar in employment trends, again given the focus on office and retail in that area, whereas the Northeast Business District has considerably more office employment and fewer amenities. On the whole, the District is similar to the regional employment landscape, focused on medical, retail, office, and service industry jobs.

Figure 14. Employment Sectors in the University Place RGC Subareas and Comparison Geographies, 2023

	27th St. Business District	Northeast Business District	Town Center	University Place	Lakewood	Tacoma	Pierce County
Total Jobs	**632**	**1,064**	**2,014**	**5,958**	**28,695**	**112,494**	**306,958**
Medical	32.1%	10.9%	22.1%	19.5%	33.6%	27.7%	19.0%
Retail	19.0%	7.1%	24.9%	17.6%	11.9%	10.6%	12.8%
Office Services	16.3%	33.7%	18.6%	17.5%	8.4%	19.1%	16.8%
Accommodation and Food	12.7%	18.6%	13.4%	9.1%	9.0%	6.2%	7.7%
Other Services	7.8%	7.0%	3.4%	4.2%	2.8%	2.8%	3.1%
Education	5.7%	2.3%	0.1%	13.9%	11.3%	5.7%	8.5%
Construction	3.0%	6.8%	1.9%	5.9%	5.9%	3.4%	8.0%
Arts / Entertainment	2.2%	5.6%	0.9%	3.8%	2.4%	1.4%	2.2%
Wholesale	0.8%	7.0%	0.4%	1.9%	3.9%	3.1%	4.4%
Transportation / Warehousing	0.3%	0.7%	0.3%	0.8%	6.1%	4.8%	6.7%
Manufacturing	0.2%	0.4%	1.7%	0.9%	3.3%	4.9%	5.3%
Public Administration	0.0%	0.0%	12.1%	5.0%	1.2%	9.7%	4.8%
Utilities	0.0%	0.0%	0.0%	0.0%	0.3%	0.2%	0.2%

Source: Urban Footprint, Longitudinal Employment Household Dynamics (LEHD) via Census OnTheMap

Key Takeaways

- The 27th Street Business District ("the District") is more similar to University Place as a whole than it is to the other parts of the Regional Growth Center (RGC), such as the Town Center.
- Residents of the District are more likely to be white, better-educated, and older homeowners when compared with the NE Business District and Town Center areas.
- This fits with the differing development patterns in the three subareas – the Town Center TC and NE Business District contain significantly more higher-density apartments whereas the 27th street district contains single-family homes, condos, senior living, and higher-end apartments.
- The more neighborhood and suburban feel of the District may point to different redevelopment types and opportunities when compared with the other RGC Subareas.
- There are far fewer jobs in the District than in the NE Business District and Town Center. The jobs in the District are in the medical, retail, office, and food service sectors, similar to University Place and the region as a whole.

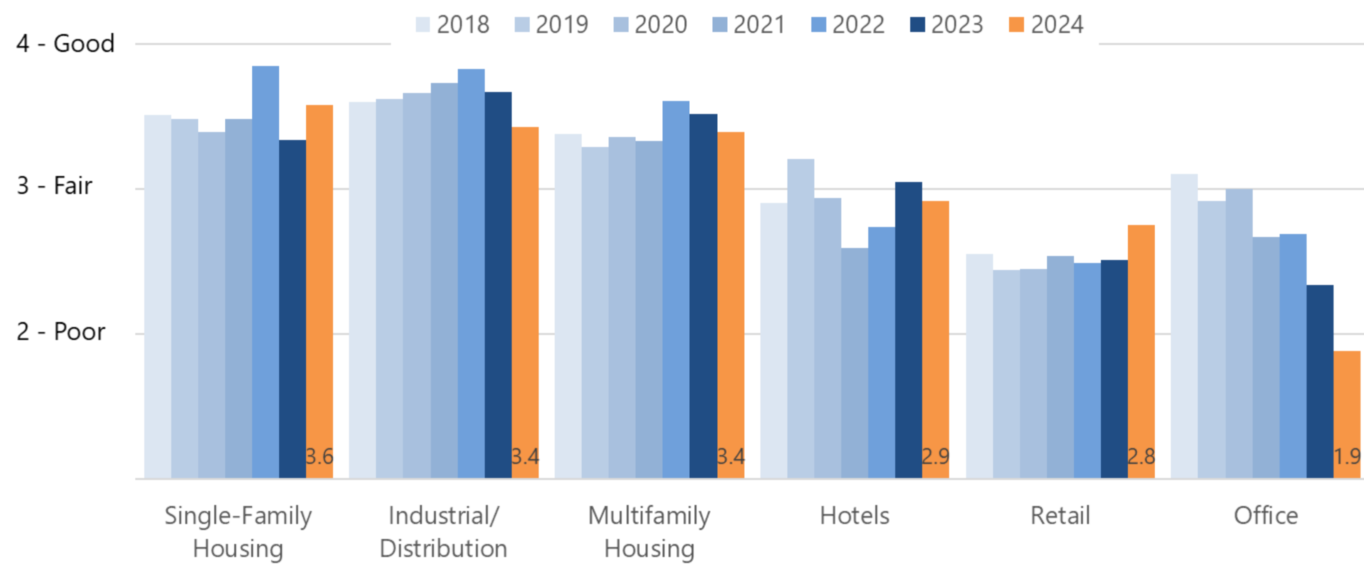
National and Regional Trends

National Development Prospects by Land Use Type

Figure 15 below shows how real estate developers and other industry professionals associated with the Urban Land Institute (ULI) evaluate the desirability of development of various property types nationwide between 2018 and 2024. ULI is the leading national professional association for real estate developers and land use professionals.. While this chart reflects national sentiment, LCG believes that it is a good starting point from which to understand the development context in University Place. Several takeaways from Figure 15 are:

- **Single family housing, industrial/distribution, and multifamily housing** are good development prospects and are the types of development that developers are most interested in building in the near future. Demand for distribution and industrial space is being driven by increasing online shopping and fulfillment, and the "onshoring" of industrial facilities by companies seeking to decrease their dependence on long, overseas supply chains. Multifamily and single-family housing continues to be in demand, because it has been underbuilt for many decades, while the country's population continues to grow. Developers need to continue to build housing in order to catch up to demand.
- **Hotels** are seen as a "fair" development prospect. Developer interest in building new hotels dipped in 2021 and 2022, while personal and business travel was significantly curtailed during the COVID 19 pandemic, but has bounced back as virtually all personal travel and a significant share of business travel has returned.

Figure 15: National Development Prospects by Property Type, 2018-2024



Source: Urban Land Institute Emerging Trends in Real Estate 2024.

- After many years as a "poor" development prospect, **Retail** is once again seen as a fair prospect, largely because so little retail space has been built in the country over the last two decades. While retail has been struggling against the perception that a large share of shopping is moving online, bricks and mortar remains extremely relevant and is now seen as an important complement to online shopping, as shoppers buy online, pick up in store (BOPIS) and manage returns through stores. Nonetheless, new, ground-up retail development only takes place in certain locations, particularly those with high visibility from major transit or transportation routes, and relatively low-cost land.

- New **Office** development is seen as a poor development prospect, since a large share of employees are now working from home (25 to 35%, depending on the industry and location). Therefore vacancies are higher for office spaces, rents are generally lower, and the existing stock of office space will probably be adequate for many years in most locations. Figure 15 shows that developer interest in building new office space has declined precipitously over the past seven years.

Even prior to the pandemic, the demand for industrial space was growing due to the need for warehouses closer to urban centers to solve the "last mile" problem of delivery-based retail. A recent study by commercial real estate brokerage Cushman & Wakefield found that **e-commerce grew by 31.8 percent in 2020 and 14.6 percent in 2021, and now accounts for 19.1 percent of core retail sales**. E-commerce fulfillment is more space-intensive than traditional warehousing, and transportation makes up more than half of total logistics costs, showing the connection between the two industries as well as the need for more warehousing space near city centers.[3]

Another factor that has significantly influenced development in the past several years and will continue to be an important factor in the near future is the significant rise in interest rates since 2022. The chart below in Figure 16 shows the Federal Funds Rate, which influences a variety of interest rates including rates charged by banks to developers, since 2007. The Federal Reserve increased the funds rate during 2015-2019 to around 2.5 percent, having kept the rate very low since the 2008 recession. Rates were then steeply cut again during the COVID-19 pandemic to help stimulate the economy, but a subsequent rapid rise in inflation caused the Federal Reserve to sharply increase rates to slow inflation and the economy. This steep increase has put many new development prospects on hold, as it has greatly and rapidly increased the financing and total cost of new development. As indicated by the chart, interest rates may decrease in the next few years, which would help stimulate or restart new or postponed projects. In summary, LCG expects that new real estate development in the next few years will be relatively slow compared to the past decade. After interest rates decrease, the pace of development will increase again.

Figure 16. Federal Funds Rate, 2007-2025 (Projected)

Source: Statista

[3] Cushman & Wakefield. "What Do Recent E-commerce Trends Mean for Industrial Real Estate?" March 14, 2022. https://www.cushmanwakefield.com/en/united-states/insights/us-articles/what-do-recent-ecommerce-trends-mean-for-industrial-real-estate

Recent Washington Legislative Changes

In recent years, the Washington State Legislature passed a number of bills which significantly impact housing density and have the potential to influence the future development patters in and around the 27th Street Business District:

Middle Housing

HB 1110, passed in 2023, is now codified in RCW 36.70A.635 through RCW 36.70A.638. This bill requires that cities allow various types of Middle Housing in formerly single-family residential zones. Middle Housing is defined as "buildings that are compatible in scale, form, and character with single-family houses and contain two or more attached, stacked, or clustered homes including duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing."[4]

University Place is a "Tier 2" city with a population between 25,000 and 75,000 in 2020 (officially 35,580 according to the Washington Office of Financial Management). On all formerly single-family residential lots, tier 2 cities must now allow:

1. **Two units per lot**, unless zoning permitting higher densities or intensities applies.
2. **Four units per lot** on all lots within one-quarter mile walking distance of a major **transit** stop, unless zoning permitting higher densities or intensities applies.
3. **Four units per lot** if at least one unit on the lot is **affordable housing** affordable to rental households earning 60 percent Area Median Income (AMI) or below, or ownership households earning 80 percent AMI or below, for at least 50 years, and with deed restrictions ensuring continued affordability for ownership units.

These code changes must be adopted by the city within six months of the adoption of the next comprehensive plan update. In the case of University Place, this will be June of 2025.

As discussed further below, the land within the 27th Street Business District is already zoned for higher density than single-family residential, even though there are currently a number of existing single-family residential uses in the area. However, this new legislation has the potential to increase densities in the adjacent neighborhoods, potentially increasing residents within walking distance of the businesses along the corridor.

ADUs

HB 1337, also passed in 2023, is now codified in RCW 36.70A.680 through RCW 36.70A.699. It requires that all cities in Washington allow two Accessory Dwelling Units (ADUs) on every lot in a zone that allows single-family homes. The two ADUs can be detached or attached. ADUs cannot have owner-occupancy requirements, cannot be regulated more stringently than single-family homes, and cities cannot require additional parking for ADUs near transit.

In University Place, one ADU per lot has already been allowed for several years, per UPMC 19.70.010. The new law increases the allowed quantity of ADUs and removes some restrictions on size. As with the Middle Housing legislation, the new requirements do not significantly change the potential development patterns within the Subarea, but again provide for the potential of increased density in the surrounding neighborhood.

