

THE HEIGHTS DISTRICT

Equitable Development Plan

September 2023

Prepared for:
City of Vancouver



ECO
NW

TABLE OF CONTENTS

1

ABOUT THE HEIGHTS DISTRICT EQUITABLE DEVELOPMENT PLAN 1

What is the Purpose of the Equitable Development Plan?	2
Equitable Development Plan Objectives	3

2

PROCESS FOR DEVELOPING THE EQUITABLE DEVELOPMENT PLAN 4

Learn from the Community and Stakeholders	4
Develop a List of Actions to Explore	5
Determine Best Practices from Other Communities through a Literature Review	5
Refine and Evaluate Potential Actions	5
Understand Demographic and Real Estate Trends in the Area	5
Evaluate Development Feasibility In Tower Mall Redevelopment Area with a Focus On Public Benefits	5
Develop Strategy Recommendations	5

3

WHY DOES THE HEIGHTS NEED AN EQUITABLE DEVELOPMENT PLAN? ... 6

Unprecedented Investment Requires a Deliberate Public Benefit Strategy	6
Ongoing Displacement Risk for Central Vancouver	6
A Need for Housing at a Wider Range of Incomes for Citywide Growth	7

4

RECOMMENDED STRATEGIES 8

Anti-Displacement	8
Implementing Reside Vancouver	8
Focus Anti-Displacement Programs in Central Vancouver	9
Citywide Anti-Displacement Policy Implementation	10
Equitable Development in the Tower Mall Redevelopment Area	11
Market Context for the Tower Mall Redevelopment Area	11
Summary of Housing Needs Allocation and Targets	12
Process	13
Phasing	14
Strategies	15
Conclusion	17

A

APPENDICES

A. Additional Details on Recommended Strategies	
B. Background – How this Plan Builds from the Heights District Plan	
C. Engagement Plan and Summary	
D. Market Analysis	
E. Equitable Development Best Practices & Case Studies	
F. Feasibility Analysis Results	
G. Strategy Evaluation Criteria	

ABOUT THE HEIGHTS DISTRICT EQUITABLE DEVELOPMENT PLAN



Since acquiring the Tower Mall site on Mill Plain Boulevard, the City of Vancouver has been working to create a connected, mixed-use urban neighborhood center that is economically feasible, context sensitive, and equitably promotes community health and wellness. The Heights is uniquely positioned to capitalize on the City's continued population growth and growing importance within the Portland Metropolitan region. In addition to a central location near amenities like Burnt Bridge Creek and Blandford Canyon, a new \$50 million bus rapid transit line along Mill Plain that will connect the Heights to downtown and East Vancouver starting in late 2023 and recent investments in three new schools make the area more desirable.

The City of Vancouver owns more than half of the developable area within the Tower Mall Redevelopment Area (TMRA) and is planning significant infrastructure investments that will catalyze development throughout the area. This makes the TMRA a unique opportunity to leverage development momentum to achieve community goals and deliver public benefits. The City wants to ensure that benefits from the Heights redevelopment, including housing, business, and wealth creation opportunities, benefit local residents and people of color.

WHAT IS EQUITABLE DEVELOPMENT?

Equitable development purposefully endeavors to create communities that reflect the needs and desires of all its residents, particularly those who have been marginalized by past and current policies and structures.

The Heights District is a vibrant, connected neighborhood center. The center seeks to promote community health, wellness, and a shared identity. This identity reflects the value placed on the past and current community with an eye toward welcoming future generations in an inclusive, respectful, and equitable manner.
—The Heights District Plan,
Vision Statement

At the same time, public investment and redevelopment in places like the Heights District can cause property values (and rents) for both commercial and residential properties to increase. This rise in values and costs can make it harder for the people who live, work, and own businesses in the area to afford to stay. Lower-income households, renters, and small locally owned businesses are particularly vulnerable to these displacement pressures. The City wants to prevent these negative consequences from occurring as a result of public and private investment in the Heights redevelopment.

Implementing equitable development strategies and mitigating involuntary displacement impacts are necessary to deliver the City of Vancouver's vision for the Heights: a new neighborhood that is inclusive of community members from a variety of economic and racial/ethnic backgrounds, where all community members have equitable access to services and amenities located in the District. With this vision in mind, the City initiated the Heights District Equitable Development Plan.

What is the purpose of the Equitable Development Plan?

The City convened the Heights District Equitable Development Plan to outline how the City can achieve the housing, business opportunity, employment opportunity, and community service goals of the original Heights District Plan (adopted by City Council in 2020) in the context of Vancouver's current market conditions and housing needs. This plan identifies best practices for how the City can **maximize benefits of new Heights District development for the entire community while minimizing negative impacts of new development on existing businesses and lower-income residents.**

At the outset of this project, the project team (ECONorthwest) and City of Vancouver staff focused on the Heights District Plan Area as the geographic boundary for this plan. Over the course of the project, the project team and staff decided to shift the plan's focus to three geographic areas based on how and where the City can best achieve different equitable development and anti-displacement goals.

THIS PLAN IDENTIFIES BEST PRACTICES FOR THREE DIFFERENT "FOCUS AREAS."

