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

DRAFT Phase I Summary: Assessment of Existing Business and Retail Real Estate Conditions

April 5, 2007
Client: City of Seattle, Department of Planning & Development

STRATEGIC ECONOMICS

TRANG D. TU CONSULTING

I. OVERVIEW

This report summarizes existing business and retail real estate conditions and trends in the Chinatown/International District and Little Saigon business districts of central Seattle. It is the result of the first phase of a three-phase study to evaluate the potential economic impacts of proposed zoning and land use changes on local businesses in the shopping districts, as well as the potential specific impacts of a proposed shopping center and 500-unit housing development project at the existing Goodwill site at South Dearborn Street and Rainier Avenue South. Strategic Economics and Trang D. Tu Consulting undertake this study for the City of Seattle's Department of Planning and Development (DPD) as part of DPD's Livable South Downtown planning study. The Livable South Downtown planning effort is a project of Mayor Greg Nickel's Center City Seattle strategy to create a livable, walkable 24/7 regional core within Downtown and the surrounding neighborhoods.

Phase I consisted of investigation and evaluation of the current state of businesses in the district and trends over time; methods used include both quantitative data analysis and qualitative assessment via interviews. Quantitative research included analysis of a major community-based business survey and inventory performed during the second half of 2006 and evaluation of business revenue trends by industry from 1997 to 2006, as well as property transactions between 2001 and 2006. In addition to the quantitative analyses, Phase I included qualitative assessment of business and retail market conditions in Little Saigon and the Chinatown/International District. Because significant quantitative data was already available for Chinatown/International District (results from the survey of 300+ businesses), the qualitative assessment gave relatively more emphasis to Little Saigon, where no business surveys had been conducted (other than a general inventory of types of businesses).[1]

Phase II uses the findings of Phase I, as well as additional case study, literature review, and analysis of the proposed land use and zoning changes and proposed Dearborn project to determine likely economic impacts on local businesses. Phase III includes formulation of targeted mitigation & economic development strategies to temper the potential negative impacts of the proposed changes and harness the prospective market momentum generated by new development to benefit existing local businesses.

On March 9, 2007, preliminary findings from Phase I were vetted with a small group of community stakeholders who were invited to review the results of each of the three study phases.[2] Community members involved include representatives from: Inter*Im Community Development Association, Uwajimaya, Inc., the Seattle Chinese Chamber of Commerce, the Vietnamese American Economic Development Association, and the Dearborn Street Project.

[1] Detailed information regarding methodology is found at the beginning of each section.

[2] The review group also met on January 30, 2007, with the purpose of introducing the consultant team, and presenting and obtaining input on the scope of the study.

SUMMARY OF KEY FINDINGS: CHINATOWN/INTERNATIONAL DISTRICT

The following summarizes the key findings regarding existing business and real estate conditions in Chinatown/International District:

- The Chinatown business district is both extensive and intensive; there are over 300 business and 40 non-profit organizations spread over a 10-block area with multiple clusters of businesses on Main, Jackson, King, and Weller Streets and 6th, Maynard, 7th and 8th Avenues. 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.[3] 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 approximate minimum amenity rent ($1.50/SF/Month); 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.

- Chinatown's businesses have diverse market orientations. Approximately two-thirds have a customer base that is city-wide, regional or extra-regional; this includes restaurants that serve Downtown workers at lunch-time. The remaining third of businesses serve residents of Chinatown 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; approximately 1 in 5 serves a pan-Asian customer base and another 1 in 5 serve a specifically Chinese and Chinese-American, or Japanese-American clientele.

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[3] 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.

SUMMARY OF KEY FINDINGS: LITTLE SAIGON

The following summarizes the key findings regarding existing business and retail real estate conditions in Little Saigon:

- Little Saigon is a specialty ethnic shopping district comprised of approximately 175 businesses and 25 non-profit organizations strongly clustered on S Jackson Street and 12th Avenue S. While there are some industrial and wholesale businesses on S. King and S. Weller Streets, retail, restaurant, personal services and small office uses, the mainstays of the district, are found on S. Jackson Street.

- In contrast to Chinatown, the district has a growing retail sector; total retail revenues grew 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 space available (largely one and two-story strip commercial) and its more recent development. The business inventory found a high rate of vacancy (19 percent), but these vacancies were found mostly in the mixed industrial and residential blocks off of S. Jackson Street and do not 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 media exposure, and the proprietor's intentions regarding target market. Restaurants are split between those that have intentionally targeted a more mass market through non-traditional ambience or family orientation versus older establishments that have continued to serve a largely Vietnamese-American clientele. Supermarkets are similarly split, while jewelers, nail salons and professional office users are more focused on the regional Vietnamese-American market, and Asian-American market. Some businesses observed that their customer base has become increasingly varied over time, given media exposure, 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 and several expressed the desire to own and develop property in the area. Interest in 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. These factors frequently correlated with the owner's age and degree of assimilation.

II. CHINATOWN/INTERNATIONAL DISTRICT: EXISTING BUSINESS CONDITIONS & TRENDS

The following section summarizes existing business and retail real estate market conditions in the Chinatown/International District shopping district of Seattle.[4] This includes current business mix, distribution and tenure, business revenue trends, retail real estate market conditions, customer base, and business owner characteristics. Also included is a discussion of general development trends. Key findings can be found at the conclusion of this section, beginning on page 24.

This summary is based on quantitative analysis of various pre-existing databases, as well as interviews of business and property owners, brokers and developers active or knowledgeable about Chinatown and review of previous studies and analysis conducted as part of the Livable South Downtown planning process. Database sources include an extensive business inventory and business owner survey conducted between May and December of 2006 and overseen by Rebecca Frestedt for five community-based organizations in Chinatown/ID and Little Saigon.[5] This survey included a door-to-door survey of business owners in Chinatown/ID, resulting in interviews of approximately 301 business owners, as well as a physical inventory of businesses and properties in Little Saigon. Analysis performed for the Chinatown/ID portion of this study by Strategic Economics regarding current business mix, distribution & tenure, customer base, retail market conditions and business owner characteristics are based largely on the data gathered through the door-to-door business survey, interviews with local brokers and developers and six supplemental business and property owner interviews conducted by Trang Tu.[6]

The other two pre-existing data resources used for this study include business revenues for all businesses in Chinatown/ID and Little Saigon over a ten year period, provided by the Revenue and Consumer Affairs division of the Department of Executive Administration at the City of Seattle and analyzed by Standard Industry Classification, and property transaction records over a five year period provided by First American Real Estate Solutions. Analysis of these data records forms the basis of findings regarding business revenues trends and contributes to the findings regarding general development trends in both Chinatown/ID and Little Saigon.

CURRENT BUSINESS MIX & DISTRIBUTION

Chinatown's business community includes over 300 businesses and 40 non-profit organizations.[7] The shopping district is both extensive in size and intensive in number, with significant concentrations of businesses over a 10-block core area (see **Map 1**[8], page 6). The over-all business mix is diverse, with scores of businesses in every industry category, but also has significant concentrations and specialty anchors, creating niches that give the area a regional customer draw.

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[4] The Chinatown/ID shopping district is defined as the area between Yesler Way to the north, I-5 and 9th Ave. S. to the east, S. Dearborn St. to the south and 4th Ave S. south of S. Jackson St. and 5th Ave S. north of S. Jackson St. to the west.

[5] The survey was co-sponsored by the Chinatown-International Business Improvement Area, Inter*Im Community Development Association, International District Housing Alliance, Seattle Chinese Chamber of Commerce and Vietnamese American Economic Development Association. It was supported by a grant from the City of Seattle.

[6] The interviews conducted by Trang Tu in Chinatown included four property owners, one business owner, and one business/property owner; the five property owners included two for-profit owners, two non-profit owners, and one family association that owns property both in Chinatown/International District and Little Saigon.

[7] Chinatown International District and Little Saigon Neighborhood Business Survey (May – December, 2006), Rebecca Frestedt.

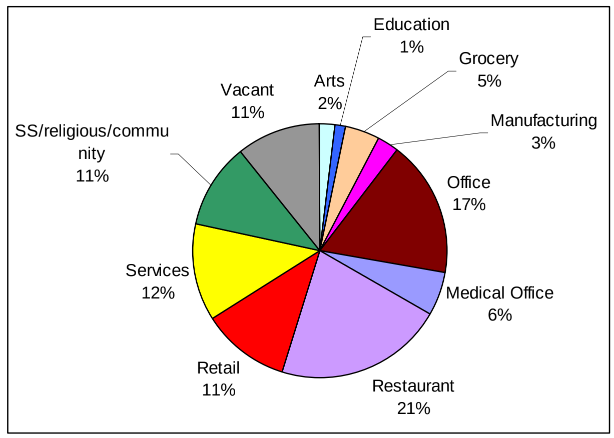
[8] All businesses may not appear on maps showing business distribution as many businesses are so clustered that they cannot all be shown.

The shopping district is made up of restaurants, retailers and personal services, in that order. There are also many professional, business and legal services firms giving the area a moderate day-time office worker population (see Business Revenues discussion, pg. 11). Finally, there are a large number of social service, religious and cultural organizations that serve both local residents and city-wide populations.

Restaurants, bakeries and cafes make up the largest business concentration in Chinatown with seventy-nine restaurants that account for 21 percent of all surveyed businesses; this is a significant cluster that makes Chinatown a mealtime destination for Downtown office workers during the week and shoppers on the weekend (**Figure** and **Table 1** below). The second significant business cluster making Chinatown a regional destination are the 15 or more Chinese medicine practitioners, acupuncturists, herbalist and herbal supplies stores in operation. Individual shopping district anchors include Uwajimaya and Kinokuniya Bookstore.

Table and Figure 1: Chinatown, Business Distribution, 2006

Business Type	Number
Restaurant	79
Retail	58
Office	63
Medical Office	21
Services	46
Arts	7
Education	5
Social services /Religious/Community Services	40
Manufacturing	10
Vacant	40

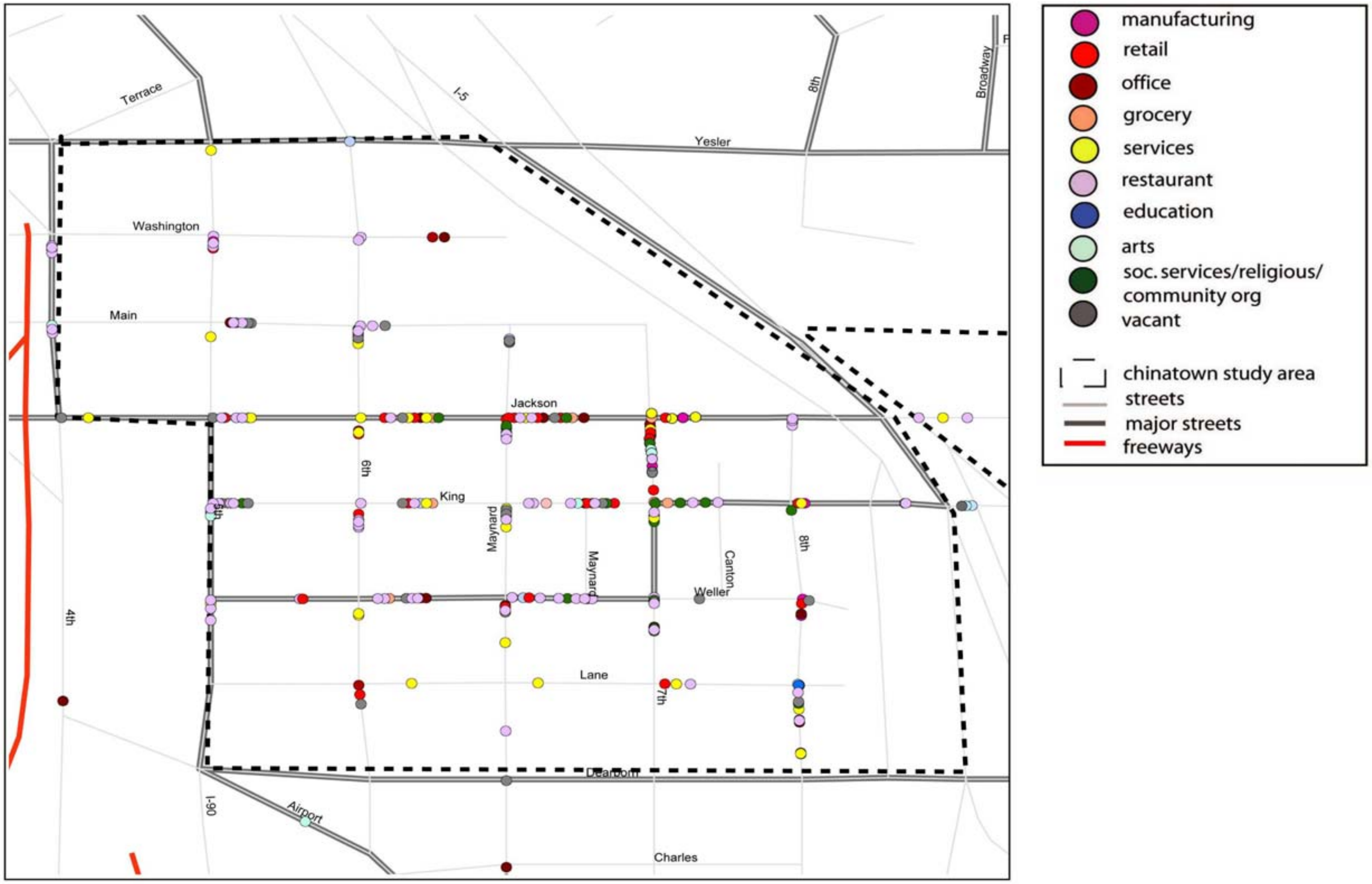


Restaurants are distributed throughout the main 10-block core of the district, with major concentrations on King and Weller (see **Map 2**, page 9). The cluster is dominated by Chinese restaurants; 34 of 79 restaurants, or 44 percent, are Chinese (see **Table 2,** below). There are also a number of Japanese, Vietnamese and other Asian restaurants and Asian bakeries, as well as a smaller number of non-Asian restaurants or bakeries.