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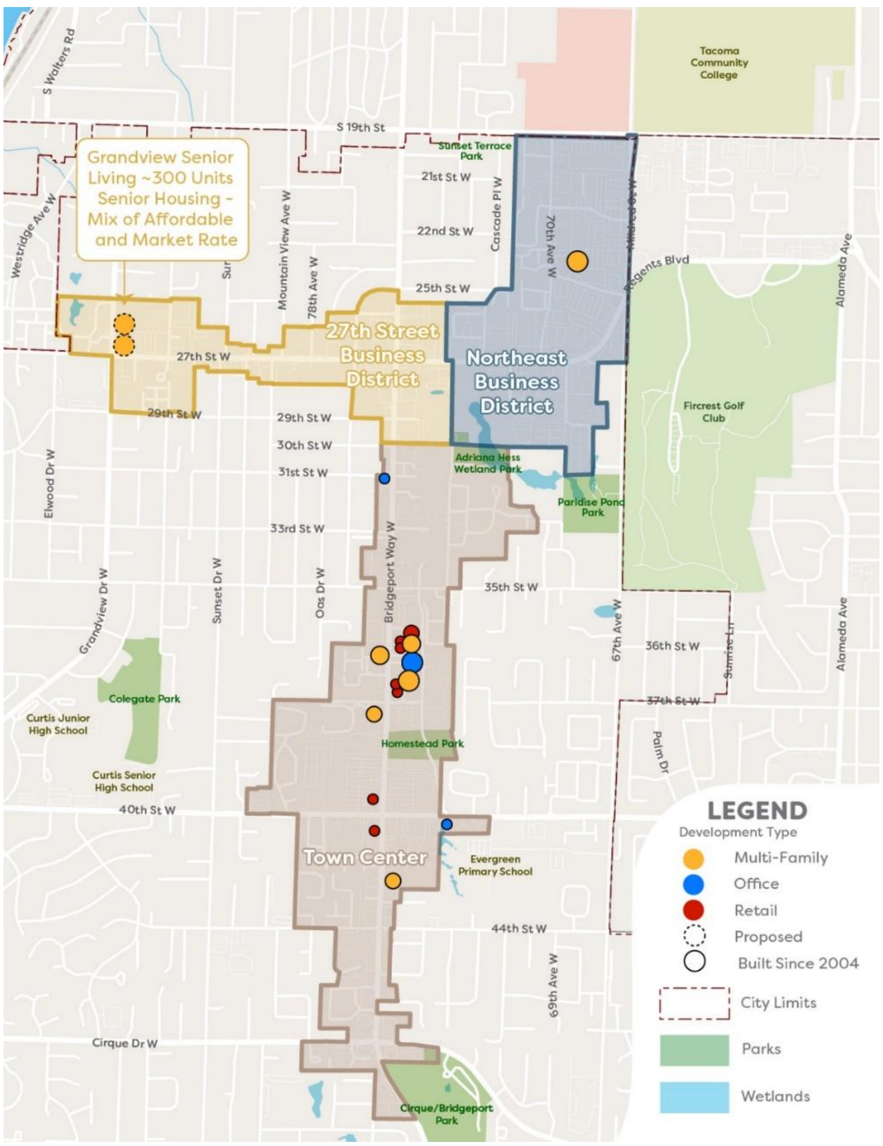
[4] Washington State Department of Commerce. "Tier 1 and 2 Cities Middle Housing Model Ordinance," January 2024. https://deptofcommerce.app.box.com/file/1423032554320?s=2l4yetpanyztkjbpumdfdadghh2rfag7

Real Estate Analysis

Recent and Planned Development

Figure 17 below shows commercial and multifamily development in the past 20 years and pipeline development in University Place, with pipeline developments (proposed or under construction) shown with a dashed outline. Overall, this shows that the Regional Growth Center is achieving its desired role as an area of focused new growth in the city. Within the RGC, the vast majority of development in the past 20 years has been in the Town Center, with the recent Alta Narrows project now nearing completion in the Northeast Business District representing the only new development in that subarea. In the 27th St. District, there has not been any commercial development in recent decades, but there are several large senior housing projects proposed which will add around 300 units to the area and will be a mix of market-rate and affordable units.

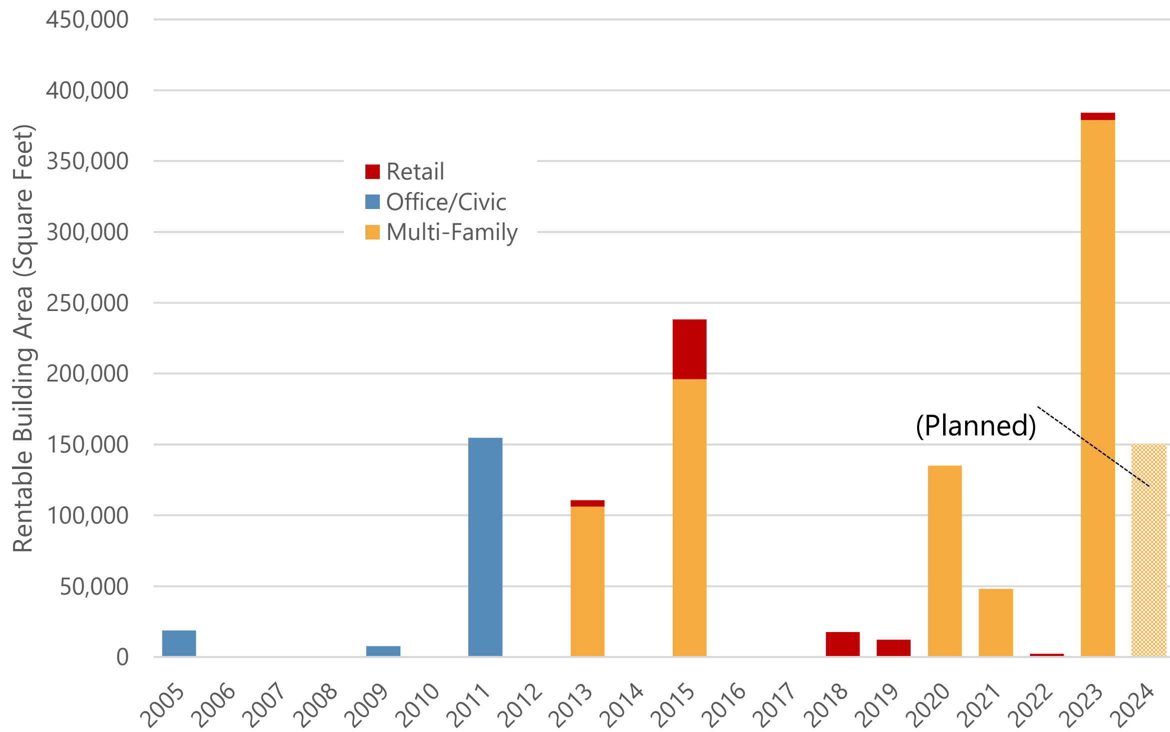
Figure 17. Commercial and Multifamily Development in University Place, 2004-2024 (and Proposed)



Source: CoStar, Leland Consulting Group

The chart below shows this development data chronologically. There has been a noticeable shift towards multifamily development in the past decade, as shown in Figure 18. This matches regional trends, which have seen a large uptick in multifamily development given the Seattle metro area's significant rise in population and employment in recent decades. A significant share of the office/civic development shown below reflects the construction of the City's combined Library, City Hall, and Police Department in 2011.

Figure 18. Square Feet of Commercial Development in the U.P. Regional Growth Center, 2005-2024



Source: CoStar

MU-U75 Zone

The photos below show recent and planned development in the MU-U75 zone of the Regional Growth Center This zone. The renderings for the proposed Grandview Senior Living projects in the eastern part of the study area show a significant increase in intensity from the current uses in that area. Also shown are the Larson Apartments, built in the Town Center in 2021. This is the most ambitious market rate project built in University Place recently, and although the zoning is similar, this level of density is more likely to be seen in the Town Center or NEBD subareas, rather than the 27th St. District in the near term.

Figure 19. Proposed Grandview Senior Living Rendering (MU-U75 Portion)

Source: City of University Place

Figure 20. Larson Apartments (2021)

Source: CoStar

MU-N45 Zone

The Alta Narrows project is nearing completion in the Northeast Business District. Although this project is in the MU-U110 zone, its form and density would be allowed in the MU-N45 and it represents the type of residential project which could be built in the MU-N45. This project replaced a former movie theater in the area and will contain 272 units at a density of 60 units per acre. This represents one potential level of density and typology that could be potentially seen in the MU-N45 areas of the 27th Street District, and is shown below in Figure 21. The Grandview Senior Living development spans both the MU-N45 and MU-U75 zones, with a four-story building proposed for the northern portion of the project adjacent to the R1 area. A rendering of this proposed building is also shown below. Finally, the Townhomes at University Place is a project that includes 34 rental townhomes, located just south of the study area in the MU-N45 zone, near 29th Street SW, between Bridgeport Way and Morrison Road W. The project appears to be in the finishing stages of construction, with completion expected in 2024. The site size is about 1.8 acres, for a density of about 19 units per acre.

Figure 21. Recent and Proposed Development in the MU-U45

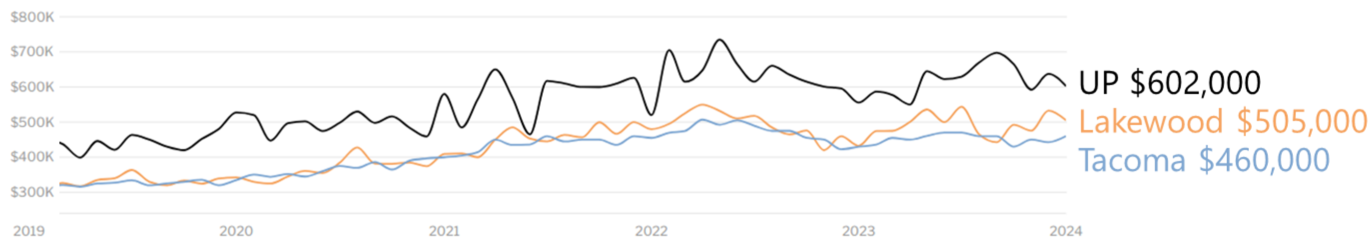
Source: City of University Place, Google

Housing

Single Family Housing & Middle Housing

Overall, home sales prices in University Place have risen from the mid $400,000s to over $600,000 since 2019. The city is a desirable and higher-cost market for single-family homes, when compared with neighboring cities, as shown below in Figure 22, with home prices in University Place averaging about $100,000 to $140,000 more above average home prices in Lakewood and Tacoma, respectively. Sales prices in University Place have continued to rise despite higher interest rates in the past two years, with an 8.5 percent increase in home prices seen between 2023 and 2024.

Figure 22. Median Home Sale Price, University Place, Lakewood, and Tacoma, 2000 to 2024



Source: Redfin, Leland Consulting Group.

Figure 23 shows average home sales data for the past year in University Place, broken down by home type. According to home sale web site Redfin, over 200 single-family homes sold in the past year, with an average price of $750,000 – considerably more expensive than the average condo or townhome sales price.