The Tower Mall Redevelopment Area (TMRA). Most of the opportunities for delivering public benefits as part of the Heights District Plan will be concentrated in the TMRA, where most new development is likely to occur, and the City owns a large portion of the land. The TMRA provides a unique opportunity to deploy multiple equitable development strategies and serve as a case study for future equitable development opportunities throughout the City of Vancouver. This plan identifies equitable development best practices for the TMRA to:

- Articulate targets, phasing, and process for new development, including market-rate and affordable housing.
- Ensure the benefits of development, including wealth generation, accrue to local residents and people of color.
- Support infrastructure, public facility, and public realm improvements that serve the community.
- Support opportunities for new businesses to locate in the TMRA, such as providing affordable commercial space.

Central Vancouver. Displacement pressures from Heights investments and development will extend beyond the Heights District Plan Area, compounding existing displacement pressures in the area and impacts from other City investments across Central Vancouver. Because of this, this project triggered the City to reconvene the Reside Vancouver anti-displacement work across all of Central Vancouver, rather than a narrow focus on anti-displacement strategies in the Heights District Plan Area. This plan identifies anti-displacement and stabilization strategies to:

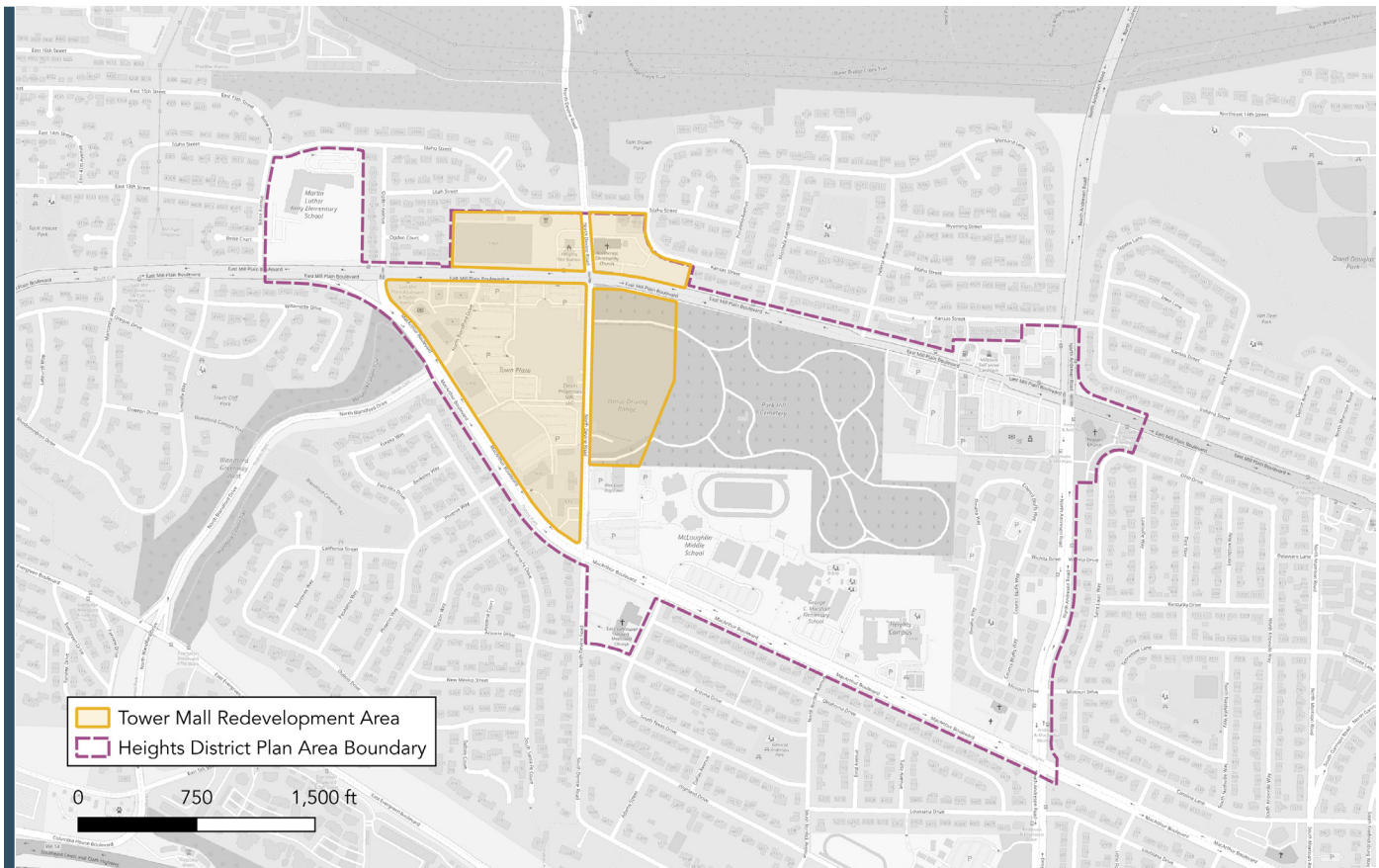
- Minimize negative impacts on existing businesses and lower-income residents in Central Vancouver.
- Provide support and create stability so existing residents and businesses can stay in the area and existing businesses can grow.
- Provide a set of strategies to employ in other areas in the City.

City of Vancouver. This plan provides a citywide policy framework to inform how the City responds to existing displacement pressures and incorporates anti-displacement strategies and equity into any public investments, including redevelopment.

¹ For the purposes of this report, Central Vancouver is defined as the area bounded by I-5 to the west, I-205 to the east, SR 500 to the north, and SR 14 to the south.