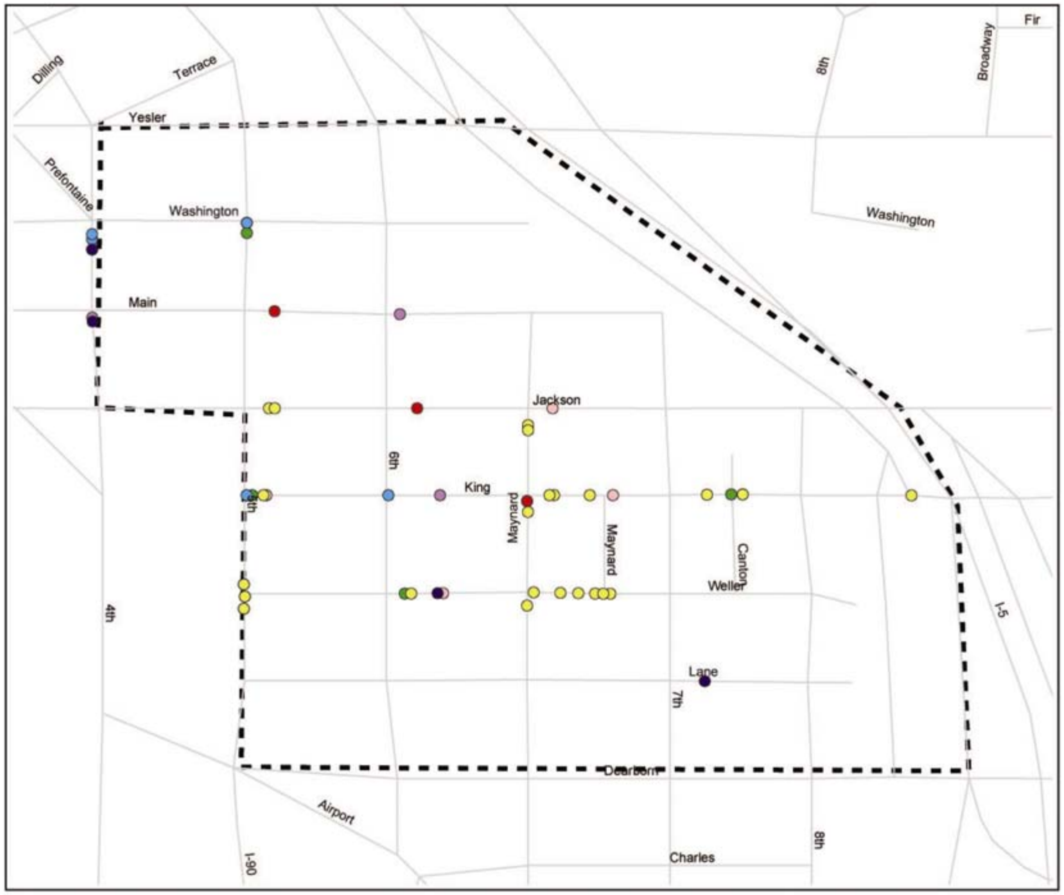
Table 2: Chinatown, Restaurant Distribution, 2006

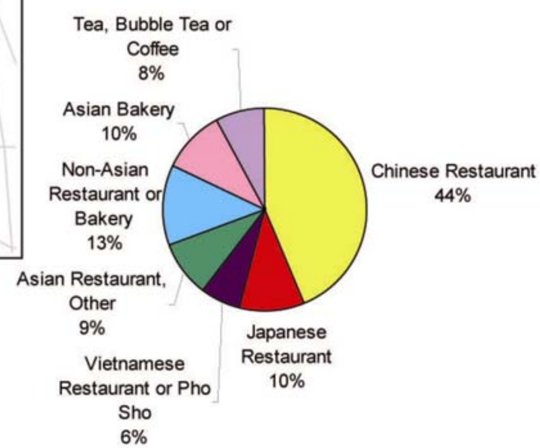
Type of Restaurant	Number	Percentage
Chinese Restaurant	34	44%
Japanese Restaurant	8	10%
Vietnamese Restaurant or Pho Shop	5	6%
Asian Restaurant, Other	7	9%
Non-Asian Restaurant or Bakery	10	13%
Asian Bakery	8	10%
Tea, Bubble Tea or Coffee	6	8%

Map 1: Chinatown, Business Distribution (2006)



Map 2: Chinatown, Restaurant Distribution (2006)





Retailers are concentrated on Jackson and King Streets (see **Map 3**, page 8). The retail component of the Chinatown shopping district accounts for 16 percent of all surveyed businesses, or 58 businesses (see **Table 3**, below). Concentrations exist in grocery and gift stores. The category of "Other" includes housewares, video, music, games and books.

Table 3: Chinatown, Retail Distribution, 2006

Type of Retail	Number	Percentage
Cellular/ Electronics	4	7%
Clothing	2	3%
Gifts	9	15%
Grocery	9	15%
Specialty Grocery	9	15%
Pharmacy	1	2%
Other	21	36%
Jewelry	4	7%

Chinatown's 46 consumer services businesses, comprising 12 percent of total surveyed businesses, are spread more broadly over the district (see **Map 4**, previous page). There are concentrations of services in automotive, banking, hairdressing and travel services (see **Table 4**, below). All four of these clusters serve a city-wide clientele, attracting customers from beyond the immediate residential neighborhood through agglomeration. At the same time, there are relatively few neighborhood-oriented service businesses, such as laundromats/drycleaners, shoe repair or copy services.

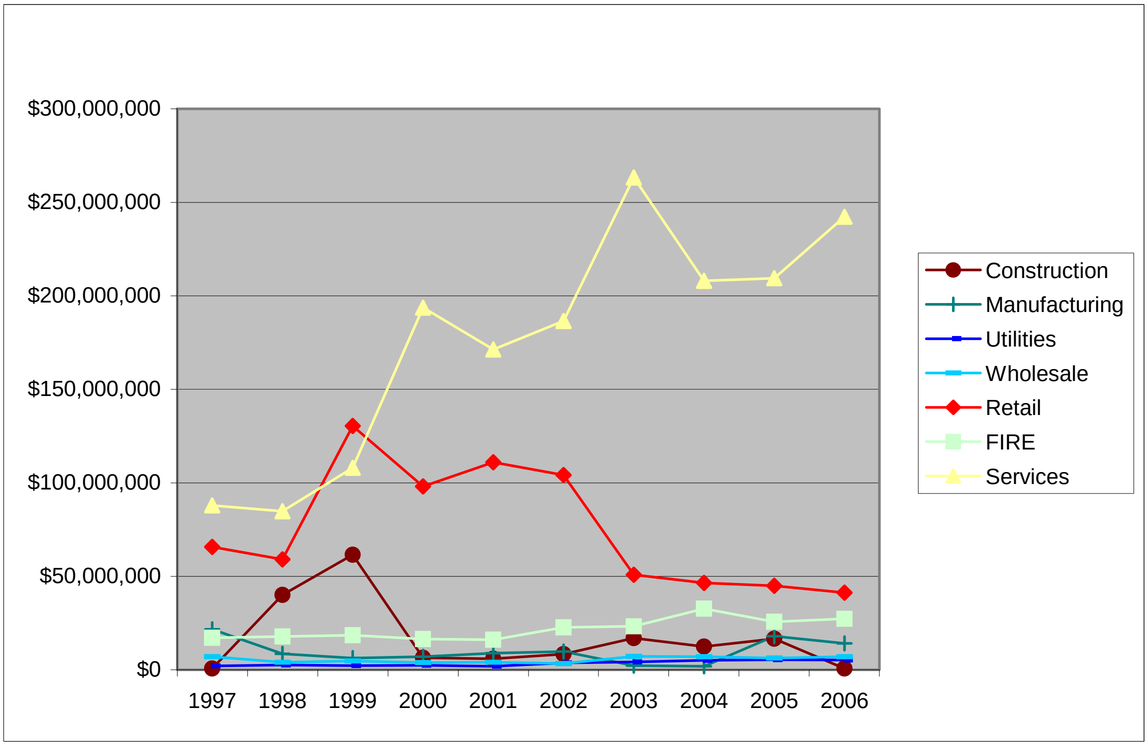
Table 4: Chinatown, Distribution of Services, 2006

Type of Service	Number	Percentage
Automotive	7	14%
Bank, Financial Institution, Morgages	10	21%
Salon	12	25%
Travel Agency	10	20%
Other	10	20%

BUSINESS REVENUES OVER TIME[9]

Total inflation-adjusted business revenues in Chinatown grew from $202.7 million in 1997 to $358.3 million in 2006, with an average 8% annual growth rate. Aside from a major period of expansion in 1999 (53%) and a decline in 2004 (15%) that reflect larger economic shifts, growth has been fairly steady over this time period. **Figure 2**, below, shows the breakdown of total business revenues by industry sector, as designated by Standard Industrial Classification; the FIRE sector includes finance, insurance, and real estate.

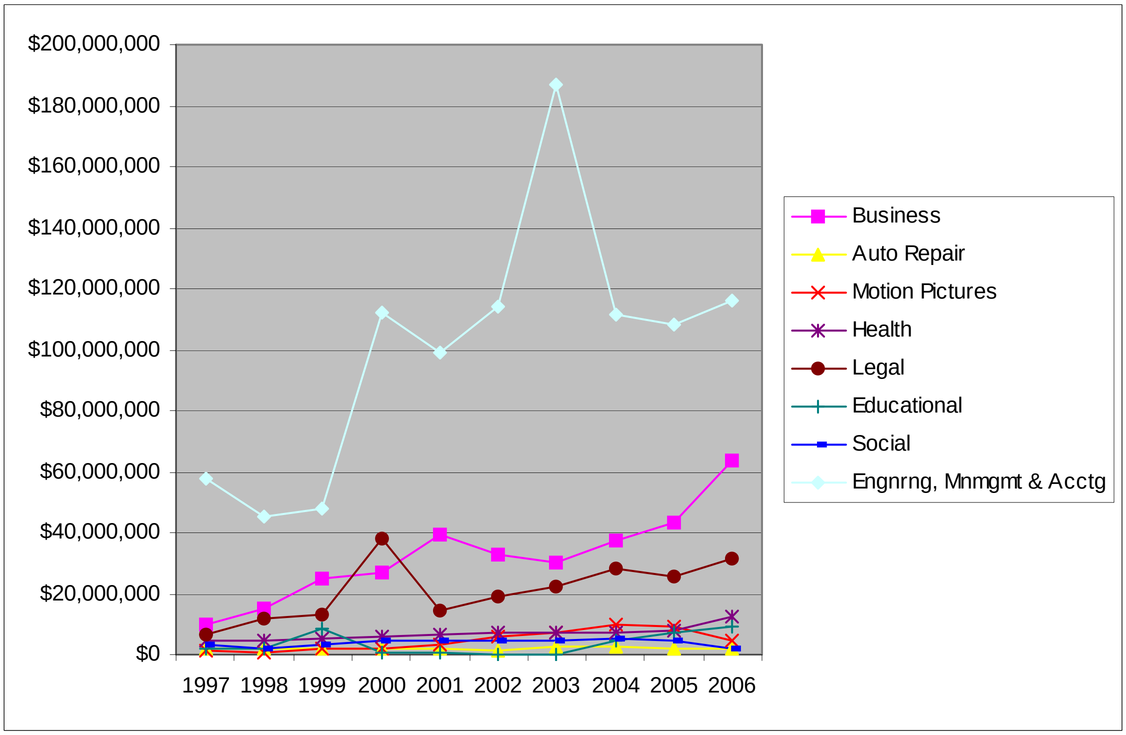
Figure 2: Chinatown: Business Revenues (1997 - 2006)



Chinatown business growth since 1996 has been fueled by the expansion of service industries, largely business and professional services. Total services revenues grew from $87.9 million in 1997 to $242.4 million in 2006 with major growth in 2000 and 2003 (see **Figure 3** below for further analysis of service revenues). Total retail revenues, the majority of sales in a shopping district, declined from $65.7 million to $41.3 million between 1997 and 2006, with a major boom between 1999 and 2002 (see **Figure 5**, page 13, for further analysis of retail revenues). Other sectors, including manufacturing, FIRE, and wholesale trade remained fairly stable over this time period. Construction firm revenues fluctuated from a high of $61.5 million in 1999 to lows of approximately $600,000 in 1997 and 2006.

[9] Underlying data was obtained from City of Seattle, Department of Executive Administration, Revenue and Consumer Affairs division and is based on information reported by businesses through business license applications and renewals. Revenues include headquarters that are reporting total sales for all outlets. All revenue figures have been adjusted for inflation to 2006 dollars, so that all dollar amounts are equivalent. Revenue trends were analyzed to the 4-digit SIC level.

Figure 4: Chinatown: Services Revenues (1997 - 2006)



As can be seen in **Figure 4**, above, service sector growth in Chinatown has been driven by expansion of business, professional and legal services. Engineering, management and accounting firm revenues grew from $57.5 million to $115.9 million during this ten-year time period, a significant and generally steady expansion despite a spike in 2003. The other two major areas of expansion were business and legal services. The strong growth of professional services reflects the growth of the central business district southward. While these professional services are not shopping district business and do not attract consumers to the area, they bring a daytime office worker population to the area that could provide lunchtime business for local restaurants, as well as a local week-day customer base for daily-needs retailers targeting a mass market.

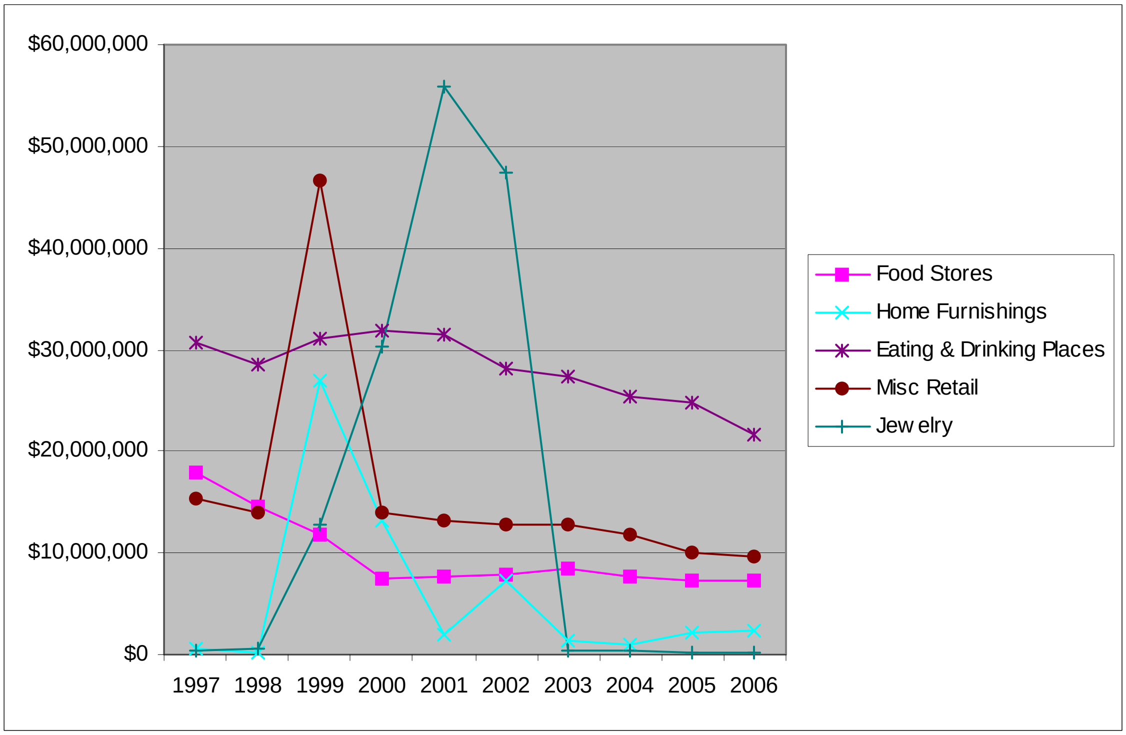
At a more modest level, the health sector also grew from $4.3 million to $12.5 million in revenues over expansion the 10-year time period; this sector includes the specialty Chinese, acupuncture, herbal and other alternative medicine practitioners and suppliers in the area.

Categories of service that had less than $1 million in sales were not broken out in **Figure 4**. This includes personal services, the main services category critical to shopping district health. Personal services revenues, which includes consumer services generally directed at walk-in traffic such as laundromats/drycleaners, salons/barber shops, and shoe repair shrank from approximately $729,000 to $540,000 between 1997 and 2006. While personal services sales fluctuated during that time period, there has been a steady decline since a ten-year high of $977,000 in 2003.

Break-down of retail revenues, see **Figure 5** below, also shows steady decline across all sub-sectors since 1996, with the exception of anomalous sales spikes in jewelry between 1999 and 2002 and miscellaneous retail and home furnishings in 1999.[10]

[10] Jewelry revenues are broken out from miscellaneous retail given the extreme trajectory of the jewelry revenue trend.