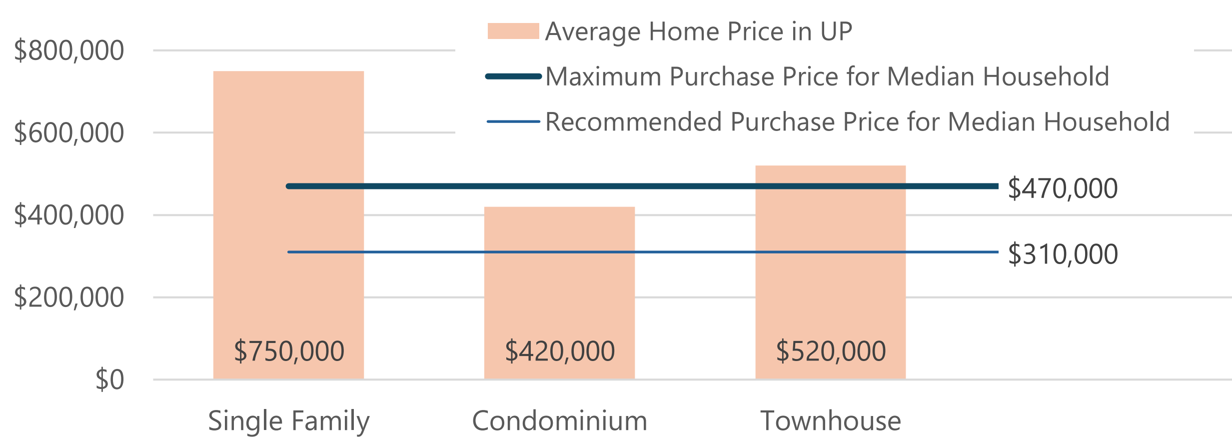
Figure 23. Homes Sold in University Place, March 2022 to March 2024

Home Type	Number of Sales	Year Built	Home Size (SF)	Lot Size (SF)	Price
Single Family	233	1967	2,300	11,800	$750,000
Condominium	36	1983	1,400	4,600	$420,000
Townhouse	14	1991	1,700	3,700	$520,000

Source: Redfin, Leland Consulting Group.

As home prices increase, housing becomes further out of reach for most households. As shown below in Figure 24, the median household in University Place may be able to stretch to afford the average condo or townhome, but cannot afford the average single-family home. (Maximum and recommended purchase prices will vary over time depending on interest rates, household income and debt levels, and many other factors.) As shown by this data, providing more "middle housing" options such as duplexes, fourplexes, and townhomes is one way to create more housing for typical households in the city. The Townhomes at University Place shown above in Figure 21 represent one example of the type of middle housing that could develop in the subarea.

Figure 24. Average University Place Home Price vs. Affordable Home Price

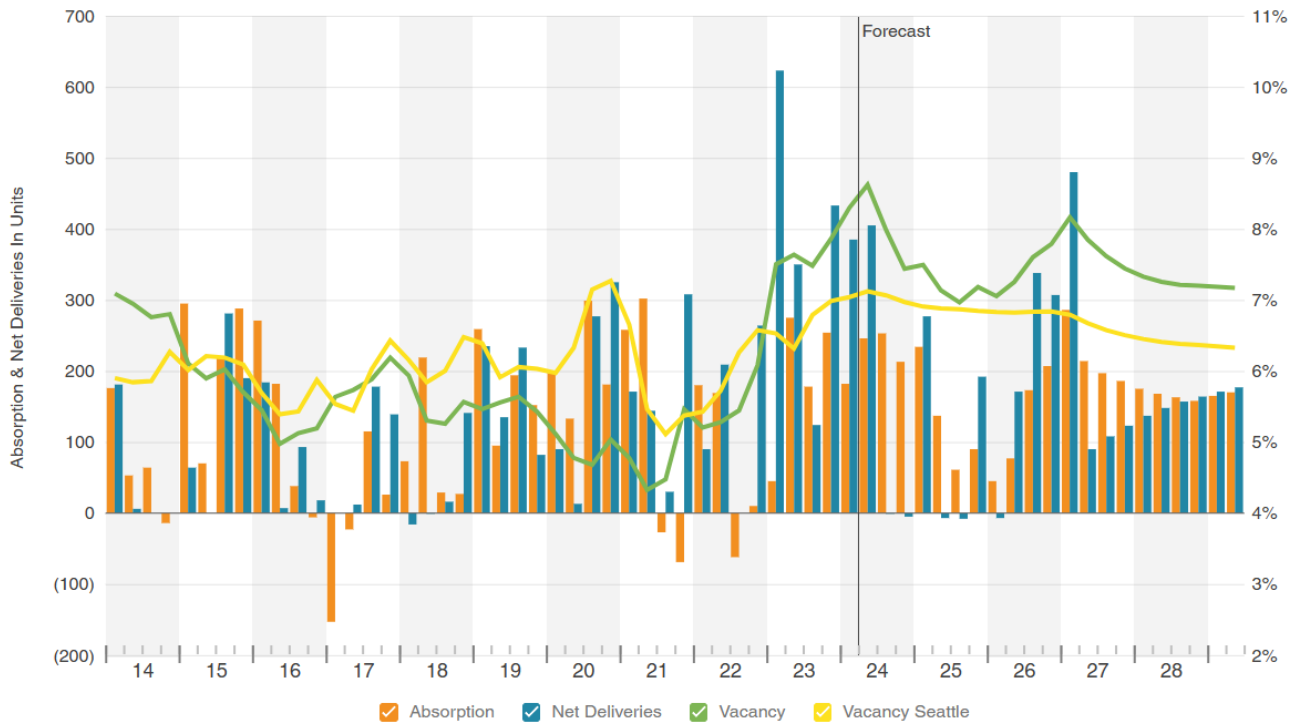


Source: Redfin, Bankrate, Leland Consulting Group.

Multifamily Housing

Multifamily housing has been the predominant form of commercial real estate development in the Puget Sound area overall in recent decades, as discussed above under "National and Regional Trends." Figure 25 below shows relevant statistics and CoStar's forecast for vacancy, construction (deliveries), and absorption of multifamily development in the Tacoma submarket, which includes University Place. There has been a significant uptick in multifamily construction in the past few years, as population growth continues and high housing prices in the greater Seattle area drive residents to more moderate-cost submarkets such as the Tacoma area. Although development ("net deliveries") is expected to slow in the short-term, the robust economy in the Puget Sound area as well as the potential for a mitigation of the high interest rates seen recently are likely to continue to spur demand for new multifamily construction in the medium-term, as shown in CoStar's forecast below.

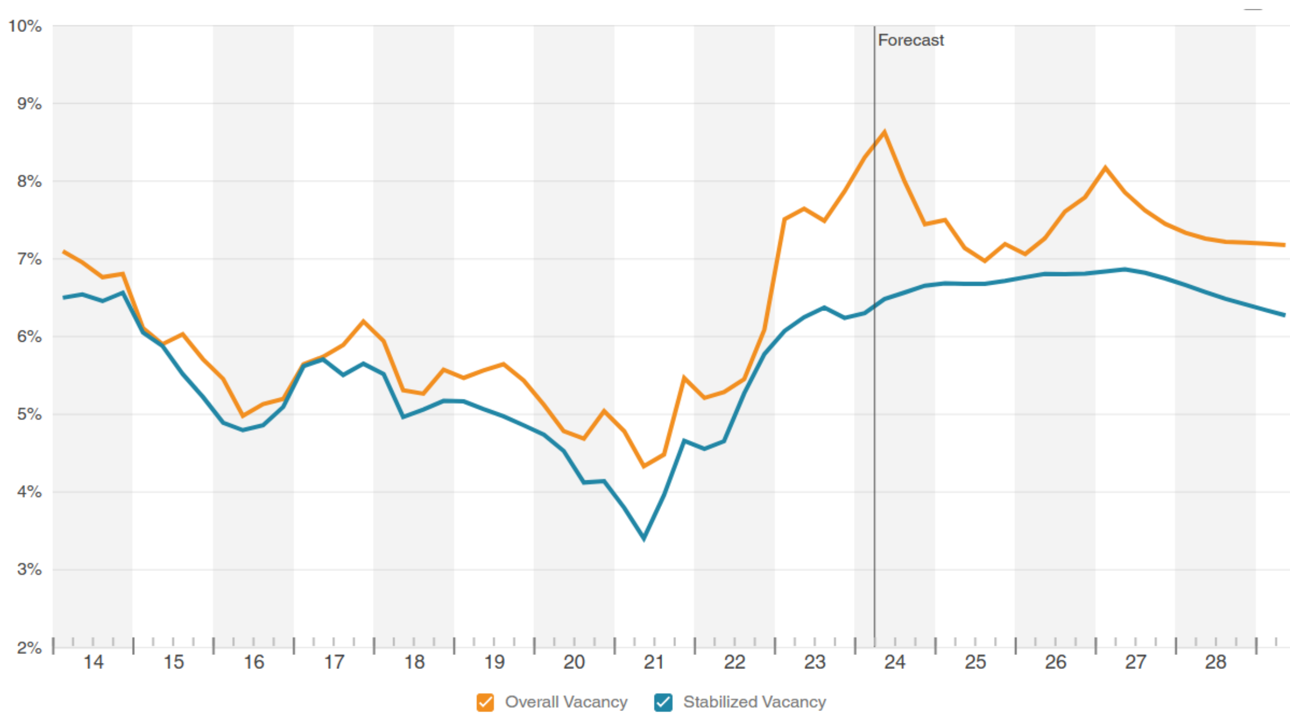
Figure 25. Absorption, Net Deliveries & Vacancy in the Tacoma Multifamily Submarket, 2014-2028 (forecast)



Source: CoStar

Figure 26 below shows historic and forecast multifamily vacancy rates in the Tacoma submarket. From a low of 3.4 percent in 2021, vacancy has increased significantly as result of the large amounts of construction in the area. The blue line represents stabilized vacancy, which takes into account vacancies caused by new construction, and is currently estimated around 6.5 percent. This is a vacancy rate generally considered healthy for a multifamily market, demonstrating enough demand for development while balancing adequate choice of potential units. CoStar forecasts this vacancy rate to remain relatively consistent in future years, mostly due to the large amount of current and expected future construction shown above.

Figure 26. Overall and Stabilized Vacancy in the Tacoma Multifamily Submarket, 2014-2028 (forecast)



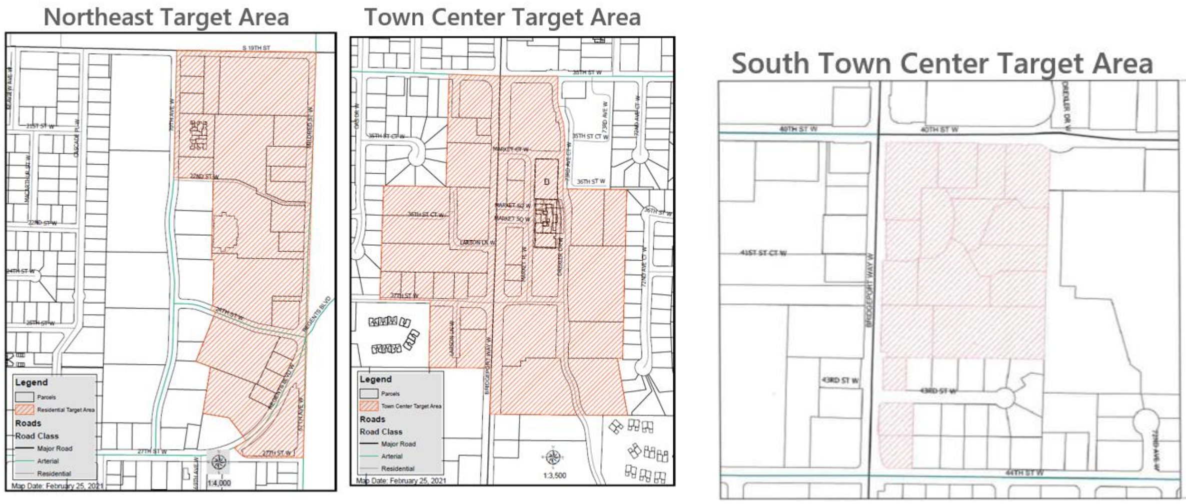
Source: CoStar

Multifamily Tax Exemption (MFTE)

University place currently has a Multifamily Tax Exemption (MFTE) program in parts of the Town Center and Northeast Business District, as shown in the maps below. The current program offers an 8-year partial tax waiver for projects with at least 10 new units and 24,000 square feet of living space, and at least 50% of the space for permanent residential occupancy. The MFTE program has been effective in generating multifamily development throughout Washington, and the city could consider modifying the program by expanding it to include the 27th St. District to incentivize further multifamily development in the area if desired. The 8-year program is flexible and can be adapted by cities to meet local planning goals. For example, the program can be made available to multifamily projects located in specific areas, or with specific features such those that have an adaptive reuse, commercial ground floor, or specific design features.