EXHIBIT 1. HEIGHTS DISTRICT PLAN AREA AND TOWER MALL REDEVELOPMENT AREA

Source: ECONorthwest



The project team worked with City staff to prepare objectives based on the Heights District Plan equitable development goals to inform the recommendations in this Equitable Development Plan.² **The objectives for the recommended strategies in this plan are to:**

1. Create a neighborhood that is **inclusive, accessible, and interesting** to all residents, as envisioned by the Heights District Plan.
2. Meet the City's **affordable housing goals** for the area and evaluate opportunities to ensure long-term affordability for housing in the Heights.³
3. Promote opportunities for alternative ownership models that create **avenues for wealth generation** and long-term stability.
4. Provide opportunities for affordable commercial space to **support small, locally owned businesses** and increase economic opportunities in the Heights.
5. **Mitigate displacement impacts** resulting from public and private sector investment in the Heights.
6. Phase strategies to **maximize impact** with limited resources.

² See Appendix B for a summary of the Heights District Plan Guiding Principles, Policies, and Goals that informed this plan.

³ See Appendix F for additional information on how the City could refine affordable housing targets for the Heights.

PROCESS FOR DEVELOPING THE EQUITABLE DEVELOPMENT PLAN



This project involved a multifaceted research approach to understand actions the City can take to prevent or mitigate displacement and purposefully promote equitable community benefits through new development in the Heights District. In addition, the City sought to understand how those actions might apply to other redevelopment areas across the City. This section summarizes how the plan was developed. Details on methodology are provided in the Appendices.

LEARN FROM THE COMMUNITY AND STAKEHOLDERS

The City conducted extensive community outreach as part of previous planning initiatives such as Reside Vancouver, the Heights District Plan, and Fourth Plain Forward. The project team reviewed and documented key themes from these efforts to inform the City's approach to the Heights redevelopment.

The City continued to engage with community members throughout the development of this Plan. Engagement included an online survey, two open house events, and several one-on-one and small-group conversations with social service agencies, housing providers, school staff, and community members living in the Heights area. The plan was also informed by recent engagement for the Affordable Housing Fund, HUD Consolidated Plan, Fourth Plain for All community investment strategy, Waterfront Gateway redevelopment, two City Council community forums and ongoing community visioning work, which started in summer 2022. Feedback from these efforts helped refine the list of recommendations and strategy details as this Plan was developed.

See Appendix C for more information.

HOUSING ENGAGEMENT

Throughout 2022 and 2023, community members have consistently mentioned housing as one of their top five priorities. In addition to concerns about homelessness, housing affordability, and housing availability, community members have also shared concerns about:

- The rising cost of rent, which creates instability and uncertainty for renters.
- Difficulty finding a home that is big enough for larger or multigenerational families.
- High home prices, which limit homeownership and the creation of generational wealth.
- The risk of displacement, including that they or their family or friends would have to move out of Vancouver due to the cost of housing.
- Experiences of discrimination when renting or buying a home or belief that some property managers engage in predatory practices.
- Increases in property taxes, which are especially concerning to seniors and those living on a fixed income.

ENGAGEMENT WITH BUSINESS OWNERS

Over the past year, the City has also conducted significant outreach and engagement with local small business owners and entrepreneurs, including Black, Latino, Asian, Indigenous, LGBTQ+, and women-owned businesses. While the needs of each business differ greatly, common concerns include:

- Lack of access to capital.
- High overhead costs, such as rent and utilities.
- Difficulty finding affordable rental space.
- Low inventory of commercial, retail, and restaurant spaces.
- The challenge of growing or scaling businesses, particularly those moving from less formal settings—such as food carts, home-based businesses, or stalls at the farmer's market—to brick-and-mortar operations.
- Difficulty navigating time-consuming and complex permit or licensing processes.

DEVELOP A LIST OF ACTIONS TO EXPLORE

To build the recommended strategies, the project team first developed a list of actions that had been recommended through community input in previous planning documents, including the Heights District Plan, Reside Vancouver, and Fourth Plain Forward. The project team supplemented this list and filled in gaps based on ECONorthwest's previous work on this topic in other geographies. Next, the project team reviewed this list with City staff to identify high-priority issues and topics of interest to study further, including but not limited to:

- Strategies for leveraging city-owned property to make strategic investments
- Affordable commercial leasing strategies
- Shared equity models

See Appendix E for more information.

DETERMINE BEST PRACTICES FROM OTHER COMMUNITIES THROUGH A LITERATURE REVIEW

The project team conducted a literature review and best practices study on equitable development and anti-displacement. This research included a series of case studies on some of the topics of interest identified by City staff to understand how these models operate in other jurisdictions.

See Appendix E for more information.

REFINE AND EVALUATE POTENTIAL ACTIONS

From this research, the project team developed a refined list of potential strategies the City could implement to meet the goals and objectives for the Heights. The strategies could be policies, programs, or other efforts, such as partnership building or funding, that the City could take to advance the goals in the Heights. This list of strategies was further refined through conversations with City staff and the feasibility analysis conducted by ECONorthwest.

See Appendix E for more information.

UNDERSTAND DEMOGRAPHIC AND REAL ESTATE TRENDS IN THE AREA

The project team conducted a market analysis to evaluate demographic and real estate trends in the Heights and across the City of Vancouver. The analysis highlighted key trends that will shape the future of the Heights and identified some of the policy implications of these trends. The analysis also informed the Development Feasibility Analysis for the TMRA, described below.

See Appendix E for more information.