Figure 5: Chinatown, Retail Revenues (1997 - 2006)



Most significant to the health of small businesses in Chinatown, revenues of restaurants, both full and quick service, declined from a high of $31.8 million in 2000 to $21.6 million in 2006. Total food store sales also declined by approximately $10 million over the 10 year time period; however, sales have stabilized since 2000. The loss in food store sales derives almost entirely from the loss of meat and fish markets in the area; general grocery store sales grew slightly during this time period.[11] Other than the anomalous spike in sales in 1999, miscellaneous retail, which includes drugstores, gift stores, optical goods and non-store retailers, etc., also declined by more than $6 million in revenues. Only home furnishings grew modestly over the 10-year period.

The general decline of retail, restaurants and personal services, other than the Uwajimaya shopping center, coincides with the growth of other Asian specialty shopping areas that attract more recent Asian immigrant businesses, including Little Saigon and less central and less expensive locations like White Center and Rainier Ave S. These outer locations serve increasingly decentralized new immigrant populations, later generations and a local mass market that does not wish to travel to the central city for Asian food. The loss of business and rise of other districts indicates that older Chinatown/International district businesses may be at-risk.

BUSINESS TENURE

The majority of Chinatown's surveyed businesses have occupied their spaces for six years or more (see **Table 5**, below). 64 businesses, or 35 percent, have occupied their spaces for over 10 years; this is a significant proportion and relates to the historic nature of the business district and many of its businesses,

[11] While the underlying firm revenue data was unavailable to Strategic Economics, the size of revenues in the general grocery store sub-category, approximately $4.1 million in 2006, makes it likely that Uwajimaya's revenues were excluded from the data provided by the City, despite the store's address being within the geographic parameters provided. While this negatively skews the grocery sub-sector and over-all retail trends, it also makes the health of smaller businesses more apparent.

as well as the enduring strength of the Chinatown identity, despite the decline in shopping district business revenues described above.

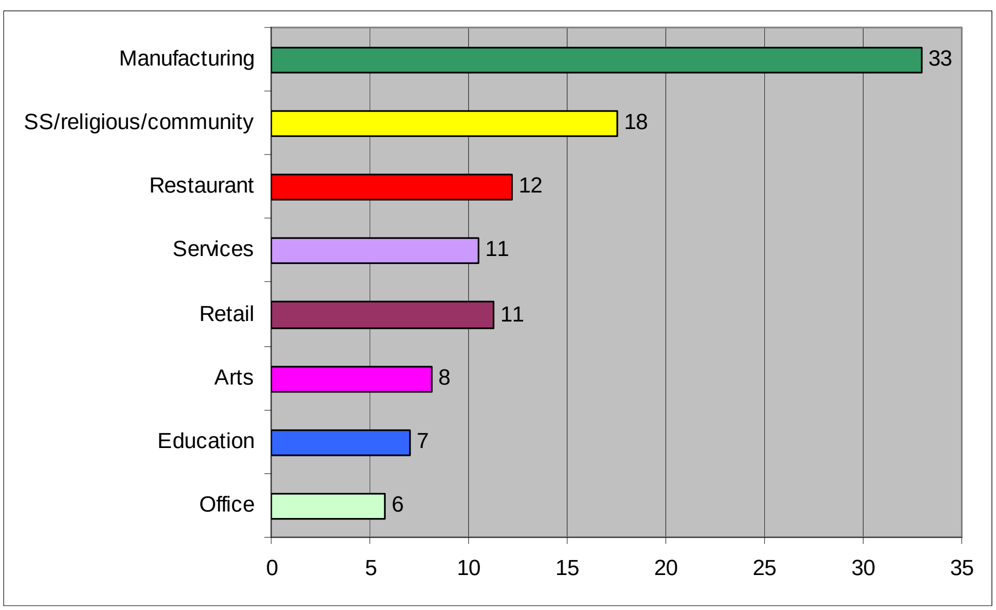
Table 5: Chinatown, Distribution of Business Tenure (2006)

Length of Tenure	Number of businesses	Percentage
0 to 5 years	77	43%
6 to 10 years	39	22%
11 to 20 years	33	18%
21 + years	31	17%

Tenure correlates with business type (see **Figure 6**, below); the average age of the business types tells us both how enduring these businesses are and when the major entrepreneurial activity within a particular economic sector took place. Manufacturing businesses have the longest average tenure of 33 years, reflecting the past economic life of the district. Social service, religious and community organizations have an average tenure of nearly 18 years, largely due to the number of long-standing family associations in the area.

Restaurants in Chinatown also have relatively long tenures, given the volatility of the restaurant industry, with an average tenure of 12 years. Given the loss in restaurant revenues over the past 10 years described previously, it is likely that many long-standing restaurants are currently struggling. While the long life span of restaurants is a testament to the tenacity of their owners, it also means that more recently, new Asian-American restaurants have not been choosing to locate in Chinatown. The shortest average tenure belongs to office uses and reflects the recent increase in professional services and other office users in the district.

Figure 6: Chinatown, Average Tenure by Business Type, 2006



RETAIL REAL ESTATE MARKET CONDITIONS

Size of Commercial Spaces

Chinatown's commercial space ranges in size from fewer than 500 square feet to over 20,000 square feet. Of the 150 businesses that responded to questions regarding size of space for the business survey, 74 percent were in spaces of 2,500 square feet or less, while 18 percent were in spaces of 2,501 to 10,000 square feet and only six percent were in spaces larger than 10,000 square feet (see **Table 6**, below). This is a large number of small spaces, and like other Chinatowns, it is a physical remainder of the shopping district's past economic activity. It also enables the area to support a large number of small businesses that would not otherwise be able to afford a central city location.

While the majority of responding businesses are in smaller spaces, a large proportion of the total commercial square footage inventory is in large spaces. Almost half of all commercial square footage is in spaces of 20,000 square feet or more, largely due to five businesses that account for 260,000 of the total 285,000 square feet in this size category: the Salvation Army, the Salvation Army Thrift Store, Trammell Crow, Henry Louie, a cookie and noodle manufacturing company, and the Union Gospel Mission. While these businesses account for much of the total space surveyed, there is also a large inventory of smaller spaces, at least 125,000 square feet, in keeping with the large number of businesses in such spaces.

Table 6: Distribution of Commercial Space by Business Size

Size of Business Space by Square Foot	Total SqFt by Size of Space	Percentage of Total SqFt	Number of Businesses	Percentage of Businesses
0 to 500	5,816	1%	18	12%
501 to 1000	41,288	7%	48	32%
1001 to 1500	32,154	6%	24	16%
1501 to 2500	46,873	8%	24	16%
2501 to 5000	53,029	9%	16	11%
5001 to 10000	89,938	15%	11	7%
10,001 to 20,000	29,481	5%	2	1%
20,000+	284,509	49%	7	5%

Vacancy

11 percent of spaces surveyed were vacant. This includes both space where tenants are being actively sought, as well as space that is not being marketed. This figure is high from a traditional commercial leasing perspective, which deals exclusively with marketed space and uses vacancy rates to measure the degree of demand in a given area. However, in Strategic Economics' experience with historic shopping districts, this is a moderate vacancy rate given typical issues with absentee or small property owners, who may not market or maintain their ground-floor storefronts.

Lease Terms

Commercial space in Chinatown leases at a wide range of rent levels (see **Table 7**, next page). While a third of businesses pay between $1.00 and $1.50 per square foot per month, a quarter pay less than $1.00 per square foot per month, another quarter pay between $1.50 and $2.00 per square foot per month, and the remainder pay over $2.00 per square foot per month. The range in rent reflects the diversity of commercial space in the area, from older historic storefronts that have not been re-invested in for many years to recently developed space improved to tenant specifications. The most desirable retail space in the district, the Uwajimaya shopping center, commands base rents of approximately $2.50 to $5.75 per square foot per month.

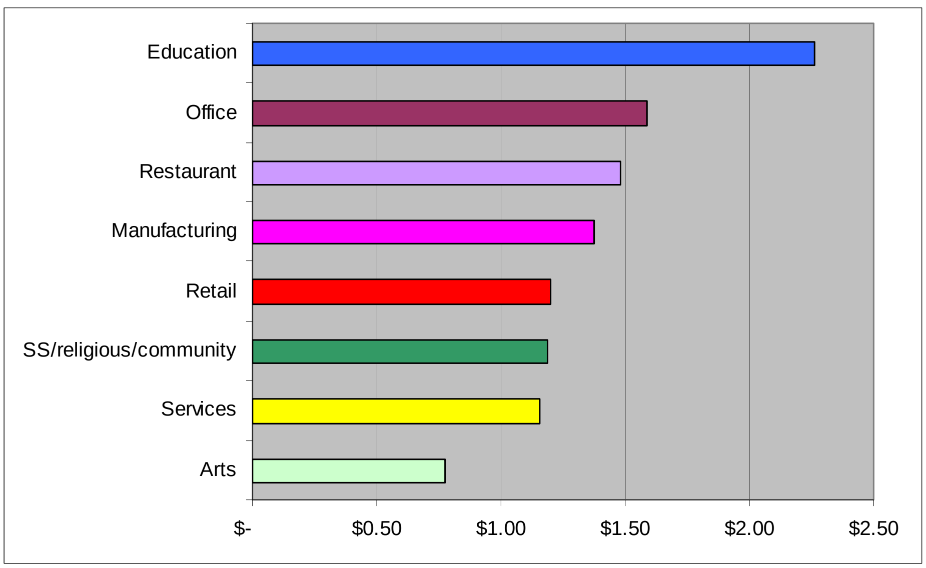
Table 7: Distribution of Rents Levels, 2006 ($/SF/Month)

Rent Per Square Foot	Number of Businesses	Percentage
<$1.00	31	25%
$1-$1.49	41	33%
$1.50-$1.99	31	25%
>$2.00	23	18%

Most leases in the area are triple net. While lease term periods vary from month-to-month to many years, the majority of businesses reporting the terms of their leases had lease periods of five to ten years.

Average rent varies by use (see **Figure 6**, below). The average rent paid by the critical shopping district use categories, restaurant, retail and personal services, are all between $1.20 and $1.50 per square foot per month. Restaurants pay, on average, more than retailers or service businesses, a likely indicator that Chinatown restaurants are doing somewhat better than the other two uses. If $1.50 is taken as a general rule of thumb minimum for businesses occupying ground-floor space in new mixed-use development driven by other uses,[12] it is much likelier that existing restaurants could locate in new storefronts created by new development, than retail or service businesses.

Figure 6: Chinatown, Average Rent Per Square Foot Per Month by Business Type[13]



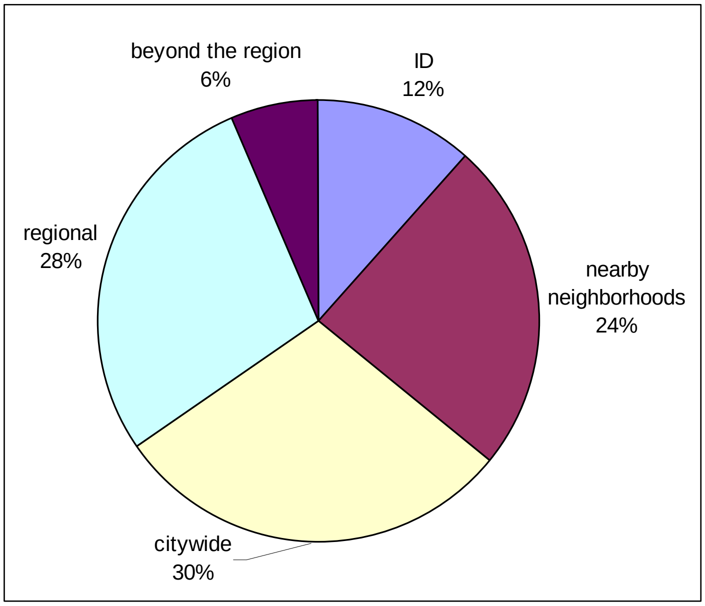
[12] This rule of thumb is based on pro forma analyses that Strategic Economics has done of mixed use projects where ground-floor uses are considered amenities to housing or office above.

[13] Education uses are skewed high by one business that is paying more than $3.00 per SF per month.

CUSTOMER BASE

Based on both responses to questions in the business survey and additional interviews with local leasing agents and business owners, the customer base for Chinatown businesses varies by business. Of the 170 businesses that responded to questions regarding customer base, approximately 2/3rds described their customer base as city-wide, regional, or beyond the regional,[14] while the remaining 1/3rd said their customers live in Chinatown/ID or in nearby neighborhoods (see **Figure 7**, below). One local leasing agent characterized the market for Chinatown businesses as city-wide or regional on the weekend, and local, whether local residents or office workers during the week.

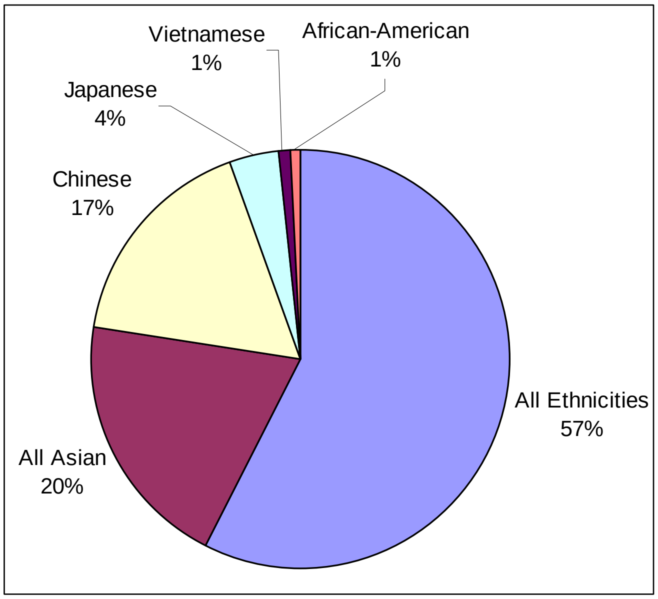
Figure 7: Chinatown, Customer Location, 2006



Chinatown businesses are also split as to the ethnicity of the customer base (see **Figure 8**, next page). Over half of the 125 businesses surveyed serve a clientele of all ethnicities. 20 percent cater to a generally Asian-American market, while 17 percent serve primarily Chinese-Americans, four percent Japanese-Americans, and one percent is Vietnamese-Americans and African-Americans.

[14] Chinatown's proximity to Downtown complicates the question of local vs. regional customer base. Restaurants catering to Downtown office workers during the workday lunch hour are likely to describe their clientele as regional, based on their residences. These are not, however, traditional regional-serving businesses, where customers are traveling some distance for specialty goods or services, rather they are part of restaurant cluster that serves Downtown.