The State also allows cities to adopt a [12-year MFTE program](), which is targeted towards rental projects that include some moderate-income housing (between 80% and 115% of area median income), and a 20-year MFTE program, which is targeted towards affordable homeownership. Neither the 12- nor 20-year MFTE programs have been adopted in University Place.

Figure 27. Multifamily Tax Exemption Target Areas in University Place, 2024



Source: City of University Place Zoning Code

Retail

Regional Retail Trends

Overall, the greater Seattle area retail market has bounced back from the pandemic relatively well, as consumers have returned to shopping and dining in recent years. While online shopping grows in some sectors, demand for local goods and services at brick-and-mortar establishments continues to thrive. For example, online sales have not diminished sales at grocery stores, salons, healthcare, and fitness, all of which take place in person. Most retailers have found that the online delivery process can be more expensive than occupying real estate, and retailers have found that there are synergies between online and brick-and-mortar retail, for example, via BOPIS (buy online, pickup in store), returns, and marketing synergy.

Following national trends, the retail market in suburban areas of the Seattle region has been more robust than in downtown Seattle itself, as fewer workers have returned to downtown offices and work-from home trends have stimulated demand for retail and services in suburban areas. In the fourth quarter of 2023, retail vacancy rates in downtown Seattle were reported at as high as 13 percent by Kidder Matthews, compared to retail vacancy rates in suburban areas between 2 and 4 percent. As shown below in Figure 28, Pierce County overall is seeing a high demand for retail space, with a vacancy rate lower than most other PSRC counties.

Figure 28. Retail Vacancy Rates by County, 2023

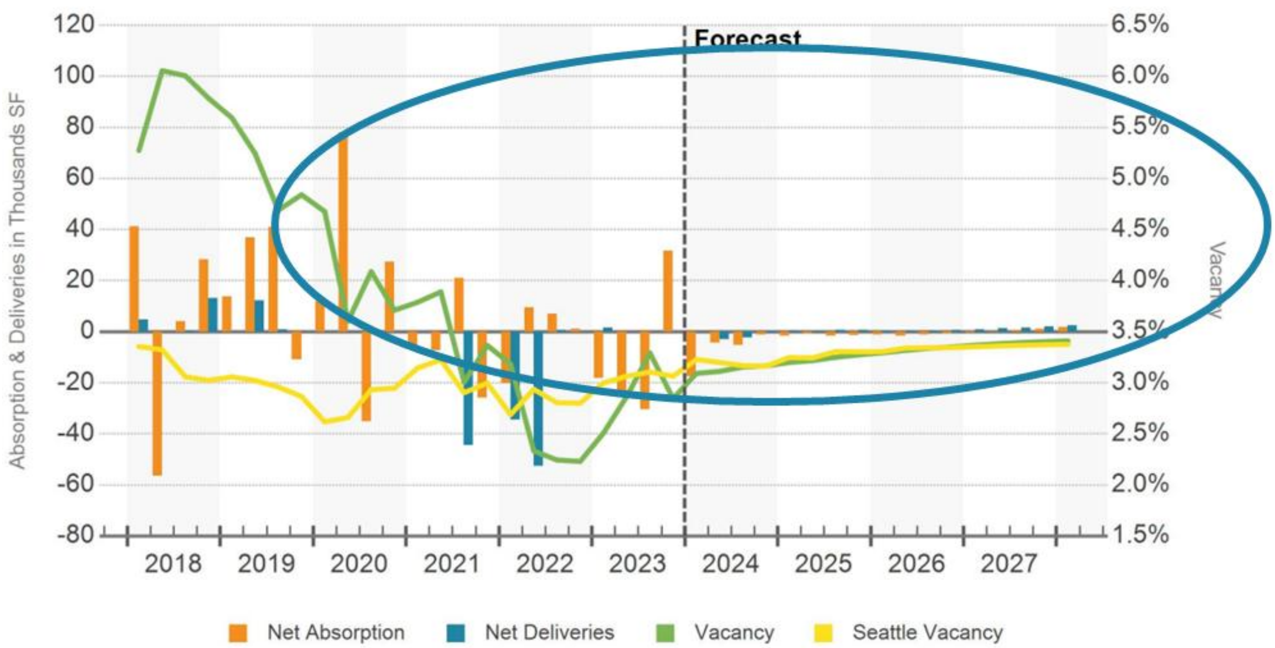
County	Retail Vacancy Rate
King	3.3 %
Kitsap	2.7 %
Pierce	**2.6 %**
Snohomish	2.7 %
Thurston	2.0 %
Total	2.9 %

Source: Kidder Matthews 4Q2023 Seattle Retail Market Trends Report

University Place Retail Trends

In the University Place-Lakewood retail submarket, there have been no new retail projects built since 2020, and none are expected through 2027, as shown below in Figure 29. Vacancy rates for retail are slightly higher than the Pierce County average shown above, but at about 3 percent, are still showing a significant demand, and CoStar forecasts the vacancy rate to remain low in the short- and mid-term.

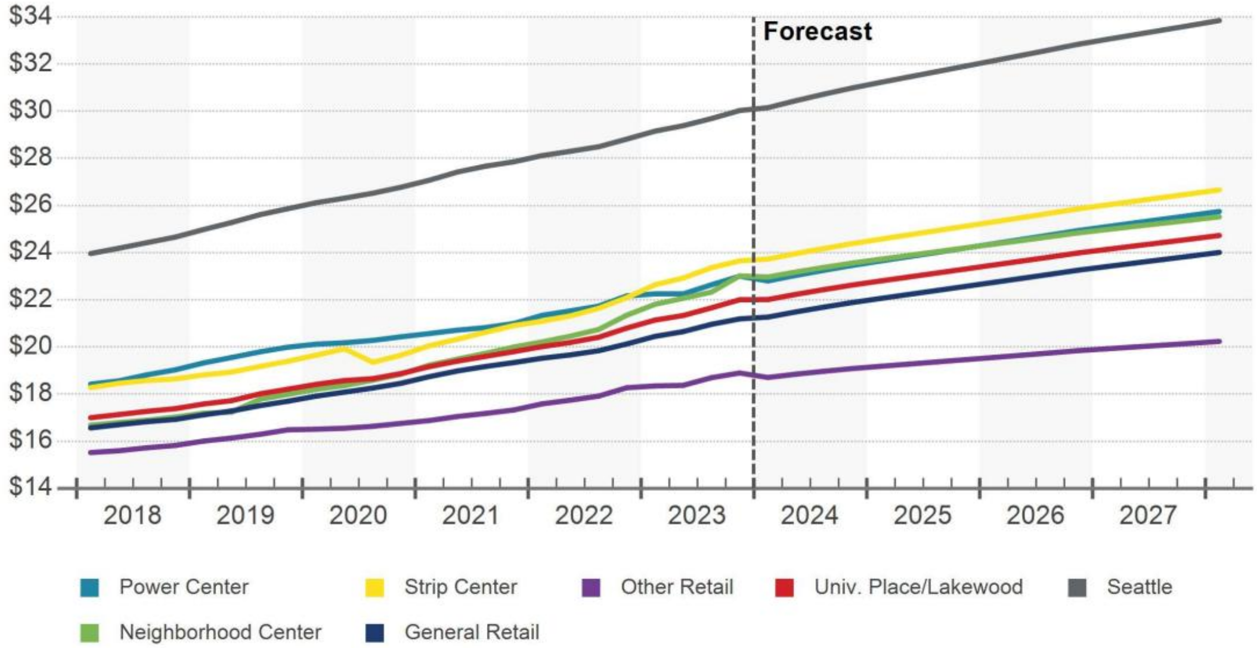
Figure 29. Absorption, Deliveries (Construction), and Vacancy in the University Place-Lakewood Retail Submarket, 2018-2027 (forecast)



Source: CoStar

Rents for retail space have been increasing in recent years and are currently around $22 per square foot, a 5 percent increase between 2022 and 2024. As shown below in Figure 30, the trend of increasing rents is forecast to continue, particularly given the lack of expected construction and forecast continued demand for retail in the region. However, as shown, the current rents are far below Seattle's average retail rents of around $30 per square foot, and are likely too low to stimulate new development of retail real estate in the near future.

Figure 30. Asking Rent Per Square Foot for Retail Space in the University Place-Lakewood Submarket, 2018-2027 (forecast)



Source: CoStar

27th Street Retail Considerations

In the 27th St. District, the Bartell Drugs formerly located on Bridgeport Way and 27th closed recently. This represented a notable retail loss in a prominent location, and appears to have been precipitated by RiteAid's acquisition of Bartells in 2020. Rite Aid filed for bankruptcy in October 2023, closing 154 stores across the U.S. including numerous stores across the Seattle region. Currently, the nearest RiteAid stores are at the NW corner of 19th and Mildred, about 1.1 miles from the former Bartell's on 27th, and in the Green Firs Shopping Center at Bridgeport and 40th, about 0.9 miles away. Despite the current vacancy of this prominent retail location in the District, the market data discussed above suggests that the former Bartell's is likely to see a new tenant in the relatively near future, given the regional demand for retail space.

One distinctive and charming feature of the 27th St. Business District is its small-scale commercial establishments, such as the Prestige Center and the Pine Cone Café, shown below. These local businesses help bring a unique character to the area and are well-liked in the community. One potential option for the city to explore could be a façade improvement or building improvement grant program. Such programs have been used throughout the Pacific Northwest to provide capital to property owners and businesses to evaluate, design, renovate, enhance, reuse, and adapt their properties. LCG recommends that University Place consider such a program as one of the tools in the redevelopment and revitalization of the District. In LCG's view, such programs are a best practice for community's looking to maintain or enhance the vitality of mixed-use centers and corridors. The programs can encourage property owners to invest in and explore more creative uses for their properties that enable more vibrant businesses, attract more shoppers and dinners, and set examples for other nearby property owners. Several example programs from Washington and Oregon cities are discussed in Appendix A.

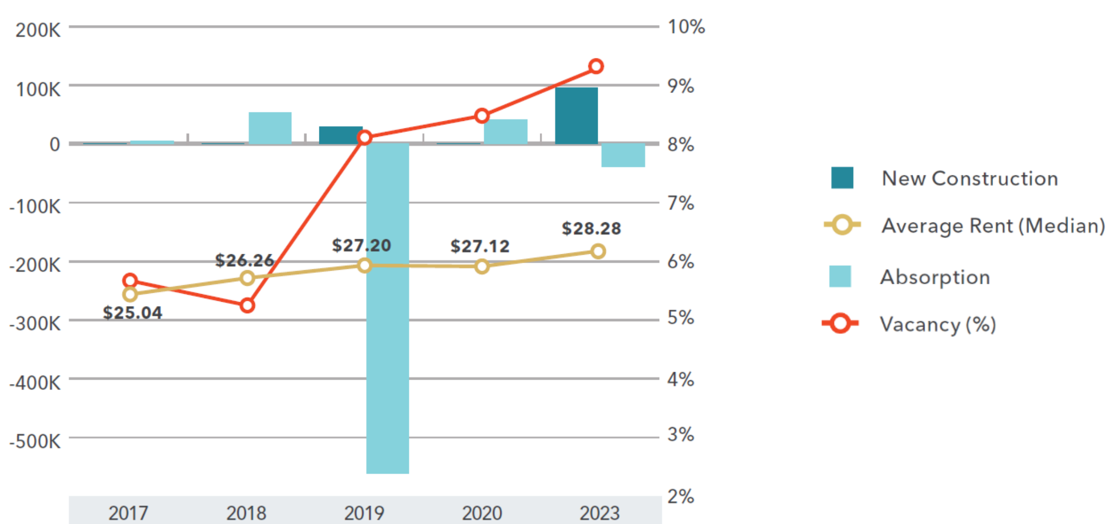
Figure 31. Prestige Center and Pine Cone Cafe, 2024

Source: LoopNet; thepineconeup.com.

