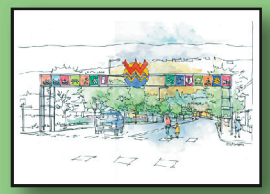

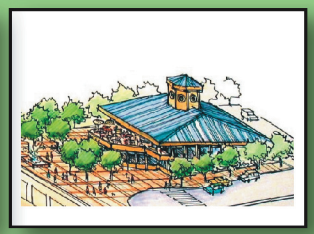

Wenatchee Waterfront

Economic And Fiscal Impact Analysis

Sub-Area Plan

April 19, 2004

BERK & ASSOCIATES

City of Wenatchee

PORT OF CHELAN COUNTY

P.U.D.

CHELAN COUNTY POWER

Prepared by Berk & Associates, Inc., for the City of Wenatchee. Graphics by MAKERS.

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"Helping Communities and Organizations Create Their Best Futures"

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Executive Summary

In February 2004, the City of Wenatchee adopted the Wenatchee Waterfront Sub-Area Plan developed with consulting assistance by MAKERS Architecture and Urban Design. Plan development relied in part on economic analysis conducted that explored the feasibility of alternate Plan elements. The Plan included policies designed to implement the Plan, reflecting the vision of stakeholders and the expected challenges of implementation. The Plan has been adopted and stakeholders from the public and private sectors are being asked to take part in implementation.

This report addresses the logical questions expected to come from the public, media and interested stakeholders:

- How will implementing the Plan be worth the associated investment?
- What economic benefits will come from implementing the Plan?
- Why should we do this?

Exhibit E-1 provides some quick answers to these questions. Implementing the Plan requires public investment estimated at $15.2 to $22.7 million. Private investment expected to accompany would total 11 to 16 times that amount, at an estimated $240 million, including 1,440 new multifamily housing units and 517,000 s.f. of commercial development.

Exhibit E-2 depicts graphically the general timing of public and private sector investments. In the short-term and mid-term (Phases 1 and 2), much private investment will likely occur along with street improvements and other public investments.

In the longer run private investments will dwarf public investments. Private investments will continue to grow long after completing the initial wave of street improvements and major public investments.

Exhibit E-1:
Summary of Waterfront Sub-Area Plan Economic and Fiscal Benefits at Build-Out
(2003 Dollars)

Private Investment		**$239,500,000**
Residential Developments		1,440 units
Total Commercial Development		517,000 s.f.
Retail	96,000 s.f.	
Restaurant	21,000 s.f.	
Office	220,000 s.f.	
Lodging	180,000 s.f.	
Jobs		1,430 jobs
Annual Wages		$56 million
Annual Business Income		$152 million
Total Public Revenues		**$1,647,800**
Annual Increases in Property Tax Revenues		$1,186,500
City Property Tax	$716,900	
County Property Tax	$378,500	
Port Property Tax	$91,100	
Annual Taxable Retail Sales	$35.1 million	
Annual Local Retail Sales Tax Receipts		$298,500
Utility Tax Revenues		$162,800

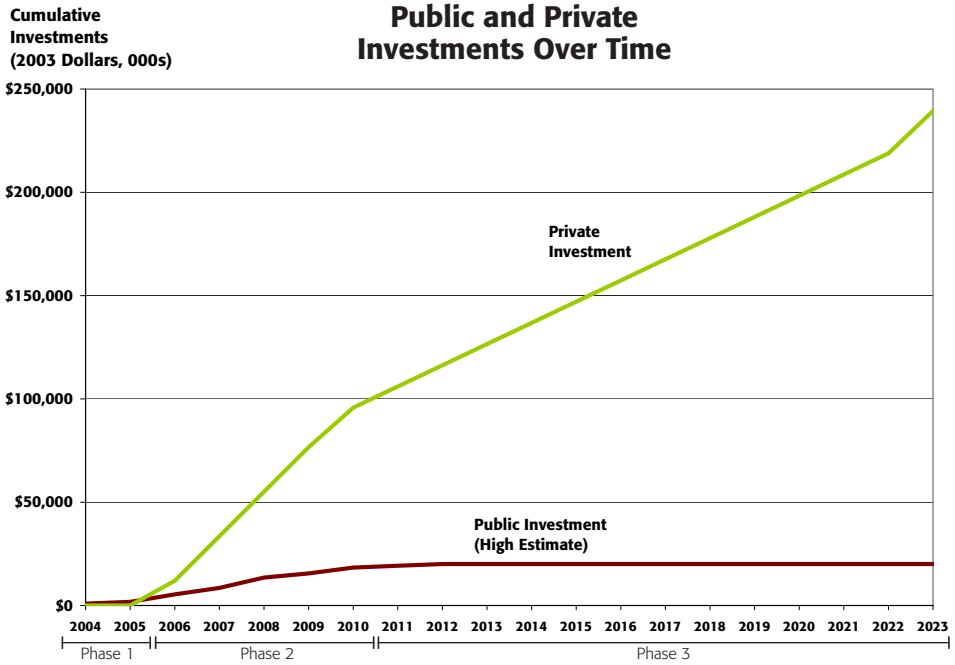
Source: *Wenatchee Waterfront Sub-Area Plan*, MAKERS, Berk & Associates.