Figure 8: Chinatown, Customer Ethnicity, 2006



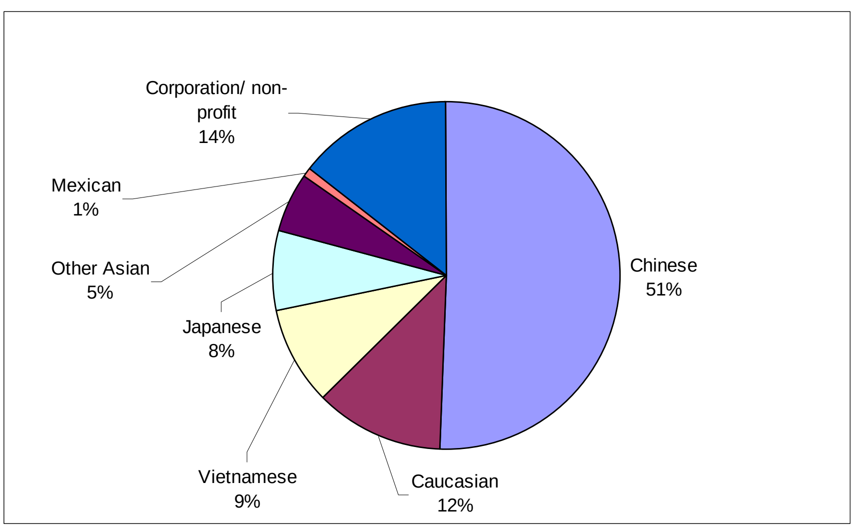
This combination of regional, local and Downtown-serving businesses that cater to either a general customer base or with special appeal for Asian-Americans underlines the mixed nature of the shopping district's current identity. While there is a strong base of businesses with a specific Chinatown appeal, whether to Asian-Americans or a general regional or city-wide clientele, there are also many businesses that serve local residents or office workers.

BUSINESS OWNER CHARACTERISTICS

Ethnicity and Language

Of the 205 respondents to questions regarding ethnicity, over half identified as ethnically Chinese (see **Figure 9**, below). Approximately 10 percent each of business owners identified as Caucasian, Vietnamese or Japanese, while 5 percent identified as other Asian ethnicities.

Figure 9: Chinatown, Business Owner Ethnicity, 2006



Language spoken by business owners was also polled, and of the 220 that responded 59 percent speak English, while another 27 percent speak English and another language. About 14 percent of respondents, or 31 business owners, speak a language other than English.

Table 8: Chinatown, Business Owner Language Spoken, 2006

Languages Spoken	Number of Businesses	Percentage
English	129	59%
English and another language	60	27%
Language other than English	31	14%

Business Plans

133 business owners responded to questions regarding future intentions for their business, as part of the business survey in Chinatown (see **Table 9**, below). Two in-depth interviews were also performed with Chinatown business owners that provide additional detailed information about business owners' plans for expansion and capacity to do so.

The overwhelming majority of Chinatown business owners surveyed and/or interviewed wished to remain in Chinatown, whether in their current location or another location. Half of business owners surveyed plan to stay in their current location and do not have specific plans or desire to move or expand their business, while an additional 27 business owners would like to expand their businesses either by occupying a larger space or by opening an additional location. Fourteen would like to relocate within the International District, continuing to serve the neighborhood.

Table 9: Chinatown, Business Plan, 2006

Business Plan	Number of Businesses
Expand business	27
Relocate in ID	14
Relocate out of ID	6
Remain in same location	67
Close	6
Sell	2
Uncertain	11

Six owners are unhappy with their locations and want to relocate; these owners are primarily looking to move south of Seattle's city limits to locations that offer greater parking and without the presence of Seattle's homeless population. Two owners plan to sell their business and six intend to close their businesses when they plan to retire.

Of the two Chinatown businesses interviewed, one is a major anchor business who is also a major property owner. As a proprietor, they have significant plans for future expansion in both retail and residential activity on a portion of their property. This proprietor cited several reasons for their strong ability to consider and carry out expansion, including: status as second generation, and therefore more assimilated, business; multiple family members to carry out business activities; travel-oriented, risk-taking, and creative-thinking attitudes among the family; influence of community-oriented parents. The other business interviewed was established relatively recently (7 months ago), and stated that they are not ready to consider expansion or relocation.

Among the broader pool of proprietors (including those directly and indirectly interviewed), capacity for future expansion varied. Factors that tended to influence their ability to expand:

- Location on or near paths of primary customer traffic and/or not too close to competing businesses
- Existence of family members/children to expand and/or continue business
- Supportive property owner and/or property manager to assist businesses (e.g. developing business plan, providing rent discounts when needed, negotiating flexible lease arrangements)
- Neighborhood issues including public safety/security, traffic congestion and parking constraints, and need for improved physical environment/amenities.

GENERAL DEVELOPMENT TRENDS

This section briefly documents recent property transactions and general information gathered regarding development trends from interviews with property owners and developers and previous studies performed for the Livable South Downtown planning effort.

Residential Development

In 2000, new market-rate residential development in Chinatown was pioneered by the Uwajimaya mixed-use complex, which includes a successful apartment component, and the Fujisada condominiums, which includes 25 condominium units and reportedly sold out in six months. Until recently, however, other than income-restricted and subsidized projects, there has been a lull in new market-rate residential development activity in Chinatown.[15] **Table 10**, below, shows all recorded condominium sales in both the Chinatown and Little Saigon study areas between 2002 and 2006.[16] Prior to 2006, there were too few sales to create a valid trend. However, in late 2006, Asia Condominiums was converted from apartments, resulting in 57 recorded sales and an average per square foot price of $407.

Table 10: Little Saigon and Chinatown, Condominium Sales, 2002-2006

	2002	2003	2004[2]	2005	2006[3]
Total Transactions	2	0	2	1	57
Average Sales Price	$188,750	-	$1,663,043	$180,000	$295,691
Average Square Footage	594	-	9,999	594	731
Average Sales Price/SF	$318	-	$166	$303	$407

Notes:

[1]All 2002 and 2005 transactions occurred in Little Saigon, while all 2004 and 2006 transactions occurred in Chinatown.

[2]Both transactions in 2004 are hotel condos.

[3]All 57 Condo sales in 2006 are new sales from one new conversion, Asia Condo, as compared to the other transactions which are resales.

In addition to Asia Condominiums, which sold out all 75 units in two months[17], the Empress apartments were converted to the Tobira Condominiums in early 2007. The conversion has reportedly been successful, with eight sales in the first week and asking prices ranging from $404 - $512 per square foot. There has also been new market-rate apartment activity, with construction of the 705 S. Weller apartments in late 2006/early 2007. Similar to Uwajimaya, rents range from $1.45 to $1.80 per square foot per month.

The success of these recent projects indicates a nascent, but strong, market for both mid-range condominiums and new market-rate apartments in Chinatown. Both rents and sale prices are not as high as in Belltown, or other more established residential areas of Downtown. However, with land values reportedly ranging from $100 to $150 per square foot[18], development of woodframe/podium construction

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[15] There have been multiple income-restricted, subsidized projects.

[16] Because there were so few transactions for either area prior to 2006, sales for both areas were grouped together.

[17] Reportedly, 90 percent of buyers were Asian or Asian-American.

[18] There were no recent raw land transactions recorded for Chinatown/ID or Little Saigon.

residential buildings is generally feasible, according to a recent development feasibility analysis performed by BHC Consultants and Property Counselors.[19]

The study found that both apartment and condominium development is feasible in South Downtown in projects of 65 or 85 feet in height.[20] Over 85 feet in height, apartment development becomes infeasible due to increased construction costs, and condominium development, while providing developers with a sufficient profit margin to meet investor expectations, provides a lower level of return on costs than projects of 85 feet or less that are composed of lower cost construction materials (wood).

The development of residential buildings over 85 feet is further challenged by on-going issues with obtaining affordable insurance for condominium construction defect liability. While the state Legislature has recently enacted various amendments and statutes aimed at curbing frivolous construction defect lawsuits, Washington state remains one of the most difficult states for developers, builders and architects to obtain reasonably priced condo construction liability insurance. This issue is sufficiently serious to negatively affect condominiums starts (the two most recent new condominium projects in Chinatown are conversions from apartments, not new construction).[21]

While there is a demonstrated market for new residential units in Chinatown/International District, given the current expense of construction materials for buildings over 85 feet and the unresolved issues with condominium defect liability, it may be some time before construction of new residential buildings over six stories takes place.

Commercial Development

Since the late 1990s, there has been significant successful new office development and renovation of older office space just adjacent to the study area along 4th Avenue S; projects include Union Station and such major tenants as Amazon.com and Vulcan. According to the earlier BHC Consultants market analysis and development feasibility assessment, current rents in South Downtown are not currently high enough to support new office development, but general absorption and lease rate trends indicate that new office development should be viable in approximately two years. While local transit amenities and current expansion of professional, legal and business service firms in the area makes Chinatown/International District an attractive location for new office space, limited viable sites and restrictions imposed by the historic district designation make office development difficult. Based on its market analysis and extensive interviews with key informants, BHC Consultants finds that residential development is a more likely catalyst use for new development in Chinatown/International District; major new office development is likely to go south of Dearborn Street or in the Stadium area.

Retail market conditions are described in detail on pages 15 through 17. Recent retail development consists of the Uwajimaya mixed-use shopping center (2000) and the ground-floor retail portions of I.D. Village Squares I and II (2004). It is likely that additional new retail development will be part of mixed office or residential projects.

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[19] "An Assessment of Real Estate and Economic Conditions in South Downtown Neighborhoods for *Livable South Downtown Planning*," BHC Consultants and Property Counselors, 2006.

[20] It should be noted that the feasibility analysis made two significant assumptions: 1) construction cost inputs were at current levels, while rents and sale prices were projected out two years assuming development pressure consistent with other more established areas of Downtown, and 2) the increased value from the higher density alternative scenarios is assumed to go to the project, rather than to the land (land value is generally based on the desirability of a given location *and* the density/intensity and type of land uses allowed).

[21] Recent legislative activity (Senate Bill 5550) that likely would have worsened the problem appears to have been set aside for this legislative session, but could be resurrected in the future. "Bill for warranties for new homes appears dead for this session," Associated Press, March 30, 2007.

Between 2000 and 2006, no commercial property transactions were recorded in Chinatown; this may reflect anticipation of increases in land value under proposed zoning changes.

PROPERTY OWNER CHARACTERISTICS & PLANS

Of the 5 property owners interviewed in the Chinatown/International District, 2 were non-profits, 2 were for-profit, and 1 was a Chinese-origin family association (who owns property in both Chinatown/ID and Little Saigon).

Community orientation. Among those interviewed, there was a range of "community orientation" with regard to providing support to business tenants and/or the broader community. Not surprisingly, the non-profits displayed the most extensive efforts to assist tenants (e.g. supporting business planning, offering lower rents for new businesses or non-profits, committing significant staff time and resources to preserving long-time neighborhood businesses). One of the for-profit owners, primarily due to personal philosophy, also has a track record of assistance to tenants as well as engagement with the community. The other for-profit owner tended to have a more "neutral" community orientation, focusing primarily on investing in their specific property as a contribution to the neighborhood. Finally, the family association had a strong community orientation.

Tenant recruitment. Among the property owners, there was not a systematic method of recruiting tenants. Approaches/methods included: 1) previous family connections to desire retailers; 2) tenants finding the property owner; 3) hiring real estate brokers, including ethnic brokers; 4) placing ads in ethnic papers.

Future Plans for Property. All property owners interviewed have plans for property development. In the case of the non-profits, it is part of their mission to continue affordable housing construction and development consistent with the vision of the community. Both for-profit owners own additional parcels that are either undeveloped or underdeveloped, so have future expansion plans. The family association is interested in developing additional community uses and classroom spaces with one of their properties.

Capacity for Future Property Development. Among those interviewed, most seemed to display strong capacity for developing their properties. In the case of the non-profits, they have strong technical capacity, years of experience and solid track records for community-based development; for them, the ongoing capacity challenges are related to financial and human resources. The for-profit developers also seemed well-positioned to carry out their plans, given human capacity (multiple family members, involvement of younger family members) and prior experience. The family association has strong family commitment for carrying out development, but acknowledged they will need to have a technical partner to assist with actual execution.

KEY FINDINGS

The following summarizes the key findings regarding existing business and real estate conditions in Chinatown/ID:

- The Chinatown business district is both extensive and intensive; there are over 300 business and 40 non-profit organizations spread over a 10-block area with multiple clusters of businesses on Main, Jackson, King, and Weller Streets and 6th, Maynard, 7th and 8th Avenues. 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.

- The average tenure of existing restaurants is 12 years, a considerable life span in a volatile industry. While the long life span of restaurants is a testament to the tenacity of their owners, it also implies that more recently, new Asian-American restaurants have not been choosing to locate in Chinatown. While the 79 restaurants are a regional attraction and major asset to the district, the 10-year declining trend in revenues and growth of other Asian-American restaurant locations indicates the Chinatown restaurant cluster is at risk.

- 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 approximate minimum amenity rent ($1.50/SF/Month); 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 retailers with new local patrons. The health services sector also grew modestly, but steadily, during this time period.

- Chinatown's businesses have diverse market orientations. Approximately two-thirds have a customer base that is city-wide, regional or extra-regional; this includes restaurants that serve Downtown workers at lunch-time. The remaining third of businesses serve residents of Chinatown 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; approximately 1 in 5 serves a pan-Asian customer base and another 1 in 5 serve a specifically Chinese and Chinese-American, or Japanese-American clientele.

- Businesses such as Uwajimaya and the Panama Hotel and Teahouse, that have both specialty and mass appeal, are best positioned to prosper amidst on-going changes in the local customer base, while maintaining the Chinatown identity and its regional appeal. Niche businesses that offer special goods or services unavailable elsewhere, such as the alternative health service practitioners and suppliers and that excel at cultivating and serving their customer base should also continue to do well.

III. LITTLE SAIGON: EXISTING BUSINESS CONDITIONS & TRENDS

The following section summarizes existing business and retail real estate market conditions in the Little Saigon shopping district of Seattle.[22] This includes current business mix and distribution, business revenue trends, retail real estate market conditions, customer base, and business and property owner characteristics and intentions regarding future business plans. Also included is a discussion of general development trend. Key findings can be found at the conclusion of this section, on page 43.

Similar to the prior discussion of business condition in Chinatown/ID, this summary is based on quantitative analysis of various pre-existing databases, as well as interviews of business and property owners, brokers and developers active or knowledgeable about Little Saigon and review of previous studies and analysis conducted as part of the Livable South Downtown planning process. However, the intensive community-generated business survey conducted between May and December of 2006 was much more limited in Little Saigon than in Chinatown. The business information gathered in Little Saigon was based strictly on a walking inventory of businesses and properties and did not include face-to-face interviews with business owners. Because of this, the information gathered was limited to business name, type and location and does not include the detailed data regarding lease terms, customer base, business owner characteristics, and tenure available for Chinatown.

To help compensate for this discrepancy and provide more qualitative information, Trang Tu conducted an in-depth assessment of district business conditions via bilingual interviews with business and property owners in Little Saigon. Issue areas discussed included characteristics of businesses (tenure, history, location decision), lease terms and structure, customer base, plans and capacity for expansion/adaptation to potential future change, perceived neighborhood challenges/issues, visions for the future or future changes, and perceived potential impacts of future zoning changes and the Dearborn Street Project. A detailed listing of interview questions is included in Appendix A to this report. The following sections summarize the interview findings (with the exception of perceived impacts of zoning and development, which will be reported in Phase 2).

Interviewees were selected with an aim of achieving a diverse pool of stakeholders, with respect to business type, geographic location, tenure of business, age of proprietor, language used in business activities, and geographic reach of customer base. In Little Saigon, a total of 18 interviewees were conducted, including: 10 business owners, 3 property owners, 4 business/property owners, 1 community non-profit. In addition to information about the specific business and property owners who were interviewed, some of the discussions with property owners provided additional "indirect" insight related to the businesses who were their tenants. These perspectives are integrated into the summary of findings. Appendix B of this report includes brief anonymous "profiles" of each interviewee.

Similar quantitative analyses of business revenues between 1997 and 2006 and property transactions between 2001 and 2006 were performed for Little Saigon as was done for Chinatown/ID west of I-5.