EVALUATE DEVELOPMENT FEASIBILITY IN TOWER MALL REDEVELOPMENT AREA WITH A FOCUS ON PUBLIC BENEFITS

The project team conducted a feasibility analysis focused on redevelopment scenarios in the TMRA to understand how the City can leverage public and private development to meet the goals for the Heights. This study evaluated how the City can meet affordable housing goals alongside urban design goals and density targets for the Heights.⁴ This study also evaluated the feasibility of select alternative ownership models and equitable development strategies from the literature review in the TMRA.

See Appendix F for more information.

DEVELOP STRATEGY RECOMMENDATIONS

Using recommendations from past city plans, community and stakeholder input, and the best practices research and feasibility analysis conducted as part of this project, the project team developed a list of recommended strategies categorized by objectives identified by the project team and City staff. These recommendations are described in Section 4 of this Plan.

See Section 4 for more information.

⁴ The Equitable Development Plan was developed concurrently with infrastructure design work and a density capacity study for the Heights. ECONorthwest coordinated closely with First Forty Feet, the consultants preparing the density capacity study and infrastructure design work, throughout the course of this project to ensure the assumptions that built this Plan align with the density calculations, infrastructure phasing, and urban design considerations that will make up these other plan documents.

WHY DOES THE HEIGHTS NEED AN EQUITABLE DEVELOPMENT PLAN?



UNPRECEDENTED INVESTMENT REQUIRES A DELIBERATE PUBLIC BENEFIT STRATEGY

The City's unprecedented level of planned infrastructure investment and improvements and site control of large parcels makes the TMRA a prime opportunity for redevelopment to occur equitably by leveraging many of these recommended strategies. The City's site ownership provides a rare opportunity to intentionally use site control to produce equitable development and public benefits in the Heights.

ONGOING DISPLACEMENT RISK FOR CENTRAL VANCOUVER

Central Vancouver is home to Clark County's most racially and ethnically diverse populations, and residents in these neighborhoods are disproportionately low income and renters, making them particularly vulnerable to economic displacement. The City of Vancouver's displacement risk analysis (2015-2020) shows ongoing displacement risk across Central Vancouver. The displacement risk analysis categorizes census tracts in various stages of displacement vulnerability based on median household income, race, tenure, education level, share of low-income households, and rising home sales values. The analysis shows the neighborhood directly northwest of the Heights in a more advanced stage of displacement, based on displacement vulnerability factors, demographic changes, and housing market conditions. Other Central Vancouver census tracts north of the Heights and along Fourth Plain Boulevard are shown as being susceptible to, and in the early stages of, displacement.

ECONorthwest's market analysis (Appendix D) identified a number of recent real estate and demographic trends that could further exacerbate displacement risk across Central Vancouver:

- **Median sales prices have more than doubled in Central Vancouver since 2013**, increasing by 109% with a current average sales price of around \$446,000.
- **More owner-occupied households and a decrease in cost-burdened households could be indicative of early displacement pressures for the Heights for lower income households.** Though the Heights⁵ still has a higher share of renters than the City as a whole, the share of owner-occupied households in the Heights increased by 3% from 2010-2019 to 50% of households. The City of Vancouver has a slightly higher share of owner-occupied households at 52%. The increase in owner-occupied households and decrease in cost-burdened households are likely a sign of higher-income households moving into the area, which could increase displacement pressures for lower-income households.
- **Apartment rents have risen.** Rents for one-bedroom units in Vancouver have increased 17% since 2017. Although rents in Central Vancouver are lower than citywide, they have been increasing at a similar rate. Average market rent for one-bedroom units in Vancouver is currently higher than in Portland.
- **Nearly all low-income renters in the city are cost burdened.** Across Vancouver, lower-income households pay more than they can afford for rent. The resulting economic instability due to cost burden increases displacement vulnerability. Over 95% of renter households in Vancouver

⁵ The Height District Plan area overlaps portions of five census tracts. The Heights Market Analysis evaluates demographic data for these five census tracts which encompass the Plan District and include surrounding neighborhoods. See Appendix D for geographic boundaries.

earning less than \$35,000 per year are cost burdened. In total, 51% of renter households are cost burdened in Vancouver.

- **A growing share of people of color in the Heights.** Black and Hispanic residents show disproportionate rates of cost burden (spending more than a third of their income on housing) in the City of Vancouver. The share of people of color in the Heights increased from 26 to 34 percent from 2010 to 2019. In Vancouver as a whole, 29 percent of the population is made up of people of color.

Planned improvements and private investment within the Heights District and along Fourth Plain Boulevard will further increase displacement risk for households and businesses in the Central Vancouver area. Areas with higher shares of low-income households, renters, people of color, and older residents will be most vulnerable to displacement pressure. Construction within the Tower Mall Redevelopment Area will have direct and indirect displacement impacts on businesses in the Heights District. To mitigate these impacts, the City should carry out the short- and long-term anti-displacement investments, policies, and protections that aim to support stabilization and reduce and/or prevent the involuntary removal of existing households, businesses, and service providers.⁶

The best way to prevent involuntary displacement generated by redevelopment is to stabilize existing residents and businesses before any new infrastructure or development occurs.

Because of this, the City recognizes the urgent need to implement the work they began with development of the Reside Vancouver anti-displacement strategy. The Heights Equitable Development Plan builds off the recommendations in the Reside Vancouver strategy, refining the Reside anti-displacement best practices into context-specific recommendations for the Heights and Central Vancouver (See Appendices A, B, and E for more information).

