

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

DRAFT
Executive Summary

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STRATEGICECONOMICS

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I. STUDY PURPOSE AND APPROACH

Study Origins and Purpose

In early 2007, the City of Seattle's Department of Planning and Development (DPD), with input from community stakeholders, commissioned an economic impacts study of Seattle's Chinatown/International District (C/ID) and Little Saigon. This study was conducted as part of DPD's Livable South Downtown planning study, a multi-year effort to consider the future development of the city's South Downtown area. For the study, DPD contracted with a consultant team that comprised Strategic Economics and Trang D. Tu Consulting.

The purpose of the study was to:

- analyze potential impacts on the Chinatown/International District and Little Saigon from a) potential zoning changes, and b) the proposed Dearborn Street Project, a proposed shopping center and 550-unit housing development project at the existing Goodwill site on South Dearborn Street in Little Saigon, and
- provide a baseline of information to inform the Livable South Downtown project, planning of the Dearborn Street Project, and other relevant community development initiatives.

Study Approach

The study, which was conducted from February through May 2007, consisted of three phases:

Phase 1: Assessment of Existing Business Districts

- Analysis of 10-year retail revenues and 5-year property transactions
- Analysis and mapped geographic distribution of businesses by type
- Interviews with 25 business and property owners

Phase 2: Impact Analysis

- Review of literature on commercial gentrification
- Case studies of 4 ethnic specialty districts
- Analysis of retail mix overlap between Dearborn Street Project and Little Saigon
- Analysis of likely impacts of proposed Dearborn Street Project and potential zoning changes

Phase 3: Strategies and Tools

- Development of strategies and tools for strengthening business districts in study area

Community Review Group

A review group comprised of community stakeholders from the study area was formed to provide input to the study and findings. This group met four times over the course of the study: at the outset to review the scope, and to review preliminary findings at the end of each phase.

Participants included:

- Vietnamese-American Economic Development Association (VAEDA)
- Seattle Chinatown-International District Preservation and Development Authority (SCIDPDA)
- Interim Community Development Association (ICDA)
- Chinatown Chamber of Commerce
- Uwajimaya, Inc.
- Dearborn Street Project.
- City Staff: Department of Planning and Development, Office of Economic Development

II. PHASE 1 FINDINGS

The following summarizes key findings the phase 1 assessment of existing business districts.

Chinatown/International District

- The C/ID business district is extensive and intensive, with over 300 business and 40 non-profit organizations in a 10-block area. The mix is diverse; however, there are concentrations of business types, such as Chinese and other Asian restaurants and alternative medicine, as well as key anchors like Uwajimaya, that create specialty niches with a regional draw.
- Over the past ten years, revenues of consumer-oriented shopping district businesses have declined from \$66 million to \$41 million. Restaurant sales shrank by over \$10 million, nearly a third of total revenues, while miscellaneous retail outlets lost over \$6 million in revenues.¹ At the same time, the average tenure of existing restaurants and retailers is 12 years and 11 years, respectively, considerable life spans in volatile industries. While the long life span of these businesses is a testament to the tenacity of their owners, it also indicates that more recently, many new Asian-American owned restaurants and retailers have not been choosing to locate in Chinatown. While the 79 existing restaurants and 58 retailers are a regional attraction and major asset to the district, the 10-year declining trend in revenues and the growth of other Asian-American business districts poses a risk to the on-going health of Chinatown's traditional businesses.
- Commercial lease rates vary widely, reflecting the diversity of age and condition of space in the district. Approximately ¼ of surveyed businesses pay less than \$1.00 per square foot per month, while 1/3 pay \$1.00 - \$1.50, ¼ pay \$1.50 - \$2.00 and the remainder over \$2.00. On average, retailers and consumer service providers currently pay less than enough to rent to occupy space in new storefronts created by new mixed-use development and driven by housing or office. Existing restaurants on average pay the minimum amenity rent (\$1.50/SF/MO); however, additional losses in restaurant revenues could undermine this.
- Service sector business revenues almost tripled between 1997 and 2006, growing from \$88 million to \$242 million. This growth was driven by business, legal and professional services business revenues and reflects the southward expansion of downtown office users. The growing day-time office worker population provides the shopping district's restaurants with lunch-time customers and could provide daily- or weekly-needs retailers with new local patrons, but also complicates the district's identity as a regional specialty shopping district. The health services sector also grew modestly, but steadily, during this time period.
- C/ID businesses have diverse market orientations. Approximately two-thirds have a citywide, regional or extra-regional customer base. This includes restaurants that serve downtown workers at lunch-time. The remaining one-third of businesses serve residents of the district and adjacent neighborhoods. The customer base also shifts from being more local during the week to more regional on the weekend. The majority of businesses serve customers of all ethnicities, with approximately 20% serving a pan-Asian customer base and another 20% serving specifically Chinese, Chinese-American, or Japanese-American clientele.