[22] For purposes of this study, the Little Saigon district is defined roughly as the area between S. Main St to the north, 16th Ave S to the east, S Dearborn St to the south and I-5 to the west. The community-based business inventory, however, did not extend east of Rainier Ave S.

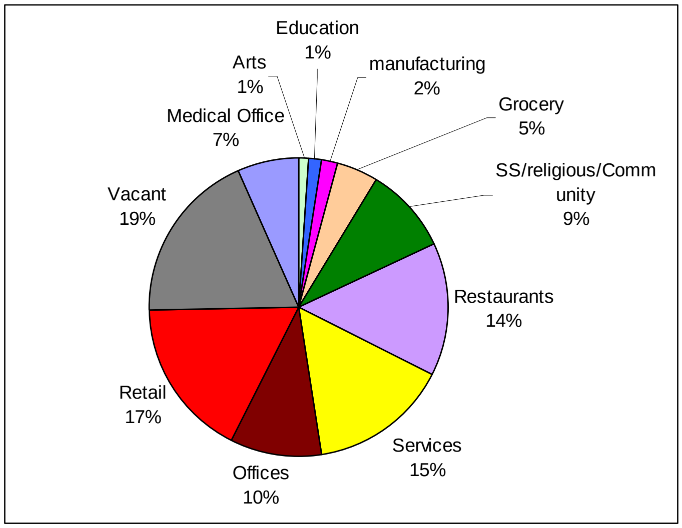
CURRENT BUSINESS MIX & DISTRIBUTION

Little Saigon is a strong Vietnamese-American shopping district with restaurant, retail, and personal service businesses, as well as small office uses clustered on S. Jackson Street between 10th Avenue S. and Rainier Avenue S. (see **Map 5**, following page). In addition to the shopping district, there are a smaller number of production, wholesale, repair and some retail businesses south of S. Jackson Street in a mixed industrial and single family residential area along S. King St, S. Weller Street and 12th Avenue S. In total, there are approximately 175 businesses and 25 non-profit organizations in this area.

Table 10: Little Saigon, Business Distribution, 2006

Business Type	Number of Businesses
Arts	3
Education	3
manufacturing	4
Grocery	11
SS/religious/Community	23
Restaurants	35
Services	37
Offices	24
Retail	42
Vacant	46
Medical Office	16

Figure 9: Little Saigon, Business Distribution, 2006



The business inventory found approximately 53 retail businesses in the greater district, including groceries, making retailers almost a quarter of all businesses (see **Table 10** and **Figure 9** above, and further discussion of retail, page). There are also a significant number of restaurants (35) and personal services (37). In addition, the district includes approximately 24 small office users, including legal and accounting services and insurance agencies, 16 medical office users, and 23 social service, religious or community-based organizations. While the business inventory found only four industrial businesses in the area, it is likely that this number under-represents existing production and distribution business in the area.

Little Saigon's restaurants are predominantly Vietnamese or Vietnamese-American and, similar to Chinatown, are critical to the strength of the district's Vietnamese identity (see **Table 11**, below, and **Map 6**, pg 28). There are also a number of Chinese restaurants and a few other Asian restaurants, but only one non-Asian restaurant. Restaurants are strongly clustered on S Jackson Street.

Table 11: Little Saigon: Distribution of Restaurants, 2006

Type of Restaurant	Number	Percentage
Chinese Restaurant	6	17%
Japanese Restaurant	1	3%
Vietnamese Restaurant or Pho Shop	24	69%
Asian Restaurant, other	3	9%
Non-Asian restaurant or Bakery	1	3%

Little Saigon's retail sector has significant concentrations of jewelry stores (12) and groceries and specialty grocery stores (11). These two clusters demonstrate the district's dual market orientation as both a comparison goods specialty district and a daily or weekly needs shopping center for Vietnamese-Americans and other Asian-Americans. Other retailers, which include housewares, video, music, games and books, are approximately 20 in number.

Table 12: Little Saigon: Distribution of Retail Businesses, 2006

Type of Retail	Number	Percentage
Automotive	5	9%
Cellular, Electronics	1	2%
Clothing	2	4%
Grocery	5	9%
Specialty Grocery	6	11%
Pharmacy	2	4%
Jewelry	12	23%
Other	20	38%

Half of Little Saigon's large number of consumer services businesses are 19 hair or nail salons (see **Table 13**, below). While this cluster could become a city-wide attraction, in that customers would come to Little Saigon knowing that they would not need an appointment, it is also likely that outlets are undercutting each other's ability to do business. There are also seven different travel agencies serving Vietnamese-Americans and other Asian-Americans.

Table 13: Little Saigon: Distribution of Services, 2006

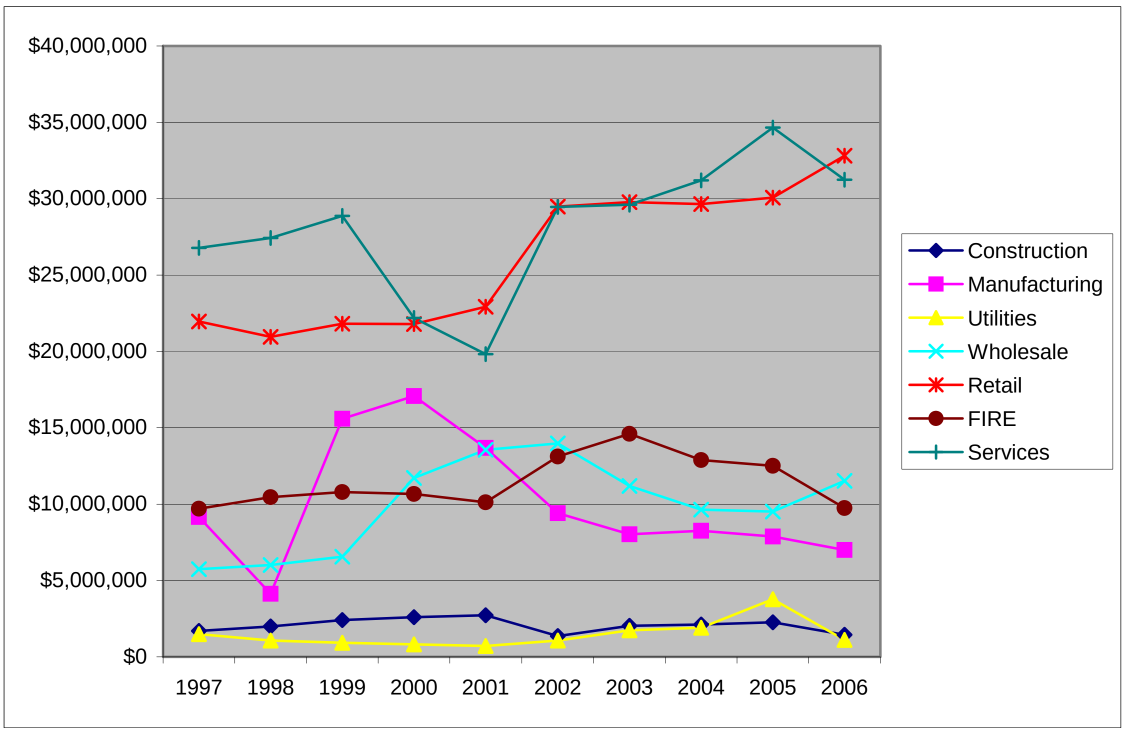
Type of Service	Number	Percentage
Automotive	3	8%
Banking/Financial Institution/Morgage	4	11%
Salon	19	50%
Travel Agencies	7	18%
Other	5	13%

BUSINESS REVENUES OVER TIME[23]

Reflecting its smaller size, recent development and lack of a significant office component, Little Saigon's revenues between 1997 and 2006 were much lower than that of Chinatown/International District. Total inflation-adjusted business revenues in Little Saigon increased from $76.5 million in 1997 to $95.8 million in 2006. The expansion of the district economy was modest but steady over this time period, with an average annual growth rate of 2.8 percent.

Growth of business revenues during this time period was led by both the service and retail sectors. Figure 10 shows the break-down of total revenues by industrial sector, as categorized by Standard Industrial Classification; the FIRE sector includes finance, insurance, and real estate. Total service sector revenues went from $26.8 million to $31.2 million, with significant fluctuation over the time period. Retail sector revenues grew more steadily from $22 million in 1997 to $32.8 million in 2006; this expansion of the retail sector reflects positively on the overall health of shopping district businesses in Little Saigon and is in contrast to the decline of retail sales in Chinatown. The manufacturing and FIRE sectors rose and fell during the time period, while wholesale revenues rose, fell and recovered since 2004.

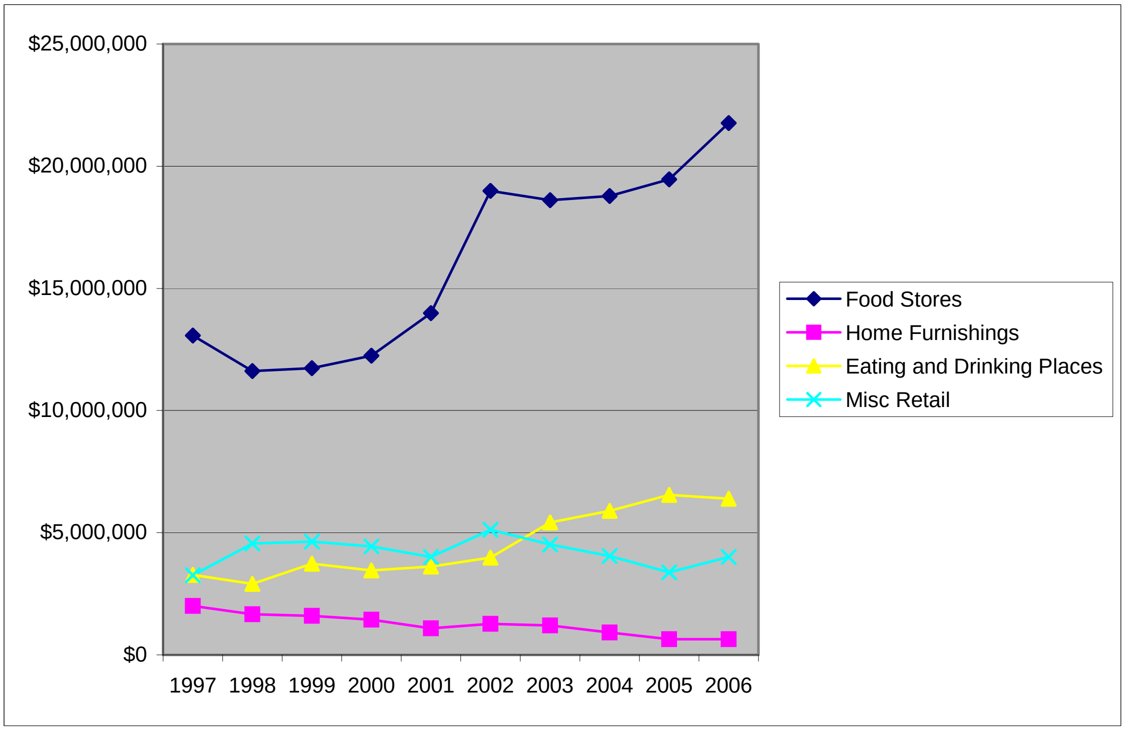
Figure 10: Little Saigon, Business Revenues (1997 - 2006)



[23] Underlying data was obtained from City of Seattle, Department of Executive Administration, Revenue and Consumer Affairs division and is based on information reported by businesses through business license applications and renewals. All revenue figures have been adjusted for inflation to 2006 dollars, so that all dollar amounts are equivalent. Revenue trends were analyzed to the 4-digit SIC level.

The retail industry, which includes restaurants, and therefore the majority of shopping district businesses in Little Saigon, expanded in all significant sub-sectors except home furnishings (see Figure 11, below). Major growth occurred in the food store sub-sector, which increased from total sales of $13.1 million to $21.8 million and reflects the growing number of groceries and specialty groceries found in the area. At a more modest scale, the restaurant sub-sector almost doubled in revenues, from $3.3 million to $6.4 million. Miscellaneous retail, which is comprised largely of drugstore and jewelry store sales, remained fairly steady over the time period.

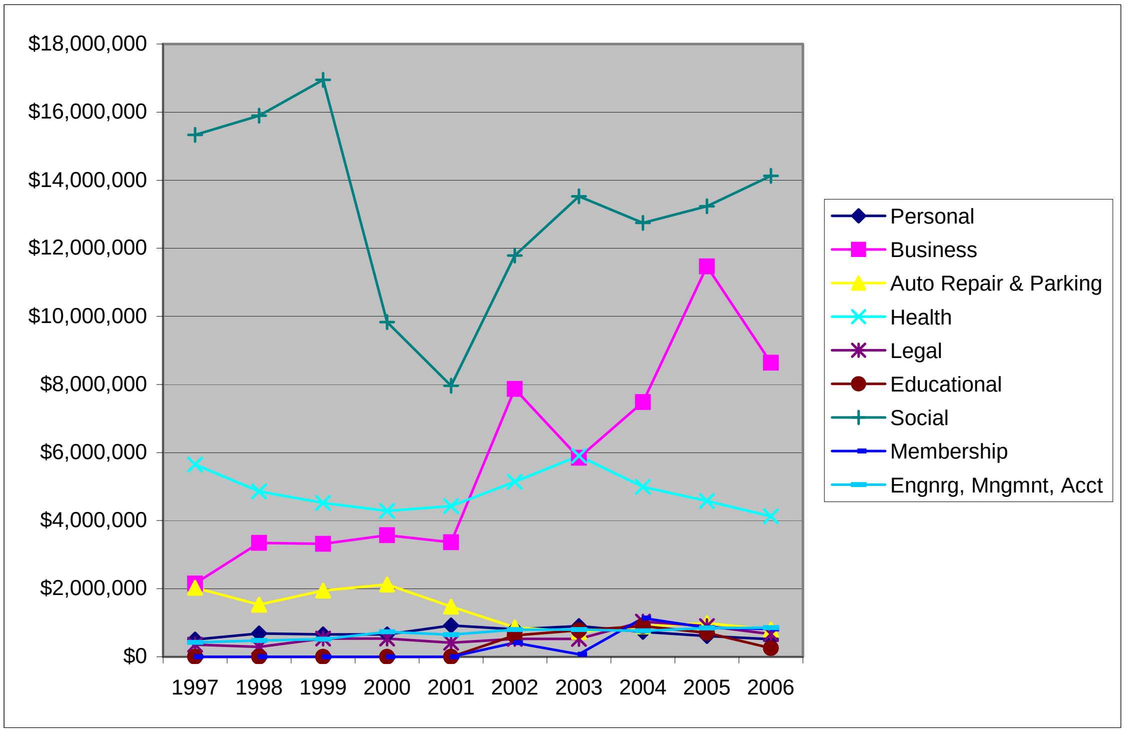
Figure 11: Little Saigon, Retail Revenues (1997 - 2006)



As can be seen in Figure 12, following page, the growth in the service industry is entirely accounted for by business service revenues, which increased from $2.2 million in 1997 to $8.6 million in 2006. Social service sector revenues, which are the largest category of revenues in services, fluctuated wildly during this time period; in 1996, revenues were $15.3 million, which declined sharply to a low of $8 million in 2001 and recovered to $14.1 million by 2006.

Health services and other more minor sub-sector industries remained fairly steady over the time period, with the exception of auto repair and parking lot revenues, which decreased from $2 million to $800,000 over the time period. Personal services, which includes most shopping district service businesses and are not depicted in the figure, grew from approximately $500,000 in 1996 to $900,000 in 2001/2003 before declining to $500,000 by 2006. The majority of personal services revenues, and its fluctuation, is accounted for by beauty shops.