Office

The regional Seattle office market continues to face challenges post-pandemic. Overall, in the larger Seattle metro area, office vacancy continues to increase, finishing 2023 at nearly 14%. Even the downtown Seattle and Eastside markets, traditionally the most active office markets in the Northwest, have seen increasing vacancy and negative absorption – employers moving out of office space – due to expiring commercial leases and restructuring of work towards remote and hybrid arrangements.[5] Pierce County is experiencing these trends as well, as shown in Figure 32. Although there has been some new office development, it has not yet been leased, further increasing the vacancy rate, which is currently just over 9 percent. Downtown Tacoma is seeing a higher vacancy rate, around 13 percent.

Figure 32. Pierce County Office Construction, Absorption, Rent, and Vacancy, 2017-2023



Source: Kidder Matthews 4Q 2023 Seattle Office Market Trends Report

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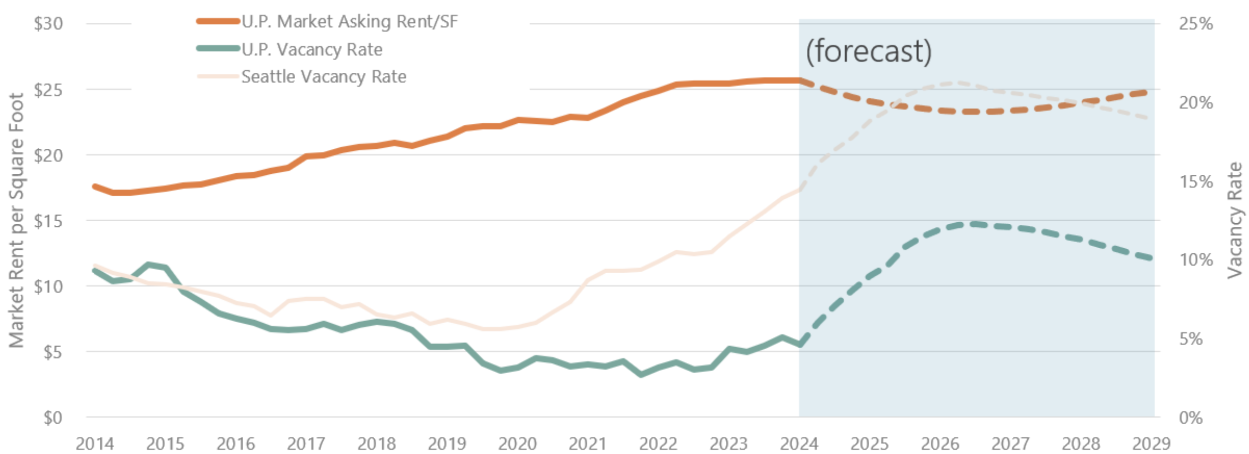
[5] Kidder Matthews 4Q 2023 Seattle Office Market Trends Report https://kidder.com/market-reports/seattle-office-market-report/

One interesting trend is the recent performance of the Tacoma suburban office market. Contrary to regional and countywide trends, Tacoma's suburban neighborhoods and adjacent jurisdictions, including Waller, Fife, Milton, and Edgewood, are seeing the lowest vacancy rates in the entire Seattle metro at 2.8%. The popularity of this area is due to low rents – about $28 per square foot compared with over $40 in Seattle and Bellevue, as reported by CoStar – as well as convenient location between Seattle and Olympia, particularly for companies which do not need to be in urban centers such as government and health care offices and call centers.

The University Place office market is also seeing vacancy rates far below the Seattle average, at about 4.6%, with similarly low rents around $25 per square foot. Although there has been relatively slow rent growth in recent years, the low vacancy rate still signals higher demand in the University Place area than much of the rest of the Seattle region. As shown in Figure 33. Office Vacancy Rate and Asking Rent, University Place / Lakewood Submarket below, CoStar forecasts that rents will continue to remain stable or decrease whereas vacancy in both Seattle and University Place may increase. However, recent trends suggest this forecast may not accurately reflect the unique situation in Tacoma's suburban areas at the moment.

Figure 33. Office Vacancy Rate and Asking Rent, University Place / Lakewood Submarket



Source: Costar

Although the low vacancy rates in University Place suggest continued demand for office uses in the 27th St. District, such as the many small-scale offices along the corridor, the low rents are not sufficient to stimulate new development of office real estate currently. Healthcare is already one of the largest employment sectors in the District and the city, and is expected to continue to grow, potentially driving demand for new or refurbished healthcare facilities in the area. Additionally, the shift to remote work and preference for suburban locations since the pandemic may also drive demand for coworking spaces or other satellite-type office uses in the 27th St. District.

Key Takeaways

Recent and Planned Development

- All recent commercial and multifamily development in University Place has been located in the Regional Growth Center, which appears to be focusing growth within concentrated areas as intended.
- Around 300 new units of senior housing are proposed in the 27th St. Business District, potentially creating a significant influx of residents in the area.

Housing

- University Place is a desirable and strong market for home sales. The median home price for all homes (including single family homes, townhomes, and condos) is just above $600,000, and the average single-family home price was $750,000 over the past few years.
- In general, single-family homes in the city are not affordable to the average household in the city, although "middle housing" typologies such as condos, duplexes, fourplexes, and townhomes may be more affordable to the median household in University Place.
- The multifamily housing market remains strong in the Tacoma area, spurred by the regional economy and significant housing shortage, with significant construction in recent years that is expected to continue, particularly if interest rates stabilize in the next several years.
- The city could consider expanding its existing MFTE program to also target the 27th St. District, and this would provide an incentive to develop market-rate apartments in this area.

Retail

- Retail in the Seattle region has bounced back since the pandemic, with demand for brick-and-mortar stores continuing to be strong, particularly in suburban areas.
- Low vacancy rates for retail space, and the popularity of suburban and neighborhood retail, indicate that there should be continued demand in the 27th St. District, including for currently vacant spaces such as the former Bartell's at 27th and Bridgeport Way. Healthcare, fitness, food and beverage, and a range of other uses could fill this space.
- The unique small businesses along the 27th St. Corridor are an important part of the area's identity and a façade or storefront improvement program could encourage property owners to invest and help enhance and revitalize the unique businesses in the area.

Office

- No new office development has occurred in the past few years in the University Place-Lakewood market, and none is forecast for the next five years, due to relatively low rents, high vacancies, and an uncertain outlook for office space in the remote work era.
- The office market in the Seattle area has fared poorly since the pandemic, with a 14 percent vacancy rate region-wide at the end of 2023.
- As with retail, suburban areas have fared better, with a much lower vacancy rate for office space in the University Place and suburban Tacoma areas, at about 4.6 percent in 2024.
- Relatively low rents for office space and the poor conditions of the regional market suggest that new development of office real estate is extremely unlikely, though current uses are likely to remain.
- Healthcare, co-working spaces, small professional service businesses, and satellite offices are potential office uses that could be seen in the 27th St. District in the coming years.

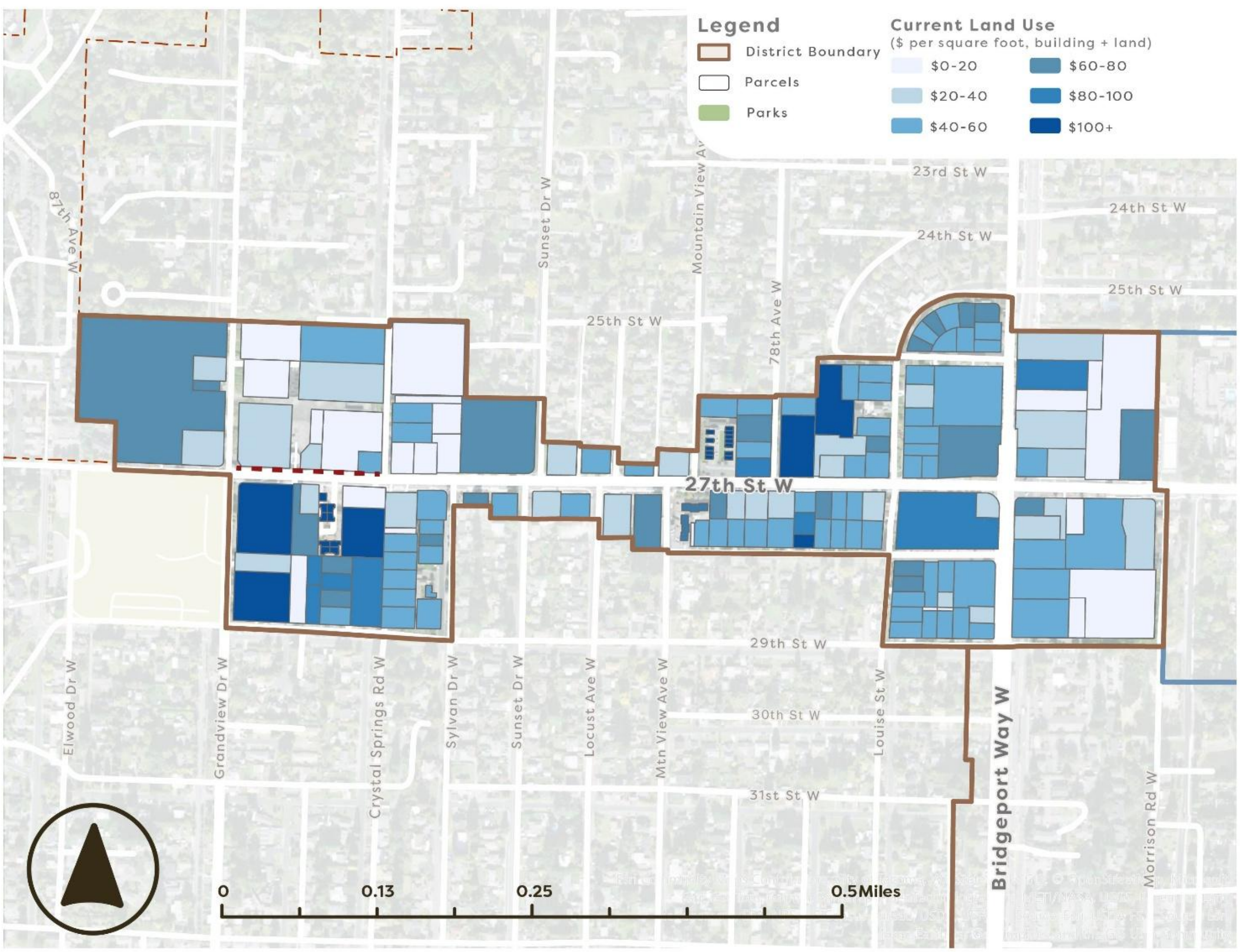
Development Potential and Growth Forecasts

Parcel Value and Buildable Lands Status

LCG conducted an analysis to determine a range of potential future housing units and jobs for the 27th St. Business District, in order to inform future transportation and infrastructure planning as well as compliance with PSRC Regional Growth Center and Pierce County planning targets. The first step in this analysis was to analyze overall parcel value and the results of the Pierce County Buildable Lands report as a first pass at determining likelihood of redevelopment at a parcel level.

Figure 34 below shows the total value (buildings + land) of parcels in the district according to the Pierce County Assessor, with lower values in white and higher values in darker shades of blue In general, lower value parcels are considered more likely to redevelop, such as the parcel in the far southeast of the District as well as the vacant parcels at the proposed Grandview Senior Living site.