¹ Uwajimaya's revenues were likely not included in the sales data. While this negatively skews the retail trend, it also makes the state of other area retailers more clear.

Little Saigon

- Little Saigon is a specialty ethnic shopping district comprised of approximately 175 businesses and 25 non-profit organizations strongly clustered on South Jackson Street and 12th Avenue South. While there are some industrial and wholesale businesses on South King and South Weller Streets, retail, restaurant, personal services and small office uses, the mainstays of the district, are found on South Jackson Street.
- In contrast to C/ID, the district has a growing retail sector, with revenues growing modestly but steadily from \$22 million in 1997 to \$32.8 million in 2006. Retail growth was led by the expansion of groceries and specialty groceries in the area; by 2006, there were approximately 12 food stores in Little Saigon. The restaurant sub-sector, comprised of 35 restaurants, 24 of which are Vietnamese, has also grown steadily, doubling in revenues over the past 10 years. Other sizable retail and personal service clusters, including jewelry (12 outlets) and hair and nail salons (19 outlets), grew steadily in total revenues from 1997 to the early 2000s, but then began to decline. This is related both to larger economic shifts, as well as the rise of other, less central and less expensive commercial districts as attractive locations for Vietnamese-American businesses and customers. It may also relate to businesses undercutting each other due to increased competition.
- Retail lease rates are approximately \$1.50 to \$2.00 per square foot per month. This range of lease rates is both higher and tighter than Chinatown and correlates to the more limited types of spaces available (largely one and two-story strip commercial) and their more recent development. The business inventory found a high rate of vacancy (19 percent), but these were found mostly in the mixed industrial and residential blocks off of South Jackson Street and do not necessarily reflect demand for retail and office space in the heart of the district.
- The customer base varies both ethnically and geographically by the type of business, a business' degree of mainstream exposure, and the proprietor's intentions regarding target market. Restaurants are split between those that have targeted a more mass market audience versus older establishments that have continued to serve a largely Vietnamese-American clientele. Some businesses observed that their customer base has become increasingly varied over time and that the regional Vietnamese-American clientele is now focused on weekends, similar to Chinatown's regional weekend draw.
- Most businesses interviewed choose their Little Saigon location due to the low rents, proximity to other Vietnamese-American enterprises and desire to serve a Vietnamese-American clientele. The majority of those interviewed wished to expand their businesses and preferred to remain within Little Saigon, with several expressing a desire to own and develop property in the area. Interest in and capacity for expansion varied according to family and financial resources, the proprietor's level of business experience, strategic planning skills and formal training, as well as their attitude toward risk.

III. PHASE 2 FINDINGS

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

Literature Review on Commercial Gentrification

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

Case Studies

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

Retail Overlap Analysis

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

- If Little Saigon businesses shift toward serving a mass market, there is potential for direct competition with businesses in the Dearborn project.

Impact Analysis

- A broad array of factors will influence change in C/ID and Little Saigon. While this study did not include in-depth analysis of these factors, it is important to recognize their role in the current and/or future development of the study areas:
 - Redevelopment of the Seattle Housing Authority's (SHA) Yesler Terrace community
 - Existing deficits in neighborhood infrastructure
 - Potential Sound Transit First Hill Connector
 - Citywide shifts in location of industrial activity
 - Community migration
 - Current development market
- The following summary of likely impacts is specific to the two factors analyzed in this study (Dearborn Street Project and zoning changes):
- High probability impacts include: a) displacement of industrial businesses north of the Dearborn Street Project; b) modest increase in potential value of development in Little Saigon which may over time speed new development and displace existing businesses; c) increased exposure of Little Saigon businesses to mass market customer base, which may be positive or adverse depending on existing consumers' behavior, new customers' behavior, and capacity of existing businesses; d) increase in potential value of new residential development in Japantown.
- Lower probability impacts include: a) in both sub-areas, new residential customer base creates demand for non-ethnic local-serving retailers; b) additional mass market retailers adjacent to Little Saigon increasing retail rent/rate of property redevelopment in the district; c) modest increases in property values exacerbating Little Saigon businesses' ability to own property.
- Issues considered and determined not likely to have impacts include: a) upzoning in Chinatown/International District core; b) proposed Dearborn Street Project on Chinatown/ID local businesses given revenue trends.

IV. PHASE 3 RECOMMENDATIONS

Below are key findings and recommendations from phase 3.