A NEED FOR HOUSING AT A WIDER RANGE OF INCOMES FOR CITYWIDE GROWTH

As housing prices increase in Vancouver, residents increasingly need affordable and moderate-income housing. To accommodate Vancouver's future population growth, the City will need more housing that is affordable at different income levels. The private market does not typically develop housing that is affordable for moderate- and low-income households—80 percent Median Family Income (MFI) and below—without subsidy. The City will need strategies and funding to facilitate development of needed housing for people at these income levels. Within the TMRA, the City should plan for approximately 900 units of housing available to households who earn 80 percent MFI and below over the next 20 years, according to an analysis of Washington Growth Management Act (GMA) housing targets by income category developed for Clark County.



6 Curren et al., Equitable Development as a Tool to Advance Racial Equity, 5.



Anti-Displacement Strategies

IMPLEMENTING RESIDE VANCOUVER

The City has already developed a blueprint for anti-displacement work in Central Vancouver through the Reside Vancouver anti-displacement strategy. As the Reside Vancouver strategy notes, it is essential that the City implements anti-displacement strategies before public investments and market changes trigger widespread involuntary displacement of vulnerable residents. While the City has made some strides in displacement mitigation work, the recommendations in Reside Vancouver have yet to be implemented on a wide scale. With Tower Mall redevelopment imminent, it is critical that the City begin a programmatic implementation of an anti-displacement strategy before it is too late.

The strategic recommendations in this Heights Equitable Development Plan build off the work from Reside Vancouver, as well as the Heights District Plan and Fourth Plain Forward. This plan refines the anti-displacement recommendations from these previous plans to provide specific implementation details and considerations in the context of the Heights District's current development program, and recent real estate market conditions and trends across Central Vancouver. (see Appendix E.) This plan recommends a two-pronged approach to implementation of an anti-displacement strategy: focus on supporting existing residents and businesses in Central Vancouver and implementing anti-displacement best practices citywide.

These approaches are described below. Specific strategies are further outlined in Appendix A.



FOCUS ANTI-DISPLACEMENT PROGRAMS IN CENTRAL VANCOUVER

As the Heights develops, public and private investment in the Tower Mall Redevelopment Area could increase displacement pressures in the surrounding neighborhoods. The neighborhoods north of the Heights District have a relatively high share of vulnerable households, and construction within the TMRA will directly and indirectly impact businesses in the Heights District. Planned improvements in the Heights District and along Fourth Plain Boulevard could further increase displacement risk for households and businesses in the Central Vancouver area.

To address this, the City should implement anti-displacement programs in Central Vancouver to protect existing residents and businesses and ensure they can stay and benefit from the new amenities in the TMRA. Although the plan focuses on anti-displacement strategies in Central Vancouver, these strategies can be applied citywide wherever public and private investment may cause displacement.

CENTRAL VANCOUVER ANTI-DISPLACEMENT STRATEGIES



Preserve existing affordable housing by acquiring low-cost market rental units. Central Vancouver still has low-cost market housing, but housing prices have been rising rapidly. Stabilizing existing unregulated affordable housing is a cost-effective way of ensuring residents can remain in their homes and neighborhoods. The City can support this effort in multiple ways, including establishing right of first refusal policies or supporting or subsidizing the purchase of unregulated affordable units by limited equity cooperatives or affordable housing partners.



Support low-income homeownership through down payment assistance and homeownership counseling. Supporting homeownership promotes stability and wealth generation opportunities for residents. The City can directly support homeownership by funding down payment assistance or Individual Development Account programs and providing homeownership counseling for income-qualifying individuals. The City can also promote and support alternative ownership models that generate wealth and long-term stability, such as community land trusts or limited equity cooperatives.



Support small businesses through technical assistance and targeted financing. The City already funds two nonprofit organizations that provide free business technical assistance services to income-qualified customers and has partnerships with organizations that provide an array of other technical and financial support to businesses. Increased investment (e.g., city funds or grants) towards these technical assistance partners will be key to expanding their capacity to support these small businesses. The City can promote awareness of these programs and resources to targeted businesses within Central Vancouver. Promoting and facilitating navigation of available resources may allow more existing local business owners to find the right program, funding, or other connection for their business, allowing them to stay in Central Vancouver as the area continues to develop.

CITYWIDE ANTI-DISPLACEMENT POLICY IMPLEMENTATION

In addition to targeting anti-displacement programs to Central Vancouver and other areas of concentrated public investment, the City should implement some anti-displacement policies city-wide. The City should focus on implementing renter protection policies and evaluating and mitigating displacement potential of city investments across all of Vancouver.

CITYWIDE ANTI-DISPLACEMENT STRATEGIES



Support low-income renters through tenant protections, including legal assistance, rental registration, and rights of first refusal. Reside Vancouver outlined several impactful actions the City can take to support low-income renters that the City supports but has not yet implemented. These actions include expanding legal protections and assistance for renters, providing emergency rental assistance, creating and maintaining a rental registration program of all rental properties, and establishing a right of first refusal policy. To be effective in preventing displacement, these actions need to be implemented in the near term to stabilize residents before investment and development exacerbate displacement pressures in Central Vancouver and other areas of displacement risk across the City.



Require equity assessments for all city investments and decision-making. The City should develop and implement an anti-displacement impact assessment tool to evaluate how proposed developments, zoning changes, public investments, or infrastructure projects could impact communities. These assessments can help reduce displacement by analyzing potential negative consequences and developing alternative strategies.