Figure 12: Little Saigon, Service Revenues (1997 - 2006)



BUSINESS TENURE & GENERAL CHARACTERISTICS

The following findings regarding business tenure and retail real estate market conditions, customer base and business owner characteristics and plans are based largely on the in-depth business and property owner interviews conducted by Trang Tu. The 14 Little Saigon businesses interviewed exhibited a diverse range of business mix, distribution and tenure. General characteristics include:

- Tenures: 9 of the businesses were established over 5 years ago, including a jewelry store, 2 restaurants and a supermarket that were among the very first businesses to locate in Little Saigon over 20 years ago. The range of tenures spanned from 10 months to 25 years.
- Location: The 14 businesses represented all four quadrants of the intersection at 12th Avenue S. and S. Jackson Street. Among these were 2 businesses along Rainier Avenue S. between S. Jackson Street and S. Dearborn Street, and 1 business/property owner located along S. Weller Street between 12th Avenue S. and Rainier Avenue S.
- The mix of businesses interviewed included: 4 restaurants, 2 medical services (chiropractor, optometrist), (2 professional services (real estate broker, attorney), 2 supermarkets, 1 jewelry store, 1 sandwich shop, and 1 combination business (immigration service, bookstore, apparel and music).

RETAIL REAL ESTATE MARKET CONDITIONS

Size of Commercial Spaces

Space sizes ranged from 600 square feet (for a sandwich shop) to 15,000 square feet (for a supermarket). Most businesses interviewed had spaces below 3,000 square feet.

Vacancy

The business inventory found approximately 46 vacant commercial spaces or properties. While this 19 percent vacancy rate is rather high, most of the vacancies are found outside of the shopping district in the mixed industrial area south of S. Jackson St and likely reflects the movement of industrial uses out of the area, rather than lack of demand for storefront space in the heart of the district (see **Map 5**, pg 25).

Lease Terms & Affordability

The vast majority of respondents have 5- or 10-year leases; virtually all are triple net. The typical lease range was from $1.50 to $2.00 per square foot per month. Two outliers included 1) a non-profit who pays $0.50/SF/month, and 2) a sandwich shop who is paying $5.00/SF/month. These lease rates are fairly high for the type of strip commercial space available and reflect the more recent development of most of the retail and office space, in comparison with Chinatown, as well as the proximity of the district to Rainier Avenue S., a high-volume arterial.

There was a mixed response from proprietors regarding whether they felt their current lease rate was “affordable.” Some indicated that their lease rate is “fine” or “okay.” Two of the proprietors who had been tenants for over 20 years believed that they may be paying relatively lower rents because of their long tenures. Others expressed that their rents are too high, especially in combination with a belief that their landlords do not provide adequate property maintenance. In particular, the business owner noted above who is paying $5.00 per square foot per month, expressed strong dissatisfaction with his lease rate, and feelings of helplessness to change the situation for fear of being evicted by the owner.

CUSTOMER BASE

Among businesses interviewed, there was a wide variation in customer base in terms of both ethnic and geographic diversity. Businesses with the most ethnically diversified customer base (i.e., clientele from different ethnicities or communities) included several delis/sandwich shops, some of the supermarkets, some restaurants, one jewelry store, and a professional office. Geographically, a number of businesses draw from the region, especially South Seattle. Some of the most visible businesses, such as more upscale restaurants, pull from outside the city, from as far away as Everett and Bainbridge Island.

Factors affecting customer base include: 1) business more accessible or appealing to a broader audience (i.e., restaurants), 2) reviews in mainstream media (Seattle Weekly, The Stranger, or the dailies), 3) intentional targeting of a specific market by proprietor, and 4) emphasis on customer service that attracts repeat clients. Specific observations related to customer base follow:

- Delis: More diverse customers due to growing popularity of “Vietnamese sandwiches.” Popular with nearby office workers. Quick service. One sandwich shop receives customers of mixed ethnicities due to location next to a supermarket with mostly Taiwanese customers and a city bus stop.
- Supermarkets with diverse customers included one who had received a review in a local mainstream paper (and served mix of Asian, Hispanic and Caucasian ethnicities) and another with a significant outdoor produce display.
- Restaurants: Several restaurants have found popularity with mainstream customers due to 1) offering a non-traditional ambiance with more “upscale” interior design, and 2) pursuing/receiving reviews in mainstream papers. Another restaurant has found a niche among Vietnamese-American, Caucasian, African-American and Hispanic customers alike by pursuing the “family restaurant” niche.
- Jewelry store: Most jewelry stores serve Vietnamese-American customers; however, one that was interviewed described a relatively diverse clientele ethnically (mix of Asians) and geographically (South Seattle, Renton). They attributed this to strong customer service building long-term relationships with repeat clients, established tenure (21 years), and family commitment.
- Medical service: One medical professional described a customer base that is 60-70% Vietnamese-American, with the remaining being other ethnicities. His clients come from as far away as Bellingham and Kennewick, and as close as Harborview and Swedish Medical Centers.

Among the businesses with the least ethnically diverse customer base were most jewelry stores, nail salons, and several professional offices.

- Nail salons: Mostly cater to Vietnamese due to owners' comfort level/greater fluency in Vietnamese. Have some Hispanic and African-American customers.
- Restaurants: Some restaurants who have been established for many years and have traditionally served Vietnamese-American customers remain so. In some cases, these businesses have lost some of their customer base to newer restaurants. One particular "pioneer" business has lost 30% of their customer base in the last several years due to a newer, "non-traditional" restaurant nearby. The customer peak period for a number of these restaurants is on the weekends, when Vietnamese-Americans from throughout the region come to shop and eat in Little Saigon.
- Professional offices: Several of those interviewed (real estate broker, attorney), serve primarily Vietnamese-American clients because they intentionally target that market. The real estate broker serves clients from throughout King County, while the attorney's clients are mainly from South Seattle. A medical professional sees primarily Vietnamese-American clients due to language fluency, customer knowledge of the area, and convenient location near complementary businesses.

Long-term shifts

Two businesses (both restaurants) who have been in Little Saigon long-term (13 to 20 years), have seen shifts in customer base over time. For one restaurant, the first 6 years saw 75% Vietnamese-American customers; for the next 3 years, Vietnamese-Americans would come on the weekends while daytime saw mostly non-Vietnamese clientele. Now, the restaurant serves virtually all non-Vietnamese-American customers. The other restaurant, a pho shop, served mostly Vietnamese- and Laotian-Americans in the early years, then attracted more Caucasians following a Seattle Times article. In recent years, other pho shops have opened, and the base has shifted to mostly Hispanics and Vietnamese-Americans on weekends.

Impacts on Customer Base

The majority of proprietors expressed concerns about several current issues that they perceive having an adverse impact on their customer base. These include: 1) thin profit margins, leading to inability to raise prices due to neighborhood competition, 2) parking and traffic (peak hours, game days, lunchtime, ineffective management of private lots, public construction periods), 3) public safety/security (panhandlers approaching customers inside businesses, employees while walking to cars in the evening, break-ins, drug dealing), and 4) a need for physical improvements in the neighborhood (street and sidewalk repairs/improvements, sanitation, pedestrian amenities, more street lighting).

BUSINESS OWNER CHARACTERISTICS & PLANS

Age, Language, Ethnicity, U.S. Residence

- Business owners ranged in age from early 30s to 60s. Age tended to correspond with English fluency.
- All but 2 proprietors had at least some English fluency; however, among these there was a range from complete to partial fluency. The majority of bilingual owners, when given the option, chose to converse in Vietnamese during the interview; these tended to be either over 50 years of age and/or had relatively fewer years of U.S. residence. Those who interviewed in English tended to speak English perfectly, and be younger (under 40 years of age) and/or U.S. born.
- Ethnicities and tenure in U.S.: The proprietors interviewed included a mix of Asian ethnicities, with the majority being first-generation Vietnamese-American. Other proprietors were Chinese-Vietnamese, first-generation Chinese-American, and second-generation Chinese-American.
- Length of residency in the U.S. varied from earlier arrivals (1970s) to as recent as the late 1980s.

Location Decision

- The vast majority of business owners interviewed, regardless of tenure in Little Saigon, chose their current location for low/affordable rents and concentration of other Vietnamese businesses.
- Several of the younger proprietors (attorney, real estate broker, optometrist) intentionally chose their location because they wanted to serve the Vietnamese-American market, partly as a result of business analyses and partly from personal desire to serve the community. As tenants, these proprietors tend to desire, and seek, newer building spaces. One in particular chose a 3-year old space expressly so that he could have the flexibility to design his own interior improvements.
- Of those interviewed, two proprietors had previously been located elsewhere in Little Saigon. In both cases, they moved locations in order to expand their business.

Expansion Plans/Capacity

The interviews included discussion of whether proprietors desired to expand their businesses, in terms of customer base, physical space and/or geographic location.

<u>Desire to Expand</u>
Overall, the interviews found that most interviewees desire to expand while others do not and at least one is not sure. 9 proprietors expressed a desire to expand, for a number of reasons: 1) general desire to increase customers; 2) strong current demand leading to need to expand physical space; 3) desire to develop property (two business owners who also owned their properties). Those who do not wish to expand cited reasons including, 1) as older proprietors, they are “too old and tired” to consider major changes to the business; 2) they have not yet satisfied all demand from the Vietnamese market; 3) the business is too new to consider expansion; 4) status as a family-run operation limits capacity to expand. One proprietor, a restaurateur, was unsure about expansion. He has had a longstanding vision to help Little Saigon be a cultural center for the community by targeting Vietnamese-American customers with his business; however, this is becoming financially less feasible and he is debating whether to shift his business model to cater to new markets, which he believes would dilute his ability to serve Vietnamese.

<u>Desired Location</u>
Of the business owners who stated a desire to expand, 5 expressed a desire to stay in Little Saigon, due to: 1) customer convenience; 2) historic significance of location or specific intent to serve the Vietnamese community (one successful restaurateur has received offers of support for relocation from potential investors, but has declined because he is committed to support Little Saigon’s growth); 3) synergies with other businesses. (e.g. jewelry stores do well if located adjacent to supermarkets); 4) proprietor also owns the property. 3 owners expressed a desire to stay in Little Saigon but also expressed openness to relocating outside the neighborhood, due to: 1) less personal attachment to Little Saigon; 2) other locations (King Plaza, White Center, Renton) are seen as more desirable (opportunities to purchase land, lower rents, less congestion, more parking); 3) customers are less location-dependent. Finally, one proprietor who wishes to expand expressed no attachment to Little Saigon as a business location and believes that his diversified customer base would allow him the ability to do well at other sites.

<u>Factors in Ability/Capacity to Expand</u>
Factors that play a role in determining business’ ability or capacity to expand tended to fall into one of the three general categories: 1) resources including financial, human and physical, 2) relevant experiences and skills, and 3) proprietors’ attitude towards risk and change,

<u>Human Resources</u>
Being able to involve family members, especially children, in helping to operate, grow and carry on the business was a major factor in shaping business capacity; however, this crucial factor varied among those interviewed. 5 businesses had involvement of adult children in operations, while the other 9 had none. Involvement of children, who are often more formally educated than their parents (and in the U.S.), and

more assimilated and hence more engaged in the mainstream community, invariably brought more ability to shape the business model to cater to the desire markets. One of the restaurateurs, for example, was able to bring an entirely new design concept to the space and menu, and invest resources into executing it. This has been a major draw to mainstream customers. A family-owned jewelry store that opened in 1986 has stayed largely the same due to parents' desire to maintain the status quo; however, the two sons and daughter, who have committed to continuing the family business, have plans for relocation and major expansion.

The question of owner succession is an important related factor, and tends to hinge on multiple factors including type of business, and children's personal circumstances. Restaurants, for example, are generally known and frequently cited in this survey, as a business type that is especially draining physically and financially. Interviews found that children may be involved in restaurants as an initial or short-term support (the case among two interviewees), but then move on to other occupations. Even among the restaurants interviewed where children are committed, they are focusing their energies on the one business, and unable to consider expansion beyond that. In contrast, for example, the jewelry businesses tend to get carried on within the family more because a higher level of technical knowledge is required, that is often held closely within the family. The jeweler who was interviewed described how the father had learned goldsmithing in Vietnam when he was 13 years old, opened the first shop there, and 3 of the children have all learned the technical skills and are committed to carry on the business.

<u>Financial Resources</u>
The majority of businesses are self-financed. Few are aware of public or financing programs. A handful of those interviewed knew of the City of Seattle's façade improvement program due to recent outreach from a community non-profit organization, but had negative experiences with it: too much process, meetings and lack of funds in the end leading to feelings of time wasted and frustration.

<u>Physical Resources</u>
The majority of proprietors in Little Saigon do not own their properties, and wish to do so. This is a longstanding issue that many view as the key to preserving Little Saigon. Anecdotal evidence shows that business owners tend to be small-scale in resource (up to $5 million), not sufficient to purchase major properties given consistently escalating land prices. Several proprietors discussed the concept of pooling capital to develop a building with condominium spaces; this is of serious interest to at least five interviewees. However, they also mentioned concerns about the ability of proprietors to build trust and coordination, so believe would need external facilitation and technical and legal assistance.

<u>Relevant Experiences/Skills</u>
This factor encompasses a range of factors, including:

- Lack of knowledge about strategic business analysis and planning:
  - Most proprietors lack business plans, though they would like to develop one. Rather, they "lay cong lam loi" or have survived through the years by cutting prices and using family labor.
  - Most do not conduct marketing, but rely mostly on word-of-mouth. A few place ads in ethnic newspapers and some of the younger proprietors seek exposure in mainstream media.
  - Most do not conduct market analysis or when they do, lack information for a thorough market analysis (e.g. one proprietor concluded he could not relocate to the Chinatown/ID because he believes customers only go there for Chinese food).
  - Storefront appearance/accessibility (e.g., one proprietor leaves dumpsters out front attracting rats, and others using limited parking spaces for employees, both unaware how these can detract from customer volumes).
- Lack of knowledge/experience with new markets (e.g., a supermarket's attempt to diversify customer base failed because the Chinese-American owner lacked deep familiarity with the types of specialty products his new target customers would desire).

- Previous entrepreneurial experience
- Formal education in business and/or a professional field
- Other factors: degree of assimilation (second-generation business owners), extent of travel and/or interaction with mainstream market.

Attitude towards Risk
In general, we found that proprietors tended to cluster on either end of the risk spectrum, and that this sometimes correlated with age and/or assimilation. Older proprietors seemed to be relatively more satisfied with the status quo due to being more risk averse, less adaptable to change, and/or targeting retirement. In some cases (at least 3 among those interviewed), older proprietors had been more engaged with community-oriented activities in the past but have become less so over time. In contrast, some younger proprietors have other day jobs (e.g. pharmacist, banker) and also bring added entrepreneurial energy towards their business, manifested by willingness to invest financial resources in business improvements, and/or regularly make changes to their business model. Some also bring added dedication and energy toward contributing to the neighborhood as a whole.

GENERAL DEVELOPMENT TRENDS

This section briefly documents recent property transactions and general information gathered regarding development trends from interviews with property owners and developers and previous studies performed for the Livable South Downtown planning effort.

Residential Development

There has been no recent residential development activity in Little Saigon, other than the Pacific Rim Center (2000/1), which is perceived as not successful.[24] There is also very little older housing stock in Little Saigon; the area is primarily strip commercial and industrial in character, with a pocket of detached residential on S. Weller Street between Rainier Avenue S. and 12th Avenue S.