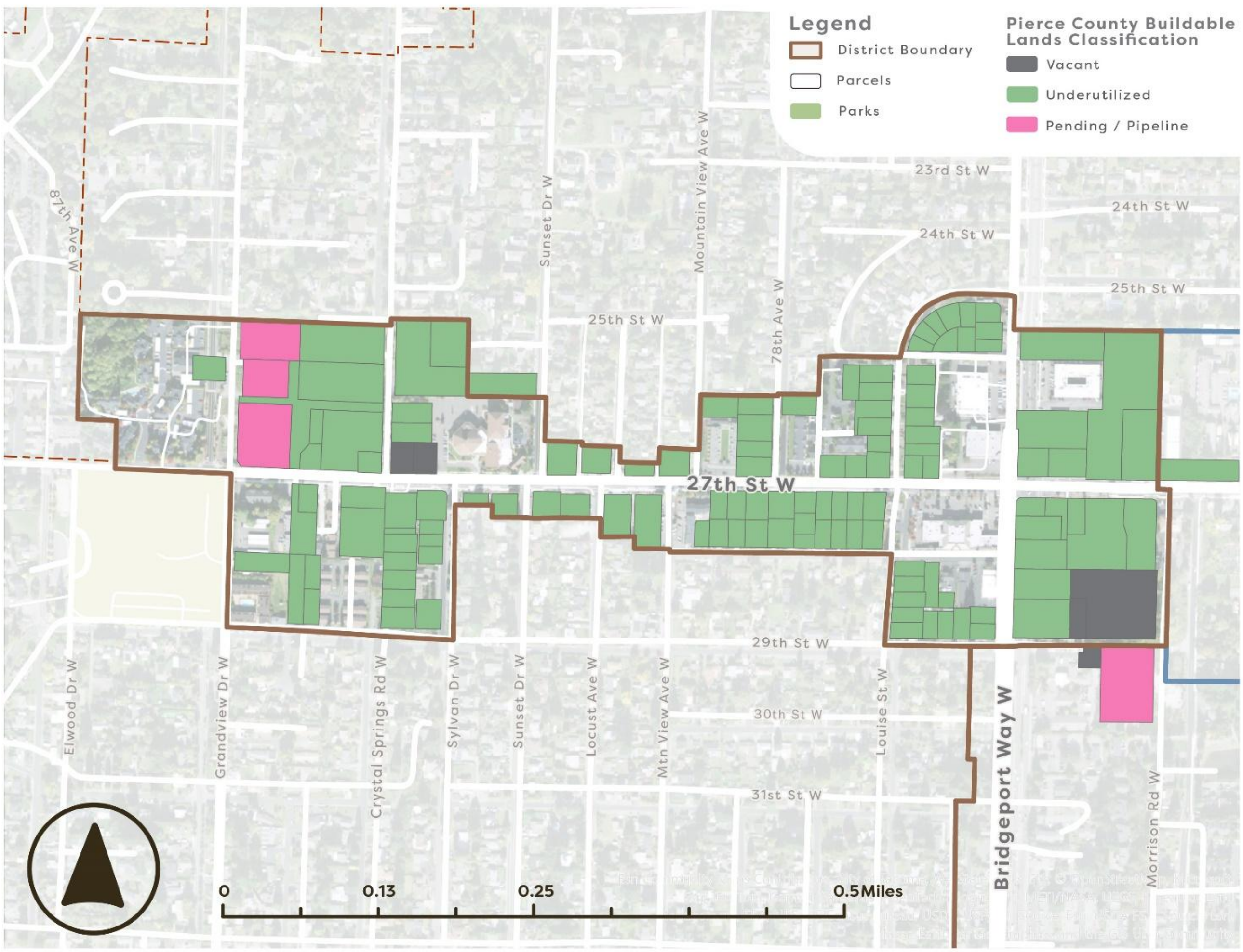
Figure 34. Total Parcel Value in the 27th St. Business District



Source: Pierce County, MapTiler, Leland Consulting Group

The 2021 Pierce County Buildable Lands Report assigned a classification to each parcel in the county based on parcel value, existing and potential future use, zoning, improvement to land value, and other considerations. As shown below, the vast majority of parcels in the District are considered "Underutilized" according to Pierce County's analysis, with a few vacant parcels as well. The "Underutilized" category generally means that the parcel's current use is significantly less intensive than that which is allowed under the zoning code. Since essentially all of the district is zoned for four- to seven-story multifamily or mixed-use development, the existing single-story commercial and single-family uses result in this classification being broadly applied in this area, indicating that the county expects to see a significant amount of potential redevelopment in the District over the coming decades.

Figure 35. Pierce County Buildable Lands Parcel Classifications, 2021



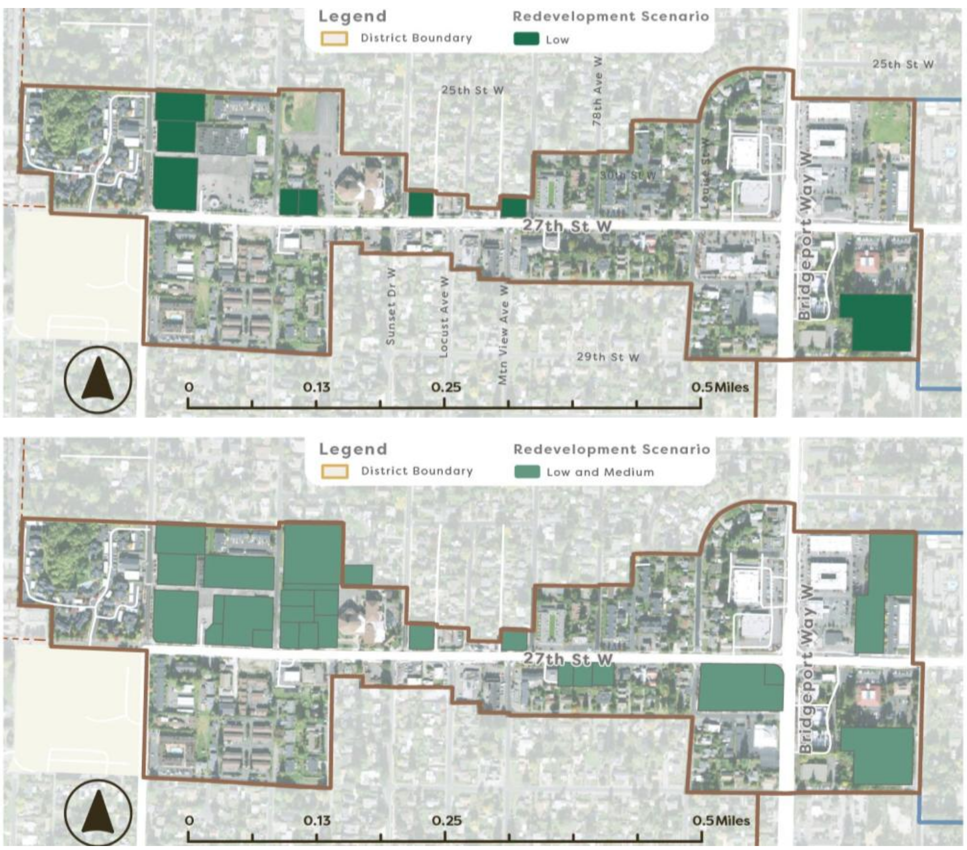
Source: Pierce County, Otak, Leland Consulting Group

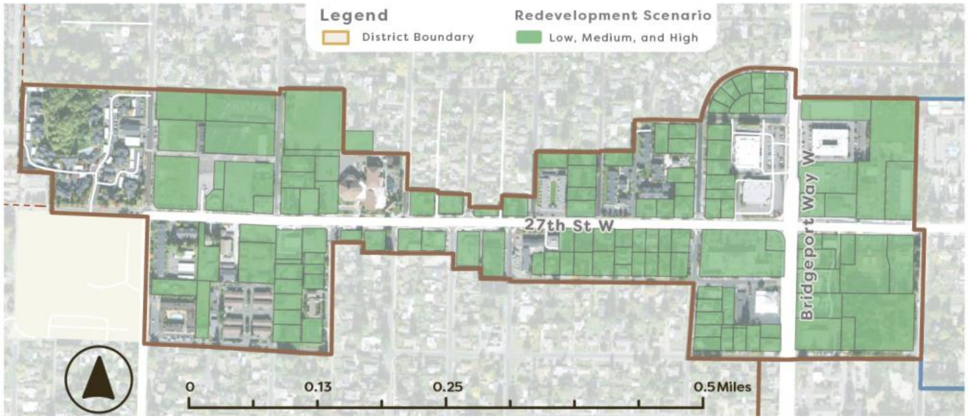
Redevelopment Scenarios

LCG developed three scenarios for redevelopment of the subarea using different assumptions of which parcels might redevelop. These scenarios were based on the data shown above, locations of proposed projects such as the Grandview site, and input from city staff. The map below in Figure 36 shows these three parcel sets.

- The **low** scenario represents the continuation of the status quo – assuming that only pipeline projects, vacant parcels, and locations of potential redevelopment known to the city will redevelop over the next 20 years.
- The **middle** scenario represents an expansion of current trends to include other lower-value properties with reasonable redevelopment potential, such as some of the church parking lots, an expansion of multifamily development near the proposed Grandview Senior Living, and some redevelopment of some low-intensity commercial uses.
- The **high** scenario represents the potential build-out capacity of all parcels classified as vacant or underutilized in the King County Buildable Lands Report. This is likely much higher than the amount of development that will be seen in future decades but provides a benchmark of the potential unit and job count if the majority of the District were to change over time. Note that this scenario assumes a 15-25% Market Factor reduction of the total assumed redevelopable acreage per Department of Commerce guidance on Land Capacity Analyses.

Figure 36. Low, Middle, and High Redevelopment Scenario Parcels in 27th St. Business District





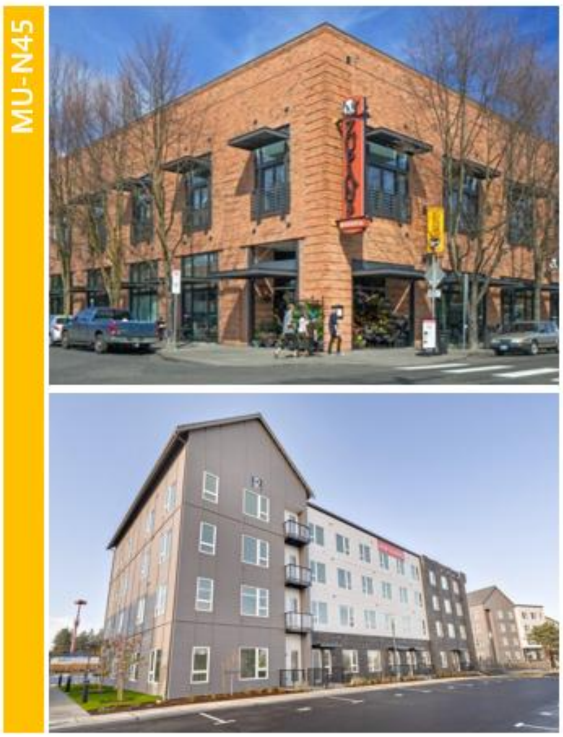
Source: Leland Consulting Group

Prototypes

The next step in the analysis was to establish building prototypes for the type of expected future redevelopment in the MU-U75 and MU-N45 zones and apply the housing unit and employment densities from each prototype to the selected parcel acreage in each scenario to determine redevelopment capacity. The two prototypes were developed using data from the scenario planning tool Urban Footprint and from data on existing buildings in University Place and the greater Seattle area from CoStar. Each prototype was based on housing unit and employment statistics from several representative buildings and generally assumes a mixed-use prototype with housing above ground floor commercial, matching the 45 and 75 foot heights in the District. Employment densities and prototype imagery for the two prototypes are shown below.