Equitable Development in the Tower Mall Redevelopment Area

The Tower Mall Redevelopment Area will experience most of the new development in the Heights District. City strategies here should maximize affordable housing, create opportunities for local and BIPOC-owned small businesses, and ensure that historically marginalized communities benefit from redevelopment through access to essential services and ownership in new developments.

Given the limited available resources for funding redevelopment, the City must consider how to leverage its site ownership to spur equitable outcomes while also delivering the scale of development planned for in the TMRA. The Heights density capacity study and the infrastructure design plan, which was prepared by First Forty Feet concurrently with the development of this Plan, analyzed the maximum density the TMRA can support. The Heights District Plan and the density capacity study identified substantial redevelopment potential in the TMRA, up to 1,800 new units. Not all of those units can be built at once, and the scale of City resources needed to support equitable development will not be available immediately. Development in the TMRA will likely occur over many years.

It is also important to note that the Heights District goals include density and urban design objectives, public realm and infrastructure improvements, as well as equitable development outcomes. All these objectives require consideration and public investment. Therefore, this strategy anchors equitable development outcomes in the context of other Heights District objectives.

MARKET CONTEXT FOR THE TOWER MALL REDEVELOPMENT AREA

The Heights Market Analysis (Appendix D) shows

strong and growing market demand for residential and commercial uses across Central Vancouver.⁷ These data indicate that there is market demand to support the mix of multifamily and commercial uses envisioned for the TMRA in the original Heights District Plan at the scale established in the density capacity study.

What factors will drive demand for housing in the TMRA?

- **Strength of the Vancouver housing market within the context of the larger Portland-Vancouver region will continue into the near future and provide tailwinds for residential demand in the TMRA.** Since 2017, rents for a 1-bedroom apartment in Vancouver have increased by 17 percent. Current average 1-bedroom rents in Vancouver are higher than average 1-bedroom rents in the City of Portland.
- **Strong market demand for ownership housing in both the City of Vancouver and the Heights will continue to be major drivers for housing demand in the area.** From 2013 to 2022, the median sales price for ownership housing in the Heights has increased 109% with an average sales price of around \$446,000 in Q1 of 2022.⁸
- **Most new residential construction in the City has been multifamily.** Over the past three years, 80 percent of new residential construction in the City has been multifamily development, but the Heights District itself has seen limited multifamily development. However, strong absorption of new units and low vacancy rates in Central Vancouver suggest a strong demand for multifamily in the area.

⁷ The Heights Market Analysis refers to Central Vancouver as the Heights Greater Market Area. This area was used to evaluate real estate trends that impact the Heights. Because there have been limited recent observations of development within the Heights District Plan Area, ECONorthwest utilized the interior highways to frame a greater market area in order to adequately capture market information within the observation years and identify trends that will influence development in the Heights.

⁸ Home sale prices for the Heights were sampled from homes within ¼ mile of the Heights District Plan area boundary.

What are current market conditions for retail?

- **Current retail vacancy rates in Central Vancouver are extremely low at less than 3%, which indicates potential near-term demand for new retail space in the TMRA.** While Central Vancouver saw a slight increase in vacancy rates in early 2020 following the beginning of the COVID-19 pandemic, which was also observed across the City of Vancouver, vacancy rates have continued to trend downward.
- **Current achievable retail rents in Central Vancouver are around \$21.21/sf, comparable to retail lease rates across the City of Vancouver.** The gap between Vancouver retail rents and rents in Central Vancouver has narrowed substantially over the last two years. From 2012 to 2022, rents in Central Vancouver increased by 57% while Vancouver rents increased by 35%.
- **This analysis indicates that there is sufficient demand for retail and services to support the 56,000 square feet of commercial retail space identified in the proposed development program of the Heights District Master Plan.** The highest retail categories of square footage demand for the Heights are food service and drinking places (restaurants, tap rooms, wineries, bars) with about 77,000 square feet of demand and health and personal care with about 91,000 square feet of demand. Additionally, demand for a broad range of retail uses could be programmed in a way to support locally owned and neighborhood-serving businesses.

Based on the Market Analysis findings, the City can expect an influx of private development interest in the TMRA. The City should leverage its site ownership and other strategies to ensure that affordable housing, affordable commercial opportunities, and other public benefits are delivered as the TMRA is developed. The following section outlines the targets, process, and phasing considerations that should inform the City's TMRA development strategy and outlines specific strategies to achieve equitable development goals in the TMRA.

SUMMARY OF HOUSING NEEDS ALLOCATION AND TARGETS

New housing in the TMRA must serve residents at all income levels to meet housing goals identified in the Heights District Plan and recent Washington Growth Management Act (GMA) housing targets for Clark County. The GMA housing targets estimate new housing needed at different income levels over a twenty-year period (expressed as a percentage of median family income, or MFI) for a range of population growth scenarios. GMA categories include a specific allocation for permanent supportive housing (PSH) for households with extremely low incomes transitioning out of homelessness. Meeting the unique needs for PSH is better planned at a citywide level. Therefore, this plan includes a proportional share of the needed non-PSH very low-income units (0-30%MFI) and assumes the City will develop a separate citywide approach for needed PSH units at or below 30% MFI. Exhibit 2 illustrates this proportional share and number of new units, assuming the TMRA is developed to its full capacity.