Total detached single-family, duplex and townhouse re-sale activity is summarized in **Table 14**, below.

Table 14: Little Saigon, Non-Condo Residential Re-Sale Transactions, 2002 - 2006

	2002	2003	2004	2005	2006
Total Transactions	3	7	7	8	16
Average Sales Price	$209,227	$277,636	$331,307	$334,181	$409,156
Average Square Footage	1,520	1,598	1,661	1,439	1,521
Average Sales Price/SF	$137	$179	$203	$257	$282

	2002-'03		2003-'04	
	$ Change	% Change	$ Change	% Change
Average Sales Price	$68,409	32.7%	$53,671	19.3%
Average Sales Price/SF	$42	30.8%	$24	13.1%

	2004-'05		2005-'06	
	$ Change	% Change	$ Change	% Change
Average Sales Price	$2,874	0.9%	$74,975	22.4%
Average Sales Price/SF	$55	26.9%	$25	9.6%

[24] According to the BHC Consulting study, condominiums are available $300,000 or more and approximately 10 of 40 units have sold with the remainder becoming available for sale as leases expire.

Non-condominium residential re-sale transactions have steadily increased in activity level and value since 2002. Although the value per square foot is somewhat below the average value per square foot for homes in Central Seattle (2005: $295), annual appreciation is on par with greater Central Seattle (average annual, five year trend, 13.5 percent appreciation).[25] This suggests that, despite the largely commercial and industrial physical character of the area, Little Saigon is attractive to homebuyers.

The area is currently lacking in the physical character and pedestrian infrastructure that makes Chinatown an attractive area for new residential development and current production, distribution and repair businesses also pose incompatibility issues. However, proposed new development in the area including the Dearborn Street mixed-use project (see description below) and the redevelopment of Yesler Terrace could demonstrate that market-rate residential development can be successful in Little Saigon and, over time, begin to change the character of the area to make it more attractive for additional residential development.

The discussion of the feasibility of residential development over 85 feet tall in Chinatown (page 23) also applies to Little Saigon.

Commercial Development

In the last five years, a few smaller commercial projects have been developed by Vietnamese-American owners in Little Saigon. One is a two-story office building along Rainier Avenue S. developed three years ago by a small group of Vietnamese-American owners, one of whom has a medical office in the building. This building has approximately six office uses, and offers 5 to 10-year leases. Another recent development is a one-story retail building on 12th Avenue S., north of S. Jackson Street. The property owner also occupies the main retail space as a sandwich shop/deli, and leases to 3 other retail tenants.

There were eight recorded commercial property transactions in Little Saigon between 2002 and 2006; the types and sizes of properties varies too widely to get a sense of appreciation and the value of individual transactions varies widely. In 2002, a retail trade space sold for $147 per square foot, as did a strip commercial space for $245. In 2003, a property classified only as "commercial" was sold at $229 per square foot. In 2004 and 2005, two office buildings sold for $149 and $160 per square foot, respectively. Two transactions of medical office space in 2005 and 2006 also rose in value, from $301 to $310 per square foot.

The range of commercial lease rates in Little Saigon ($1.50 - $2.00 per square foot per month), the success of recent small scale projects and the low level of vacant space in the shopping district area indicates demand for additional retail and small office space.

PROPERTY OWNER CHARACTERISTICS & PLANS

General Ownership Patterns

The most significant properties at the four corners of Little Saigon's primary intersection, S. Jackson Street and 12th Avenue S., are primarily owned by non-Vietnamese owners, including one Taiwanese and three different Chinese-American owners. At least one of the Chinese-American owners has family roots in the International District and Beacon Hill, and received the property passed down through his father-in-law, a Chinese immigrant. One of the other Chinese-American owners owns two parcels near the 12th/Jackson intersection as well as a newer mixed-use building (residential and commercial) constructed within the last 10 years.

[25] Seattle Times, Home Values, http://seattletimes.nwsource.com/homevalues/prices/prices_king_snohomish.html.

Vietnamese-Americans own some of the smaller parcels beyond the immediate intersection. Our property scan and anecdotal estimates found that approximately 10 to 15% of Little Saigon properties are Vietnamese-owned. A portion of these are property owners who also maintain businesses on the property. Some of these property owners obtained property with existing buildings 10 to 15 years ago, while others have acquired only in more recent years. And it has only been the very recent acquisitions (i.e. the two cases noted in "General Development Trends") that involved new construction on undeveloped sites.

Beyond the immediate intersection of 12th/Jackson, property ownership is a mix of largely industrial activities (some defunct), with a smattering of residential and religious uses. One property owner in this area, who was an interviewee, is an industrial-type business (contractor) but does not conduct industrial activity on-site; instead, they built a new office building with multiple spaces for lease, within the last 5 years, and may build another one next door, in keeping with the type of development and changes they predict may be catalyzed by the Dearborn Street Project.

Relationships with Business Tenants

Similar to property owners in Chinatown/ID west of I-5, property owners in Little Saigon used a variety of methods to recruit tenants, including 1) use of ethnic brokers, 2) placing ads in ethnic papers, and 3) letting tenants find the properties. Several interviewees described challenges finding tenants for office spaces, for which current rents are "below market."

There was also a range of "community orientation" among property owners in Little Saigon. Though there are no non-profits who own property in Little Saigon, we talked with at least two property owners who have provided support to tenants (selecting non-competing tenants, providing financial assistance for tenant improvements, offering rent discounts) and the community (support for neighborhood projects). Yet these owners, both of whom are Chinese-American, also expressed limitations to "how far" they extend their assistance, due to: 1) over time, a growth in the desire to "simplify" relationship with tenants and property management, 2) belief that some tenants' lack of knowledge about business practices limits effectiveness of his efforts to help. At the same time, the consultants learned about other property owners who tenants cited as providing no assistance or property maintenance and charging unaffordable rents.

Future Plans for Property

Among the 7 property owners interviewed, 3 have plans to develop their properties. Influencing factors included 1) motivation to yield returns on their property, 2) availability of human resources to execute and manage a development project, and 3) availability of capital. One owner who currently owns a supermarket on their site described plans for a mixed-use building with underground parking. Another is seeking to expand the existing building, but is constrained by Historic Review District regulations, while another plans to build a second office building. The other property owners, who do not have plans for development, cited a variety of reasons: 1) they feel satisfied with the status quo, 2) they have owned the property for many years (20+ years in two cases), are facing retirement age, and do not desire a major project, and 3) are responding to tenant preferences to not upgrade property in order to keep rents low.

Attitudes toward Future Trends

Most interviewees (both business and property owners) believe there is a fundamental tension between growth/development and preservation of Little Saigon. A unified vision for the future does not exist; there were mixed feelings about whether reconciling the tensions is desirable.

<u>Laissez-faire Perspectives.</u> Some interviewees hold that mixed-use development will add vitality to the area, and that these opportunities should be embraced. Others believe that private actors will always seek to "improve" their properties/businesses, and that government should not dictate what they do, especially with regard to property owners; for some, this is also underscored by previous experience with significant, and often punitive, government intervention in Vietnam, which has left them desiring more

autonomy in the United States. Some interviewees also feel that Vietnamese immigration and assimilation has naturally evolved to a state where Little Saigon will naturally erode as more families settle in outlying areas, and that this is acceptable. Finally, some feel that even if the community desired to preserve the neighborhood, they could not match resources and abilities of large-scale developers, so must be realistic about the chances of remaining viable.

Pro-preservation Perspectives. Other interviewees feel strongly that public and community interventions should be carried out in order to preserve the culture and character of Little Saigon. Many who hold this view do so because they believe in the historical significance of the area and the need to preserve it as a legacy for subsequent generations. Interviewees described various visions for Little Saigon, including revival as an "Old Vietnam" modeled on a traditional business district, expansion to include non-business activities such as arts/cultural venues, educational institutions, and non-profits, and a "cleaner, safer and improved area from which the community can take pride." Finally, some believe that businesses can simultaneously grow and cater to new markets while still retaining cultural authenticity.

KEY FINDINGS

The following summarizes the key findings regarding existing business and retail real estate conditions in Little Saigon:

- Little Saigon is a specialty ethnic shopping district comprised of approximately 175 businesses and 25 non-profit organizations strongly clustered on S. Jackson Street and 12th Avenue S. While there are some industrial and wholesale businesses on S. King and S. Weller Streets, retail, restaurant, personal services and small office uses, the mainstays of the district, are found on S. Jackson Street.

- In contrast to Chinatown, the district has a growing retail sector; total retail revenues grew 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 likely due to larger economic shifts, but may also relate to businesses undercutting each other because of 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 space available (largely one and two-story strip commercial) and its more recent development. The business inventory found a high rate of vacancy (19 percent), but these vacancies were found mostly in the mixed industrial and residential blocks off of S. Jackson Street and do not 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 media exposure, and the proprietor's intentions regarding target market. Restaurants are split between those that have intentionally targeted a more mass market through non-traditional ambience or family orientation versus older establishments that have continued to serve a largely Vietnamese-American clientele. Supermarkets are similarly split, while jewelers, nail salons and professional office users are more focused on the regional Vietnamese-American and Asian-American market. Some businesses observed that their customer base has become increasingly varied over time, given media exposure, 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 wish to expand their businesses and prefer to remain within Little Saigon and several express the desire to own and develop property in the area. Interest in expansion varies 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. These factors frequently correlate with the owner's age and degree of assimilation.

APPENDIX A. INTERVIEW QUESTIONS

A. BASIC INFORMATION

1. Type of business/tenants: What type of business activities do you conduct/are in this building?
2. Language accessibility: What is/are the primary language(s) in which you conduct business?
3. Age of proprietor?
4. History, duration and location of business:
    a. How did you get started with your business?
    b. How many years have you been in business? At this location? In another location within the district? In another location outside the district?
5. Lease terms/length:
    a. What is the length of your current lease term?
    b. Will you attempt to renew the lease when it expires?
    c. How much space do you have, approximately?
    d. What is your current lease rate?
    e. What type of lease is it?
6. Tenant recruitment: How does the property owner identify/select tenant(s)?
7. Does this space meet your current needs well (lease, owner relationship)? Do you anticipate that it will continue to meet your businesses needs over the next 5 years?

B. CUSTOMER BASE

1. What is the composition of your primary customer base (ethnicity, income, geographic origin, travel mode, other characteristics)?
2. Do you have a desire to expand your customer base? If so, to whom/how do you wish to expand?
3. What kinds of plans or ideas do you have, if any, for how to expand your customer base?

C. CHALLENGES/BARRIERS AND FUTURE CHANGES

1. What challenges/barriers affect your business?
2. Future changes and vision
    a. Future plans for property: What plans, if any, does the property owner have for the property?
    b. What kinds of neighborhood changes do you anticipate will affect your business? Do you view these as positive or negative and why?
    c. What thoughts do you have, if any, about how this neighborhood should be/look/feel/function in the future?
3. Business' capacity to respond to change
    a. How do you feel about your ability to respond to or benefit from future changes?
    b. Do you have a business plan?
    c. What type of financing do you have, if any (SBA loans, informal loans from family)?
    d. Are you aware of public programs for business assistance? If not, why not?
    e. What other kinds of assistance do you think is needed?

APPENDIX B. INTERVIEWEE PROFILES

LITTLE SAIGON INTERVIEWS

Interviewee is a business owner who was one of the first proprietors in Little Saigon in the 1980s. For years, streams of Vietnamese families from as far away as Olympia would come to the restaurant he opened with his wife, especially on the weekends. Over the years, he has expanded the footprint of his restaurant, and had hopes his son would continue the business. In recent years, he has lost 30% of his customer base due to competition from a newer restaurant nearby that has appealed to a wide audience of Vietnamese and non-Vietnamese alike. This restaurateur feels he "is at a turning point" of needing to decide whether to change his business model to cater to non-Vietnamese clientele, or retain his focus on his traditional customer base. He has always wanted his business and Little Saigon to be a place for Vietnamese-Americans, but now is unsure whether he can afford to act in accordance with that aspiration.

Interviewee has owned significant property at one of the corners since his father-in-law, a second generation Chinese-American who settled on Beacon Hill, passed the land on. He has strived to "treat his tenants well, since their hard work allows our lifestyle." He offers nearly the lowest rent in the area, has tried to protect his tenants from competing with each other by leasing to diverse businesses, and given his time/resources toward community projects. Six years ago he was considering making improvements to the property; however, a number of tenants stated they would rather have the lower rents, so he did not move forward with improvements. However, now in his 60s, he feels he is "off into the sunset" and is passing property management to his son, who is in his 30s. In addition to raising a young family, his son also manages family property in Edmonds, and feels that "as a 4th generation, he feels more comfortable in Bellevue than in Chinatown." Together, father and son want to continue supporting community goals; however, they feel that they are "not part of the community" and cannot broker all the tenant conflicts that arise; as well, they believe that "there will be a time when a high-rise will go in, and if it's in their self-interest, they would do it. But they aren't actively seeking it."

Interviewee's family has owned a jewelry store in Little Saigon since 1986. Her father learned goldsmithing in Vietnam when he was 13 and opened the family's first store there. She and her two brothers have all learned the technical skills of jewelry and are committed to continuing the family business. While they have been happy with their location in Little Saigon given the foot traffic and complementary businesses nearby, they have been unsatisfied with their landlord's property maintenance, as well as growing parking problems. Overall, the business has been strong but has slowed somewhat in the last five years due to online competition. Clients (many of whom are regulars) come from primarily from South Seattle and are a mix of different Asian ethnicities. She and her siblings have ideas for expanding the business (purchasing property and relocation, developing a website, hiring additional staff, marketing to new communities) and have been looking at purchasing property. They prefer to stay in Little Saigon for the ease of customer access, but the available options are cost-prohibitive for them. Given this, they are considering locations further away including the Rainier Valley, Renton, and neighborhoods north. Her main concern for the neighborhood is potential displacement impacts from zoning changes.

Interviewee represents a community non-profit organization established in Little Saigon within the last five years. From a non-profit perspective, his organization is the only one focused on community development and advocacy in the neighborhood, yet has virtually no financial or staff capacity to sustain needed efforts. The organization leases office space at a favorable rate from one of the major landowners in Little Saigon, but even this support is not adequate for long-term viability. Nonetheless, he dedicated significant time to advance the needs in the neighborhood, among which he views potential zoning changes and the Dearborn Street Project as the largest forces for change and potential displacement of existing businesses. He is concerned that current proprietors, most of whom do not own their properties and who have thin profit margins, will not be able to withstand potential increases in rents. While a few businesses may be able to adapt to future changes, many, due to language barriers, lack of capacity to cater to mainstream markets, lack of capital, and dearth of family members to carry on the business, will simply be displaced. In this context, there are significant challenges to community organizing, including the same language barriers and lack of a critical mass of engaged businesses.

Interviewee owns a sandwich shop established seven years ago. In his 40s, he conducts business in Vietnamese and English, and receives diverse customers (50% Vietnamese, 50% non-Vietnamese) from both the adjacent supermarket and a bus stop nearby. His biggest challenge is his rent, which he pays at more than three times the average rate for this neighborhood. He also expressed dissatisfaction over the owner's lack of property maintenance (the owner is Taiwanese and uses a property management service). His current lease expires August 2007 and he wishes to relocate out of Little Saigon. Several years ago he had looked into relocating to the Chinatown/ID but concluded it was infeasible because he believes the peak evening restaurant traffic in that neighborhood would not align well with his sandwich sales, which occur mostly during the daytime.