Figure 37. MU-N45 and MU-U75 Prototypes Used in Capacity Analysis

Zone	Residential Density	Employment Density	% Residential
MU-U75	103 du/ac	18 emp/ac	91%
MU-N45	57 du/ac	67 emp/ac	70%

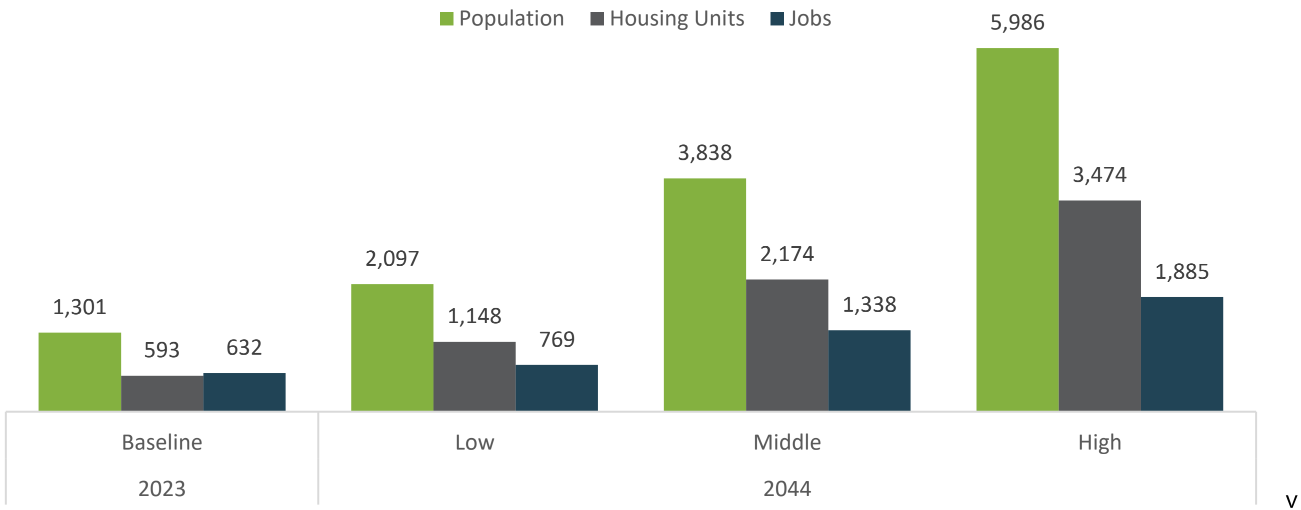


Source: Urban Footprint, CoStar, Leland Consulting Group

Housing and Employment Capacity Results

The results of the redevelopment analysis are shown below in Figure 38. Under the low scenario, housing units and population in the District would approximately double, with a very small increase in jobs. This is very likely to represent at least a minimum of what will occur over the next 20 years given the existing pipeline and proposed development. The middle scenario represents about a tripling of housing units and doubling of jobs. This represents more of an aspirational scenario but is not outside the realm of possibility for the planning horizon. The high scenario shows that if the majority of the acreage in the District were to redevelop, there could be almost six times the current amount of residents and three times the current amounts of jobs accommodated within the current zoning. This is highly unlikely but potentially a useful reference point for future planning efforts.

Figure 38. Redevelopment Scenario Results in 27th St. Business District

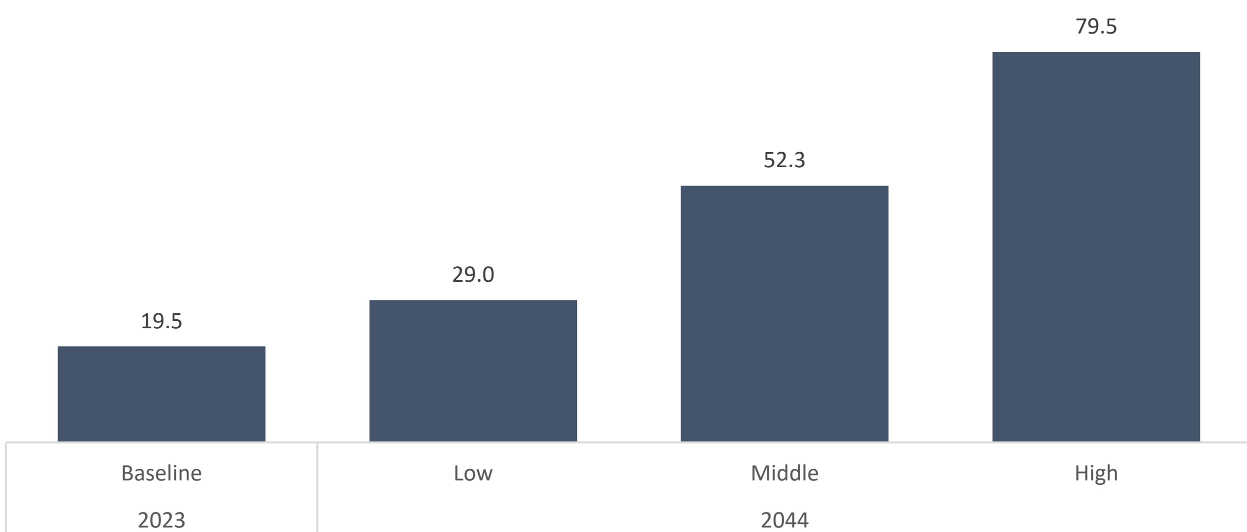


Source: Urban Footprint, Leland Consulting Group

Activity Units

The Puget Sound Regional Council (PSRC) measures density in designated Regional Growth Centers (RGC) through "Activity Units." One Activity Unit is one person or one job. In order to qualify as an RGC, areas must show a potential density of 45 Activity Units per acre. Since the 27th St. Business District only comprises one portion of the entire University Place RGC, the District is not subject to this requirement on its own. However, for future planning purposes and to ensure regional compliance, the redevelopment scenarios shown above were analyzed within this framework, and the results are shown below in Figure 39. The middle and high scenarios meet the activity unit target of 45 units per acre, and more importantly the high scenario, representing potential build-out of the District, shows that the area greatly exceeds the required capacity for Activity Units under current zoning.

Figure 39. Activity Units / Acre in 27th St. Business District Scenarios



Source: Urban Footprint, Leland Consulting Group

Key Takeaways

- At a minimum, based on pending development, the 27th St. District is likely to see at least a doubling of housing units and a slight increase in employment over the next 20 years.
- If the majority of parcels were to redevelop in the 27th St. District, there would be capacity for over five times the current housing units and three times the current employment in the area.
- There is sufficient zoned capacity in the District to meet PSRC Regional Growth Center density requirements.

Potential Redevelopment Actions

LCG recommends that the City consider the following actions, which we believe have the potential to advance the City's current vision for the district.

- **District-Wide**
  - In order to advance the vision of "a highly walkable redevelopment pattern," look for opportunities to enable new development projects to fund infrastructure improvements. These may include improvements that make crossing 27th Street more pedestrian friendly such as curb extensions or median refuge islands. This may be accomplished by adding certain district projects to the City's transportation/capital improvement plans, or providing impact fee credits to developers who make such improvements.
  - Consider expanding the City's existing MFTE program into the district, which will incentivize market-rate multifamily development. Also consider district-specific provisions to the MFTE program, for example, certain ground-floor design features.
  - Consider making transportation improvements, such as the median refuge islands referenced above, which can maintain and enhance the walkability of the area. Mixed-use districts that are also walkable tend to be the most successful and desirable over time.
  - Consider establishing periodic events (e.g., several summer Sundays) when 27th Street, and other major streets in the RGC, such as Bridgeport Way and Grandview, are open to pedestrian and bicycle traffic only. Such events have been shown to increase connections in neighborhoods and make places feel more walkable over the long-term.
- **Grandview Drive Node**
  - Support completion of the Grandview Senior Living projects proposed for the western edge of the study area. These projects seem to be aligned with the vision for the area, which includes "new multi-family residential." The 2024 environment for development—particularly high interest rates, difficult financing, and high construction costs—are making proposed projects more difficult. The City may be able to assist.
  - Work with other property owners, such as the Presbyterian Church and Lefty's to move forward other development projects that advance the vision for the district. The types of development most likely to be both feasible and desirable will tend to include multifamily housing, along with a smaller amount of commercial and community-serving spaces (e.g., daycare), and open space. Some churches are seeking out opportunities to site "mission-driven" housing for certain disadvantaged populations on or near their properties. multifamily and mission-driven multifamily project(s)
  - Seek to add a commercial component to this node, consistent with the vision for a mixed-use RGC and district. Such a commercial component may be difficult, due to lower traffic counts here, and could also be small, such as a coffee shop or a few service providers. The City could encourage a few ground-floor commercial uses by working with property owners, building in incentives to the zoning code, and/or creating other incentives, such as the storefront improvement program mentioned below.
  - Evaluate small vacant properties that remain undeveloped in order to determine what modifications to zoning or other actions could encourage development consistent with the City's vision.
  - Consider changing the zoning for certain properties, either as shown in Figure 41, or for other properties that are identified during this subarea planning process.
- **Corridor Area**
  - Create a storefront improvement grant program that applies here and other targeted parts of the City, to encourage reinvestment in commercial buildings. While this program might apply district-wide, its impacts would probably be greatest in this central Corridor Area, where small buildings and local businesses are concentrated.

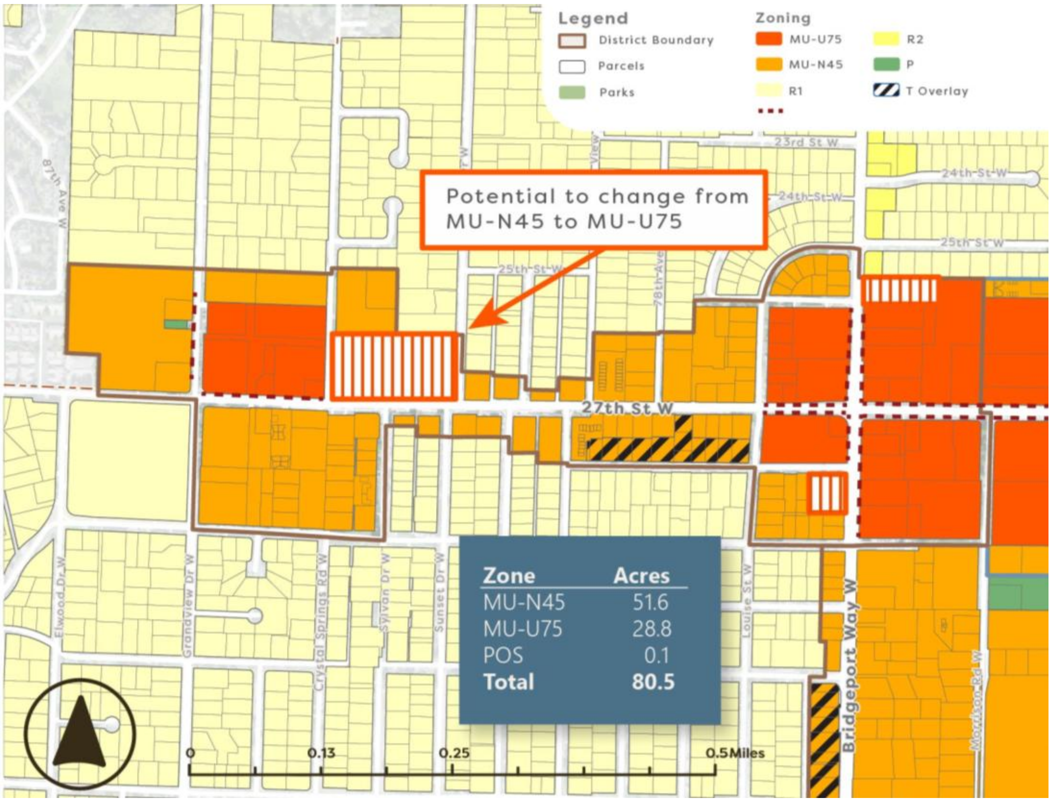
- During this planning process, consider increasing the maximum building height in this area if the community wants to see more housing that is attainable for median income households. The current combination of commercial land uses, small sites, and MU-N45 zoning, is likely to result in minimal redevelopment in this area. An increase to allow 5 or 6 stories of development, would increase development feasibility, but may not be desired.
- In the R-1 residential areas immediately north and south of the study area, allow future development to take place at slightly greater densities, such as 4 units per lot rather than 2. This modest increase would enable some additional housing—often middle housing such as townhomes affordable to median income households—to be built in these areas. This additional housing can also provide more support to commercial uses in the study area.