EXHIBIT 2. RECOMMENDED HOUSING TARGETS FOR TOWER MALL REDEVELOPMENT AREA BY INCOME LEVEL

Source: ECONorthwest

	<i>Extremely Low Income</i> 0-30% MFI (Non-PSH)	<i>Very Low Income</i> 30-50% MFI	<i>Low Income</i> 50-80% MFI	<i>Moderate Income</i> 80-100% MFI	<i>Moderate Income</i> 100-120% MFI	<i>High Income</i> 120%+ MFI
Share of units	15.2%	17.4%	15.9%	8.9%	42.6%*	
Total units for the TMRA	273	312	285	160	764*	

*For the purposes of this analysis, the upper-income categories are combined and categorized as market rate, given current market rents.

PROCESS

The City's majority share of site control on such a large parcel makes the TMRA a prime opportunity for redevelopment to occur equitably. To achieve the ambitious outcomes envisioned for the TMRA and the Heights District, the City will need a carefully considered process for selecting partners and guiding a long-term redevelopment effort. This process should include the following steps:

- Establish a community redevelopment committee to advise the redevelopment of TMRA.** The City has done considerable community outreach to shape this equitable development plan, building upon earlier engagement for initiatives such as the Heights District Plan, Reside Vancouver, Fourth Plain for All, Waterfront Gateway redevelopment, and the citywide Affordable Housing Fund. A community redevelopment committee with diverse members representing nearby residents, local business owners, culturally specific organizations, and City staff should guide implementation of the strategies in this plan to ensure that this period of rapid city growth serves all community members. The City should partner with this committee on TMRA redevelopment implementation, including RFP development, developer selection, and program approval.
- Phase development and infrastructure investments to support both urban design goals and equitable development objectives.** Some of the sites identified in the density capacity study will not be physically available until roads, parks, and a multimodal corridor are complete. Similarly, building affordable housing to meet the City's targets will require incremental development to access several cycles of competitive state funding. Coordinating development with the infrastructure phasing can help activate the TMRA by aligning public space investments with new housing for all incomes and commercial opportunities for a range of businesses.
- Focus permanently affordable housing on City-owned parcels.** The City's levers for achieving affordable units within market-rate development are limited to voluntary incentive programs or negotiated developer agreements. There is also no guarantee that developments on privately owned sites will fully match the City's goals for density and capacity to achieve a proportional share of affordable housing. To help meet housing goals for residents with low and moderate incomes, the City can leverage its own sites by reducing the cost of land for affordable rental and alternative ownership housing.

- **Explore and develop partnerships to support alternative ownership structures over the life of the District build-out.** The City is interested in supporting housing options in the TMRA that are more affordable than conventional ownership and provide greater stability and permanent affordability than affordable rental housing. Building relationships with organizations that can develop alternative ownership housing (such as community land trusts and limited-equity housing cooperatives) is critical to enhancing the organizational capacity and financial ecosystem that can help these models scale along with the Heights District. The City should anticipate that units with alternative ownership models would not be developed until later phases.
- **Focus on Request for Proposal (RFP) and developer selection criteria to achieve urban design, affordability, and other equitable development objectives with market-rate development partners.** To ensure that proposals to develop city-owned property meet the City's vision for inclusive development that maximizes community benefits, solicitations should outline specific goals for affordable housing, affordable commercial space, contracting requirements, and public realm improvements. In the selection process, the City should look for development partners who can demonstrate experience with public-private partnerships and community engagement, financial capacity, investment partners, successful projects at a similar scale or in a similar urban context, and successful delivery of public benefits.

PHASING

Because the TMRA is a large site with many distinct parcels and varied ownership, development will happen in phases. The City's ownership of much of the site area—especially parcels that are ideally located for near-term development—creates an opportunity to set a template for mixed-income development and attract other development partners to help realize the City's vision. The City should be strategic about phasing development to achieve desired outcomes.

Near-Term Considerations

- The City should prioritize maximizing affordable housing development in early phases. The City can use existing and well-proven tools such as zoning and incentives to support mixed-income development and work with affordable housing partners to deliver housing developments with deeper levels of affordability on city-owned sites.

Longer-Term Considerations

- Later phases of development should focus on deploying strategies that may require more time to build capacity, develop relationships, and align financing.
- City-owned sites that will be development-ready in later phases are great opportunities to explore alternative ownership models.

Phasing Scenario⁹

Splitting this project into four phases could support gradual development that integrates with the surrounding neighborhoods, allows new housing and commercial spaces to be absorbed into the local market, and demonstrates the investment potential for additional private financing partners. The following phasing scenario describes how the TMRA could be built out over time, based on the timing of infrastructure investments, as well as capacity and ownership of parcels in the TMRA. These phases will likely occur over several decades.

⁹ See Appendix F for more information on phasing considerations.

1

2

3

4

THE FIRST PHASE

of redevelopment should start in the northern portion of the TMRA, along East Mill Plain Boulevard. This area does not require new roads to be built, aligns with near-term infrastructure investments, and will create a public-facing edge of the Heights District that begins to activate a multimodal corridor, the Grand Loop, with ground floor commercial uses. This phase could add new market-rate, mixed-income, and regulated affordable rental housing.

THE SECOND PHASE

would continue development along currently accessible parcels on East Mill Plain. This phase would also include the first major new infrastructure development—one segment of the Grand Loop and an adjoining park—to make development possible west of Devine Road. High-density housing serving a range of incomes, and some additional commercial spaces, could be added in this phase.

A THIRD PHASE

could focus on developing City-owned sites east of Devine Road with a variety of affordable rental housing and alternative ownership options. This phase could include housing affordable at a range of low and moderate incomes, including higher-density apartments or condominiums and medium-density housing types. This phase would also include large infrastructure investments to support new housing and public space.