Interviewee leases a 1,000 square foot retail space. In this space, he sells books, videos, CDs, and apparel, and also offers immigration/passport services. He conducts his business in Vietnamese and virtually all his customers are Vietnamese-Americans who are primarily local and come into the store mostly on weekends. This proprietor has a 5-year lease, and feels his rent is "fine." He would like to keep renewing his lease if the property owner allows it, though expressed that if he had an opportunity to own his property, he would expand his store. Eight years ago, he purchased a small building further north on S. Jackson Street, completed upgrades, and leased to five tenants. These same tenants remain there, and he has no future plans to alter the building. He also stated that many neighborhood proprietors have a strong desire to own their properties but lack large-scale resources to purchase a significant site; he estimates that individuals could afford \$3 to \$5 million deals at most. While some have discussed the idea of pooling resources, he does not believe that Vietnamese proprietors could trust each other enough to make that work. At one point he had attended several meetings and applied for assistance from the City's façade improvement program, but in the end was told there were no funds and has concluded the process was a waste of time and expressed some weariness about other potential City assistance. He has no familiarity with other public financing sources. His biggest neighborhood concerns are traffic congestion and business displacement due to rising rents.

Interviewee established a Chinese buffet restaurant on Rainier Avenue S. in May of 2006. She had previously worked at a bank but decided to change occupations because she wanted to have more interaction with people. Though she had considered locations throughout Seattle and the Eastside, she chose this site due to mutual family connections. She has a 10-year lease and feels her lease rate is "ok." The first few months of business were busy, with customers (nearby residents and employees) coming in primarily at lunch. However, patronage has dropped off significantly due to security problems—she has experienced seven break-ins since opening, including having to replace fans/vent system and glass in skylights (roof break-in). Frequently, panhandlers enter the restaurant and approach customers, or knock on car windows. Though she would like to expand her customer base (and would welcome public assistance with marketing and finances), she is currently looking to sell her business as she is losing revenue.

Interviewee purchased property and opened a pho shop at a strategic site in Little Saigon in 1981, becoming one of the first businesses in the neighborhood. In 1999, he opened a second, slightly larger restaurant adjacent to the pho shop. His family has also opened (as tenants) pho shops in Chinatown/ID, the north end of Rainier Valley, and in Downtown Seattle. His customer base has shifted over the years, at first drawing primarily Vietnamese-Americans (especially on weekends from throughout the region) and Laotian-Americans. After the Seattle Times wrote an article about the shop, more Caucasians came in. In recent years, other pho shops have opened nearby, and now clients are mostly Hispanics, and Vietnamese-Americans on weekends. His biggest future concerns are potential traffic congestion from the Dearborn Street Project. He doesn't think the tenants in that project will compete with Little Saigon businesses. He also has some concern about succession. Currently, both he and his wife, who are in their 60s, work at the restaurants. Several of their children who have finished college are helping but he is unsure how long they will stay involved. He stated he is "too old and tired" to think about any big changes or expansions to his property.

Interviewee is a business and property owner along S. Weller Street. His father began the family's construction/contractor business in the early 70s after purchasing the site. In the mid-1990s, he and his brothers formed a partnership to expand the business to an 18-person firm working throughout Western Washington. Their core work is urban mixed-use buildings (often for non-profit housing developers). They also build office, industrial, and some military and medical facilities. They use their property (current building built 4 years ago) primarily as the home office, including leasing to approximately 12 tenants (mostly non-profit and non-traditional professional services). Construction equipment is rented for specific jobs and kept on the job sites. His main neighborhood concerns focus on safety and security (panhandlers, drug dealing), lack of parking, and underutilized/vacant buildings and lots. Given this issue, he feels that changes to shift the industrial character of the area to a more thriving, mixed-use neighborhood, are positive. But he acknowledges this may come at the cost of displacing ethnic "mom and pop" businesses, leaving him with mixed feelings about future changes. Yet he does not feel it is the City's responsibility, nor is it preferable, to intervene to "direct what happens on private property."

Interviewee is a real estate broker who relocated from the Rainier Valley four years ago because he believes that Little Saigon is the "face" of the community and he wanted to be part of it. The building in which he leases is owned by a local Vietnamese-American who is also a business owner. He pays the going lease rate for the area and is on a 5-year contract. Generally, he is happy with the space, feels it is adequately sized, and plans to be there for the long-term. Customer base is primarily Vietnamese from throughout Snohomish and King Counties, and are mostly interested in residential space, though they do some commercial work. The business is completely independent, relies on word-of-mouth referrals, and does not have a marketing strategy. He is not yet considering expansion because he feels they have not yet fully tapped into the Vietnamese market. He is most concerned about the Dearborn Street Project's potential for business displacement, which will weaken the character of Little Saigon. He believes the most critical issue is helping business owners be able to control or own the land, and that there is potential for business owners to pool resources and buy property. Public assistance is needed in supporting community capacity to organize, develop a vision, and achieve property ownership.

Interviewee is an attorney who moved to Seattle for college and law school in 1992. Since graduating several years ago, he worked for Safeco, then established his own practice in November 2005. He specifically wanted to serve the Vietnamese community so chose this location. He also sought a newer building so as to have flexibility with his interior improvements, which is not widely available in Little Saigon, but this building had just been built in 2003 by a partnership of several local Vietnamese investors. He is a on a 3-year lease, and rent is higher than for older spaces in the neighborhood, though less than in Downtown. He aims to grow his practice and expects to need a larger space in the future. His practice areas are in immigration, family and business law, and his clients are 90% Vietnamese-American and from South Seattle. Overall, he is satisfied with his space, location and lease. He believes that future changes can be good for the community because they may offer opportunities. However he also acknowledges that for some in the community, changes could mean adverse impacts. Yet he believes that businesses can both remain authentically ethnic and still cater to new markets. He would like to see Little

Saigon preserved, but to be cleaner, safer and with newer buildings, as well as additional uses besides retail (culture, art, entertainment, churches, community organizations, etc).

Interviewee is a medical professional who was initially located in a 1,200 square foot space within Little Saigon and then moved to his current 2,700 square foot space. He pays slightly below the average area lease and is generally satisfied with his space but wishes the landlord would provide some building upgrades to make it more physically attractive. Clients are 95% Vietnamese-American, and come through word-of-mouth and ads he places in ethnic papers. He would like to own his building and stay in Little Saigon, but finds property in the neighborhood too expensive. He likes the idea of a group of business owners pooling resources to buy land, but believes such a concept would need outside technical assistance and staff to coordinate. His biggest concerns for the area are the need for physical improvements (cleaner and more uniform signage, street lighting, trash cans), and improved parking (which he believes the Dearborn Street Project will have a significant impact on). Though he believes the Vietnamese community is undergoing a natural assimilation process of settling in outlying areas, he also believes there is potential for Little Saigon to become a stronger community center through additional development and improvements.

Interviewee is a medical professional by trade who helped his family establish their restaurant two years ago. He remains in his medical field part-time and uses the remainder of his time to manage the restaurant. The business has met widespread success among Vietnamese and non-Vietnamese customers alike, due in part to significant investments in interior improvements, the son/manager's knowledge of mainstream customer preferences, emphasis on customer service, and focus on improvements in response to customer feedback. He also has an extraordinarily strong commitment to Little Saigon, including a vision that the neighborhood develop as a replica of an "Old Vietnam" town. This vision is so strong he has declined offers of support from outside investors willing to help him relocate to a "more physically attractive" neighborhood. He has some concerns about potential zoning changes and the Dearborn Street Project, primarily around additional traffic and potential displacement. He is strongly interested in the concept of a business cooperative to purchase land. As well, he believes that other proprietors as well as property owners need to put more energy and resources into maintaining and improving their spaces, and contributing to the well-being of the neighborhood overall.

Interviewee is a supermarket owner whose business was one of the very first tenants in Little Saigon. He currently pays below average rents for his space, on a 10-year lease. Over the years, he has also opened a supermarket in the Rainier Valley and more recently, a mixed-used building in Renton. He has delegated much of the day-to-day operations to other staff, and focuses primarily on overseas product purchases. Currently his business is strong. At one of his stores outside of Little Saigon, he attempted to diversify products offered to appeal to multiple communities, but failed due to lack of familiarity with the appropriate specialty products, and has since re-focused that store on Asian products. He also owns a small undeveloped parcel near the southwest corner of 12th Avenue S. and S. Jackson Street, for which he has no plans. He believes that future changes are unavoidable (and in some cases, may be preferable), and believes that outlying up and coming areas such as Renton, Lynnwood, and White Center will be the next centers for Asian development. During the conversation, he initially expressed doubts about business owners' ability to come together to form a cooperative to purchase property, but later expressed more positive views about the viability of the concept if technical, financial and coordination assistance were available.

Interviewee is a medical professional who finished graduate school five years ago with an express desire to work in the Vietnamese-American community. After considering relocation to other cities, he chose to settle in Seattle, and found a newer building with a 1,250-foot space for lease. He is currently on a 5-year lease which expires in the summer of 2007 and has found his rent to be "ok." Since opening his business, his patient base has grown significantly, with clients coming from as far away as Bellingham and

Kennewick. Given this, he would definitely like to expand to a 2,500 or 3,000 square foot space, and would like to own his property. He has searched within Little Saigon but found costs prohibitive. Though he would generally like to stay in the neighborhood, it would be feasible for him to relocate elsewhere as he believes it would not be too difficult to move his patients. His main future concerns center on traffic, which is already congested now, especially on Rainier Avenue S., Boren Avenue S., and S. Jackson Street; physical improvements to the neighborhood; and competition from tenants in the Dearborn Street Project. He believes a potential positive of the project is that it may bring more people to the area and allow it to be better known by other communities; however, he believes there is a strong chance it will displace numerous existing businesses that are already facing strong competition from each other.

Interviewee's family started a seafood market on S. Main Street in 1993, and in 1998 purchased a 20,000 square foot property on S. King Street in order to expand the store. Since then, the business has done well, with the customer base expanding significantly from an initial draw of mostly Vietnamese-Americans to now, a mix of different Asian ethnicities, Hispanic, and some Caucasian patrons. The business is still growing, under the management of an older son. They have plans to develop their property as a mixed-use building (restaurants, travel agent, medical office, underground parking and hope to focus on that in the next 5 years. He believes the biggest issues in the future will be traffic, which is already heavy on S. Dearborn Street and Rainier Avenue S. Additionally, potential competition from new businesses and displacement from increased property values as a result of the Dearborn Street Project are major questions in his mind. Yet he also believes that property owners should be allowed to exercise their right to develop their property; that being said, he also believes major developers should be sensitive to and partner to provide community benefits.

Interviewee's family owns numerous parcels, some developed (including two historic buildings) and some undeveloped, in both Chinatown/ID and Little Saigon. This property owner is not a business owner. An older son manages most of the properties. The historic buildings were recently acquired, and they have been looking at different options for redevelopment. Efforts to rent as office space failed to attract tenants due to business' concerns about neighborhood safety. Currently, they are looking at a mix of ground floor retail, one floor of office, and housing in upper floors, for those buildings. They had also been pursuing a development partnership with a developer of homeless housing for a vacant parcel on S. Dearborn Street; the status of that project is not clear at this time. Additionally, they own a parcel near 10th Avenue S. and S. Jackson Street that has an existing building on it. Despite hiring an ethnic real estate broker, they have had a difficult time finding stable tenants for this building, and in fact have provided a rent discount to one tenant who had to reduce business hours. They would like to redevelop this site for mixed-use but have been stymied by Review District guidelines. The owner's main concerns are around neighborhood aesthetics and cleanliness, public safety and security, cumbersome City regulations and processes, and lack of parking. He thinks the additional activity that will be provided by the Dearborn Street Project will be a positive for the neighborhood.

Information from this interviewee was obtained indirectly through a written correspondence to the City of Seattle in which he shares his perspective related to potential zoning changes, as well as data from a 2006 real estate market study in which the consultants conducted an interview with him. This property owner has three properties in Little Saigon, two of which are older buildings constructed 15 to 20 years ago, and a newer mixed-use building (retail and condominiums) constructed in 1998. He is supportive of zoning changes that would increase heights in Little Saigon, as he believes these incentives would help property owners to develop their land. His biggest concerns are public safety, traffic, parking, and physical improvements to the neighborhood.

CHINATOWN/INTERNATIONAL DISTRICT INTERVIEWS

Interviewee is a representative of a Chinese benevolent (family) association, who owns developed property in Chinatown/ID and an undeveloped lot in Little Saigon. For the developed property, the association is currently discussing potential expansion for a program including offices, classroom space, and parking. They have been in discussions about this for awhile, and would need to find a development partner for the project. The association has no development plans for the vacant lot in Little Saigon. Interviewee has mixed feelings about the potential impact of the Dearborn Street Project. On the one hand, it could bring additional visitors and customers into the neighborhood; however, it could also increase traffic and/or visitors could "pass through" the neighborhood, much as the sports stadiums' traffic has done.

Interviewee is a longstanding business and property owner in the community, and has major anchor retail uses located within Chinatown/ID. The property/business is a second generation family enterprise that has grown very successfully over the years as a result of involvement from multiple family members, willingness to take risks and be creative, and commitment to community engagement. When major office projects were slated to be developed adjacent to the property, the family saw this as an opportunity and took the risk to invest in developing their property. When the property was developed, the owner knew what kind of retail mix they desired, so were able to pursue specific types of businesses. Approximately 20 small retail tenants are located within their anchor supermarket, and they have found tenant-landlord relationships to be relatively positive. In general, the tenants seem to have done well, with only two tenants turning over since inception. The owners chose to hire a retail manager, who has provided additional assistance to tenants who need it, as well as allowed the owners to delegate the day-to-day tenant management functions. The owner has long-term plans to further develop portions of their property for additional retail, residential and parking uses.

Interviewee is the director of a community non-profit development organization who has built affordable housing and supported community development in the Chinatown/ID over the last 20+ years. As an owner of multiple buildings in the neighborhood, this organization has numerous tenants including both non-profits and for-profit small businesses. As an organization with a clear community mission, the organization provides considerable assistance to tenants (technical assistance, business planning referrals, rent discounts); yet increasingly must also find ways to balance community-oriented actions and financially-sound actions. The interviewee believes that zoning changes and the Dearborn Street Project will have stronger impacts in Little Saigon than in Chinatown/ID.

Interviewee is a community non-profit development organization who has built affordable housing and supported community development in the Chinatown/ID over the last 30+ years. Among the properties owned by the organization, tenants are primarily residential, with only a few commercial. Among the latter category, the organization has worked to help preserve neighborhood businesses. The interviewees believe that zoning changes and the Dearborn Street Project will have more intense impacts in Little Saigon than in Chinatown/ID. They also believe that the City should employ mechanisms to capture the windfalls of redevelopment for community benefit, such as through tax increment financing. The organization is interested in staying involved to support the needs of Little Saigon as pending changes loom on the horizon.

Interviewee's parents opened their current business, a restaurant, seven months ago. They had previously (20 years ago) owned a restaurant on South Weller Street. While she works full-time at a bank, she spends her remaining time managing the restaurant. She was instrumental in developing the menu and the design for the interior, which emphasizes an overall, slightly upscale ambiance, though menu items are moderately priced. They hold a long-term lease with the building owner, who is one of the community non-profit developers. She feels the location has been good overall, though a little bit on the “edge” of the neighborhood; however, she believes the location will improve as the neighborhood changes. The customer base is very mixed, including various Asian ethnicities and Caucasian. The restaurant draws from the Eastside, Everett, Bothell, and throughout Seattle. She pro-actively pursues marketing online and through local mainstream papers.