- **Bridgeport Way Node**
  - Facilitate redevelopment of several vacant and underutilized properties, particularly the large property at the southeast edge of the study area.
  - **Refine and implement the vision:** This area could be a mixed-use gateway similar to the Town Center, or an enhanced version of what's there already. Gateway features, art, multimodal transportation improvements (as shown below in Figure 40), and/or mixed-use development that is somewhat comparable to the Town Center, may be appropriate. If the vision is for mixed-use development at this node, somewhat comparable to the Town Center, consider tools used in Town Center such as stormwater outfall/management infrastructure that could serve multiple properties, MFTE program, or other specific means to implement public-private partnerships and incentivize development.
  - Consider changing the zoning for certain properties, either as shown in Figure 41, or for other properties that are identified during this subarea planning process.

Figure 40. Potential District-Wide Transportation Improvements

- Study and/or build one or more median refuge islands or other complete streets / crossing improvements
- Multimodal streets can attract more mixed-use development; Bridgeport Way in Town Center is one example.
- Create periodic "bicycle weekends" program connecting 27th St to other parts of city and Regional Center. See Seattle program.

Figure 41. Potential Zone Changes



Summary of Findings and Conclusions

The findings and conclusions of this market analysis are summarized below.

District Profile and Demographics

- The 27th Street Business District ("the District") is more similar to University Place as a whole than it is to the other parts of the Regional Growth Center (RGC), such as the Town Center.
- Residents of the District are more likely to be white, better-educated, and older homeowners when compared with the NE Business District and Town Center areas.
- This fits with the differing development patterns in the three subareas – the Town Center TC and NE Business District contain significantly more higher-density apartments whereas the 27th street district contains single-family homes, condos, senior living, and higher-end apartments.
- The more neighborhood and suburban feel of the District may point to different redevelopment types and opportunities when compared with the other RGC Subareas.
- There are far fewer jobs in the District than in the NE Business District and Town Center. The jobs in the District are in the medical, retail, office, and food service sectors, similar to University Place and the region as a whole.

Recent and Planned Development

- All recent commercial and multifamily development in University Place has been located in the Regional Growth Center, which appears to be focusing growth within concentrated areas as intended.
- Around 300 new units of senior housing are proposed in the 27th St. Business District, potentially creating a significant influx of residents in the area.

Housing

- University Place is a desirable and strong market for home sales. The median home price for all homes (including single family homes, townhomes, and condos) is just above $600,000, and the average single-family home price was $750,000 over the past few years..
- In general, single-family homes in the city are not affordable to the average household in the city, although "middle housing" typologies such as condos, duplexes, fourplexes, and townhomes are more likely to be affordable to the median household in University Place.
- The multifamily housing market remains strong in the Tacoma area, spurred by the regional economy and significant housing shortage, with significant construction in recent years that is expected to continue, particularly if interest rates stabilize in the next several years.
- The city could consider expanding its existing MFTE program to also target the 27th St. District, and this would provide an incentive to develop market-rate apartments in this area.

Retail

- Retail in the Seattle region has bounced back since the pandemic, with demand for brick-and-mortar stores continuing to be strong, particularly in suburban areas.
- Low vacancy rates for retail space, and the popularity of suburban and neighborhood retail, indicate that there should be continued demand in the 27th St. District, including for currently vacant spaces such as the former Bartell's at 27th and Bridgeport Way. Healthcare, fitness, food and beverage, and a range of other uses could fill this space.

- The unique small businesses along the 27th St. Corridor are an important part of the area's identity and a façade or storefront improvement program could encourage property owners to invest and help enhance and revitalize the unique businesses in the area.

Office

- No new office development has occurred in the past few years in the University Place-Lakewood market, and none is forecast for the next five years, due to relatively low rents, high vacancies, and an uncertain outlook for office space in the remote work era.
- The office market in the Seattle area has fared poorly since the pandemic, with a 14 percent vacancy rate region-wide at the end of 2023.
- As with retail, suburban areas have fared better, with a much lower vacancy rate for office space in the University Place and suburban Tacoma areas, at about 4.6 percent in 2024.
- Relatively low rents for office space and the poor conditions of the regional market suggest that new development of office real estate is extremely unlikely, though current uses are likely to remain.
- Healthcare, co-working spaces, small professional service businesses, and satellite offices are potential office uses that could be seen in the 27th St. District in the coming years.

Development Potential and Growth Forecasts

- At a minimum, based on pending development, the 27th St. District is likely to see at least a doubling of housing units and a slight increase in employment over the next 20 years.
- If the majority of parcels were to redevelop in the 27th St. District, there would be *capacity* for over five times the current housing units and three times the current employment in the area. While it is unlikely that this amount of development will occur, providing adequate capacity is a key focus of PSRC's policies for centers.
- There is sufficient zoned capacity in the District to meet PSRC Regional Growth Center density requirements.

Potential Redevelopment Actions

- **District-Wide**
  - In order to advance the vision of "a highly walkable redevelopment pattern," look for opportunities to enable new development projects to fund infrastructure improvements.
  - Consider expanding the City's existing MFTE program into the district.
  - Consider making transportation improvements, such as median refuge islands, which can maintain and enhance the walkability of the area.
  - Consider establishing periodic events (e.g., several summer Sundays) when 27th Street are open to pedestrian and bicycle traffic only.
- **Grandview Drive Node**
  - Support completion of the Grandview Senior Living projects proposed for the western edge of the study area.
  - Work with other property owners, such as the Presbyterian Church and Lefty's to move forward other development projects that advance the vision for the district.
  - Seek to add a commercial component to this node.
  - Evaluate small vacant properties that remain undeveloped in order to determine what modifications to zoning or other actions could encourage development consistent with the City's vision.
  - Consider changing the zoning for certain properties, either as shown in Figure 41, or for other properties that are identified during this subarea planning process.

- **Corridor Area**
  - Create a storefront improvement grant program that applies here and other targeted parts of the City, to encourage reinvestment in commercial buildings.
  - During this planning process, consider increasing the maximum building height in this area if the community wants to see more housing that is attainable for median income households be developed.
  - In the R-1 residential areas immediately north and south of the study area, consider allowing future development to take place at slightly greater densities.
- **Bridgeport Way Node**
  - Facilitate redevelopment of several vacant and underutilized properties, particularly the large property at the southeast edge of the study area.
  - **Refine and implement the vision:** This area could be a mixed-use gateway similar to the Town Center, or an enhanced version of what's there already.
  - Consider changing the zoning for certain properties, either as shown in Figure 41, or for other properties that are identified during this subarea planning process.

Appendix A – Storefront Improvement Grant Case Studies

Auburn, WA has a Façade Improvement Grant program funded by its downtown Business Improvement Area. The program covers the costs of improvements under $5,000 and requires a gradually increasing match for more expensive projects, with a maximum grant of $30,500. Improvements are classified in three categories: Category I (under $5,000 – painting, signage, awnings, etc), Category II ($5,000-$50,000 – window or storefront upgrades, masonry, carpentry, lighting upgrades, etc.), and Category III (>$50,000 – structural work with varying rules and funding matches for each category. The business must be within the Business Improvement Area and employ 25 people or fewer, and newly constructed buildings are not eligible. Figure 42 shows examples of historic and mid-century buildings revitalized under Auburn's program.

Figure 42. Before / After Facade Improvement Examples in Auburn, WA

Source: City of Auburn

Beaverton, OR offers Storefront and Tenant Improvement Programs, which provide architectural design services and cash matching grants to improve business facades along street frontages in Downtown Beaverton, Old Town Beaverton, and along Allen Boulevard. Funds can also be used to improve restaurant interiors, and the program is being expanded to enable interior improvements for other types of businesses. LCG believes that a key reason for the success of Beaverton's program is that is focuses both on the interior and exterior of buildings, and therefore enables transformative improvements that are both functional and aesthetic.

Currently, the City administers design grants for 100% of architect fees for the initial project phase of storefront improvements as well as improvement grants of up to $50,000 of construction costs. The City offers a 50% match on project expenses for Level 1 improvements, which include exterior paint, new flooring, or new signage, and a 70% match for Level 2 improvements, including awnings, windows, doors, or full exterior redesigns. Grants are issued as reimbursements – funds can be distributed in up to 3 reimbursements during the construction process. Beaverton pays for its program through a combination of general fund and tax increment financing (TIF) funding. Figure 43 shows examples of external improvements to Ickabod's Bar and Grill and internal improvements to the Loyal Legion, a former bank converted into a taphouse, funded by Beaverton's program.

Figure 43. External and Internal Improvements at Ickabod's and the Loyal Legion funded by the Beaverton Storefront and Tenant Improvement Programs

Source: Ickabod's Bar and Grill, City of Beaverton, the Loyal Legion

Finally, **Tacoma, WA**'s Community and Economic Development Department administers a [Business Façade Improvement Loan Program (BFILP)] in order to beautify individual storefronts as well as improving the appearance of older business districts. The loan program reimburses property owners for up to 50% of approved façade project costs. The 10-year loans have a low 3% interest rate and range from $5,000 to $50,000. Tacoma's program is structured so that it ensures façade projects are executed before funding takes place, and the City recoups what it provides to owners with some interest, though less than a private financial institution would require. Loans are secured by a lien on the property and LTV cannot exceed 90%.

Appendix B – Scope of Work

Task 1.0 Project Management/Coordination:

Participate in one or two preliminary meetings with Otak and City staff. During these meetings, key agenda items will be for staff to summarize their vision for the area, their view of the development context (recent and proposed development in the subarea and City, key properties and major property owners, and perceived regulatory barriers to development). LCG will provide status reports with invoicing. During these meetings, key agenda items will be for staff to summarize their vision for the area, their view of the development context (recent and proposed development in the subarea and City, key properties and major property owners, and perceived regulatory barriers to development).

Forum will participate in these meetings.

Task 2.2 Prepare a Market Analysis report for the study area that documents current real estate market dynamics, development opportunities, and development capacity in the subarea. This report will be prepared in Word with a correlating PowerPoint presentation. In preparing this report, LCG will rely on some of the demographic and market data collected for the recent University Place Northeast Business District subarea plan, but LCG will also need to collect recent and current data specific to the 27th St. subarea. The market analysis report will include ideas, recommendations, and strategies related to potential redevelopment and related concepts for the corridor.

- ***Forum will***
    - Prepare an outline of the report.
    - Provide LCG with input, recommendations, and guidance on other sections of the report, via meetings, emails, and Teams messages.
    - Prepare the following sections of the report:
        - Vision
        - ULI Emerging Trends update
        - Development Thesis and SWOT (May be renamed)
        - Middle Housing and Single Family Housing RE Analysis
        - Input on office and retail sections
    - Review and provide comments on a draft of the report.
- ***LCG will***
    - Prepare the sections of the report not being prepared by Forum.

Task 3.0 LCG will present the draft report at a two-hour meeting with Otak and City staff and finalize based on comments from City staff.

- ***Forum will present the draft report to Otak and City with LCG.***