A FOURTH PHASE

includes currently accessible sites along Macarthur Boulevard that can support high and medium-density housing. This phase may not occur last, but the development timeline of these privately owned sites is less certain.

TMRA EQUITABLE DEVELOPMENT STRATEGIES

The TMRA provides a unique opportunity to deploy multiple equitable development strategies and serve as a case study for future equitable development opportunities throughout the City of Vancouver. The following strategies outline the steps the City can take to support equitable development outcomes for the TMRA.



Advance opportunities for homeownership across different income categories. Creating opportunities for homeownership in the TMRA can support the City's goals for housing stability and inclusive access to the wealth created by investments in redevelopment.

- **Support Market-Rate Residential Ownership.** Zoning tools such as minimum densities, reduced off-street parking requirements, and other guidelines for building design can encourage housing types that work well for ownership, from townhomes to multiunit buildings. The City's urban design plan and development standards for the Heights will support a variety of housing options conducive to market-rate ownership, including townhome-scale development at the outer edges of the plan area and high-density condominium development in the District's core.
- **Support Workforce and Affordable Residential Ownership.** The City has tools to make ownership more affordable for people with incomes below the median. State tax exemption programs create affordable units within market-rate developments, and down payment assistance can fill financing gaps for moderate-income households. Expanding access to the stability and wealth-building opportunities provided by homeownership will require creative approaches and programs. Alternative ownership models can be a viable way to create permanently affordable housing with relatively low subsidies, especially with access to new tax incentives.

TMRA EQUITABLE DEVELOPMENT STRATEGIES (CONTINUED)



Invest in affordable rental housing to meet City goals. Creating a proportional share of housing affordable across income levels in the TMRA will require significant investments in rental housing. The City has multiple tools available to support affordable rental housing development, including tax incentive programs, competitive affordable housing awards, dedicated local funds, and its ownership of land in the TMRA. In order to achieve all of the affordability targets, the City will need a combination of market-rate developments providing a mix of affordable rental units at moderate incomes and multiple fully affordable developments accessing tax credit financing and other public subsidies. Thoughtfully balancing these resources and considering phasing will ensure that the TMRA includes housing options for all incomes and does not require all of the City's affordable housing resources for the entire redevelopment timeline.



Facilitate affordable commercial space to support small or locally owned businesses and increase economic opportunities. Code and policy choices can make new commercial spaces in the TMRA more accessible to existing small businesses and create economic opportunities for residents. Small businesses benefit from options to rent smaller spaces, share with multiple tenants, or have flexible lease terms. Offering support for tenant improvements for a variety of business types, from restaurant build-outs to makerspaces, or retail can also provide crucial support for growing businesses. The City can ensure these options are available through the development code or by negotiating development agreements. The City can also take a more active role by facilitating master leasing arrangements that provide flexible and affordable subleases to small businesses, either as a direct partner or with a local economic development organization.



Support opportunities for affordable commercial ownership. Opportunities for ownership in commercial developments provide another path for local residents and business owners to invest in the neighborhood and share in the profits of redevelopment. In buildings with a mix of uses, ground floor commercial spaces can be owned separately from the residential areas through commercial condominiums. This option may be especially beneficial for affordable housing developments that cannot use tax credit funding to build retail spaces or for alternative ownership models. There is a continuum of roles the City could play in supporting commercial ownership, from negotiating development agreements to allocating economic development funds to affordable commercial ownership programs.



Focus public space design and amenities on accessible and culturally relevant placemaking. Redevelopment in the TMRA will include substantial public space improvements and amenities, as laid out in the Heights District Plan. Fostering a sense of place and belonging can help mitigate the social impacts of redevelopment and neighborhood change. The City should focus on ensuring these spaces are welcoming, safe, and accessible to all and reflect the diverse cultural identities of the people of Vancouver. The City should continue to create opportunities to involve local residents and community organizations in the urban design of the TMRA, including wayfinding and signage, art installations, and public facilities so that they are welcoming, meet the needs of diverse communities, and affirm their history, present, and future in the City.

Conclusion

The City has established a bold vision for the Heights to create an equitable development inclusive of community members from a variety of economic and racial/ethnic backgrounds and to ensure that all community members have equitable access to services and amenities located in the District. This Plan outlines how to achieve this vision. Successful implementation of this plan will encourage development of new housing, business, and employment opportunities; promote stability and opportunity across Central Vancouver; and guide future redevelopment efforts across the city. Implementing the plan will take considerable time, money, and effort, but it is important that the City dedicate the resources to do it well.

Implementation of this plan will require flexibility. Conditions will change over the years it will take for the full build-out of the Heights. Implementation of all the equitable development strategies may be a challenge due to funding limitations or other resource

constraints. Many other factors that are outside of the City's control, such as market forces and access to capital, may influence how and when the Heights develops. Nonetheless, this plan can serve as a menu of options the City can implement over time.

As the City implements strategies in this Plan, both in the Heights and across Vancouver, staff should collaborate regularly with community partners to ensure that this period of rapid city growth serves all community members.

Advancing equitable development in the Heights District will create opportunities for existing and new residents and will help create a neighborhood that reflects the diversity, needs, and desires of Vancouver residents. Beyond that, the Heights could serve as a model for the City to replicate on other future large-scale redevelopment projects to advance equitable development across the rest of Vancouver.





ECONorthwest

IMPACT THROUGH INSIGHT