Desired Outcomes and Road Map

The overarching objective of the recommended strategies and tools is to:

- Support vitalization and revitalization of commercial districts in Little Saigon and Chinatown/International District (C/ID)

Desired Outcomes

1. Balance goals to a) accommodate future residential and job growth, and b) preserve cultural and commercial vitality
 2. Build a thriving neighborhood with diverse community-supporting land uses and activities
 3. Help small businesses, especially those that are refugee- and immigrant-owned, to grow and prosper in the mainstream economy as future opportunities arise
- A primary goal for Chinatown/International District is to: channel prospective future growth to support cultural identity of the district and strengthen existing businesses.
 - A primary goal for Little Saigon is to: establish community vision and strengthen community capacity to forge desired future.

Assets, Challenges and Opportunities

International District

Assets

- Intensive and extensive business district.
- Regional and national reputation.
- Walkable streets and historic architecture enhance pedestrian walking experience.
- Community has built strong cultural institutions and community-based organizations over time.
- Proximity to downtown and other regional and tourist draws.
- Long-standing tenure of many businesses helps retain cultural character.

Challenges

- Declining retail revenues.
- Rise of other API business concentrations in outlying areas.
- Lack of pedestrian and visual connectivity to adjacent neighborhoods.
- Lack of significant local residential customer base.

Opportunities

- Nascent residential development market
- Proposed changes in allowable zoning height
- Surface parking lots decrease walkability of neighborhood

Little Saigon

Assets

- Proximity to downtown and other regional and tourist draws.
- Regional cultural and commercial center for Vietnamese-American community.
- Growing retail revenue trends.

Challenges

- Neighborhood infrastructure.
- Competition from other Vietnamese business districts in outlying areas.
- Potential for chain retailers to locate in the heart of the neighborhood and/or new development to displace existing businesses.
- Lack of residential base within district.
- Nascent capacity of community-based organizations.

Opportunities

- Opportunity to build business and community capacity.
- Potential to leverage future developments for business support, neighborhood improvements, and potential customer base.
- Strategic marketing to regional customer base.

Strategies and Tools

The paragraphs below outline a range of recommended strategies and tools to support economic development and preservation in Chinatown/International District and Little Saigon.

Shared Strategies

- Strategy 1: API Small Business Technical Assistance Initiative
- Strategy 2: Regulatory Mechanisms
- Strategy 3: Community Development Financing Tools
- Strategy 4: Philanthropy

Specific to Chinatown/International District

- Strategy 1: Retail Tenant Strategy
- Strategy 2: Community Identity And Promotional Programs
- Strategy 3: Historic TDRs

Specific to Little Saigon

- Strategy 1: Inter-agency Initiative
- Strategy 2: Targeted Outreach & Vision Building
- Strategy 3: Business Ownership Initiative
- Strategy 4: Community Development Financing Tools
- Strategy 5: Business Incentives
- Strategy 6: Physical Improvements
- Strategy 7: Leveraging Private Investment
- Strategy 8: API-Oriented Senior Housing

V. CONCLUSIONS

Drawing on the study findings as a whole, several overarching conclusions can be made:

1. Significant challenges and opportunities exist in both the Chinatown/International District and Little Saigon.
2. Changes will take place in both areas regardless of whether zoning changes or the Dearborn Street Project, due to a range of other external forces that will come to bear. It is this broader constellation of factors that must be thoughtfully considered in charting the course for the future of C/ID and Little Saigon.
3. Each of the sub-areas requires a slightly different approach, given differing conditions, needs/gaps, land use protections and community capacity.
 - Chinatown/ID:
 - greater focus on implementing targeted strategies
 - Little Saigon:
 - need for significant capacity building and strategic visioning before or concurrent with implementation
 - future will be shaped by numerous factors—opportunities for coordination and leverage for community benefit
4. Local government leadership, bolstering of community capacity, and private sector collaboration are needed to preserve and strengthen business districts hand-in-hand with market-driven growth. While the menu of strategies developed in phase 3 encompass a wide range of public, private, and community-based activities, the following are the most critical, high-impact tasks that must be accomplished to enable other strategies to be implemented:
 - City leadership and commitment to the needs and opportunities in this area by:
 - i. Providing dedicated staff (in-kind or financial) to lead coordination of multiple public and private projects in the area with an aim toward leverage for community benefit
 - ii. Providing financial resources to support implementation of key strategies that require new or expanded levels of effort
 - Community leadership in implementing key strategies by:
 - i. Working in partnership with City of Seattle and other key institutions as well as private sector partners to accomplish community goals
 - ii. Leading efforts to organize community toward a shared vision in Little Saigon
 - Private sector leadership in contributing to community goals by:
 - i. Working in coordination with local government agencies and community stakeholders toward a shared community vision
 - ii. Leveraging private development contributions (in-kind and financial) to contribute to community development goals.