Notes: All dollar values expressed in 2003 dollars.

The Plan actions and resulting impacts are Planned to occur in three phases of implementation, defined as follows:

- **Phase 1 (2004 and 2005)** includes many land-use policy changes for the Waterfront and begins some circulation and street improvements, totaling $1,370,000 to $1,862,000 in public investment. Relatively little private investment ($600,000) is expected during Phase 1. Only during Phase 1 is the ratio of private to public investment expected to be below 1.0 (0.3 during this phase).
- **Phase 2 (2006 – 2010)** includes the majority of circulation and street improvements and some parks and environmental investments ($10,420,000 to $16,638,000 in public investment in Phase 2, bringing the total for Phases 1 and 2 to $11,790,000 to $18,500,000). Much private investment ($94.4 million) is expected to occur in this phase concurrently with street improvements. Upon completion of Phase 2, the ratio of private investment to public investment is expected to be 5.7.

Exhibit E-2: Public and Private Investments Over Time



- **Phase 3 (2011 and beyond)** would bring the remaining public investment ($3,455,000 to $4,155,000, bringing the Plan total to $15,245,000 to $22,655,000) and the majority of private investment ($145 million in Phase 3 alone – including unscheduled investments in the Plan – bringing the Plan total to $240 million). Upon completion of the Plan private investment is expected to be an order of magnitude of 11 to 16 times the amount of public investment.

In addition to identifying Implementation Actions by phase, this report groups Actions and impacts within each of the three nodes for each phase of implementation (South End, Central Node and North End). An assessment of the implications of the Plan on tourism and on Downtown commercial development is then presented. Finally, a summary revisits key themes of the report.

Increased connections to the water and enhancements to the existing recreational facilities will heighten the area's attraction to visitors, increasing the City's role in tourism from within the region as well as from other parts of the state and Pacific Northwest.

The Waterfront Plan development will have a positive impact on the region, the City and Downtown Wenatchee. Many of the Plan elements, including housing, daytime employees and tourist draws will benefit the Downtown. Downtown businesses have the opportunity to maximize their own benefits by working closely with the City and Waterfront businesses to effectively implement Plan linkages to Downtown and to coordinate business opportunities and events.

The Waterfront Plan presents a new, vibrant, mixed-use neighborhood in the heart of Wenatchee and the region. Substantial new private development and public investments in streets, parks and waterfront connections brings many opportunities to Wenatchee businesses, residents and visitors. Implementation of the Plan will benefit the City and all stakeholders as development occurs and continue to serve future generations as an important part of the community.

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Introduction

In early 2004, the City of Wenatchee adopted the Wenatchee Waterfront Sub-Area Plan to guide future Waterfront Planning and investment decisions. The adopted Plan was the result of an extensive Planning and design process funded by the City and the Chelan County Public Utility District (PUD). Creating and adopting the Plan also involved a Task Force of key stakeholders and community leaders. The Plan's objective is to establish a community-based vision for the Waterfront's future and to define goals and policies for land use, community design, circulation, parks, recreation, shoreline and environmental improvements for the area.

The Wenatchee Waterfront Sub-Area stretches several miles between the Wenatchee River confluence and the George Sellar Bridge from Wenatchee Avenue to the Columbia River. The waterfront has long been a collection of underutilized properties, commercial and industrial uses, sports fields, parks and other recreational uses.

The Plan recognizes that the Waterfront is one of the community's most precious resources. It focuses on redevelopment that enhances the Waterfront, including improving local access, upgrading the Waterfront's image and developing new recreational, commercial and residential activities to complement the Waterfront parks and Downtown businesses. The Plan includes linking three development nodes (South End, Central Node and North End) within the Sub-Area and to Downtown.

For each node, the Plan calls for changes to: (1) land use policy (zoning); (2) circulation, and streetscapes; and, (3) parks, open space and recreation. Development actions in the Plan describe the actions Planned, the affected locations and the rationale for each action. The Plan includes identification of implementation activities, including public and private actions and the timing of actions.

The Plan document describes the general benefits expected from its implementing Actions, citing $15.2-$22.7 million in public and private investment, including $1.5 million of investment underway at the time of the Plan adoption. Benefits noted in the Plan include:

- Providing the City with a whole new dimension, providing new commercial, residential and recreational opportunities and quality-of-life enhancements.
- Helping accommodate additional population growth projected for the next 20 years and to meet the City's comprehensive Planning goals.
- Adding and connecting significant recreational features with the Waterfront, increasing the Waterfront's draw for the City's residents and visitors throughout the region.
- Enhancement of existing business areas and neighborhoods.

Report Purpose and Organization

This report provides a more detailed understanding of the economic benefits expected to accompany full implementation of the Wenatchee Waterfront Sub-Area Plan. The report results from an analytical assessment of the Planned improvements and regulatory changes, viewed through an economic impact framework. Specifically, the following sections describe:

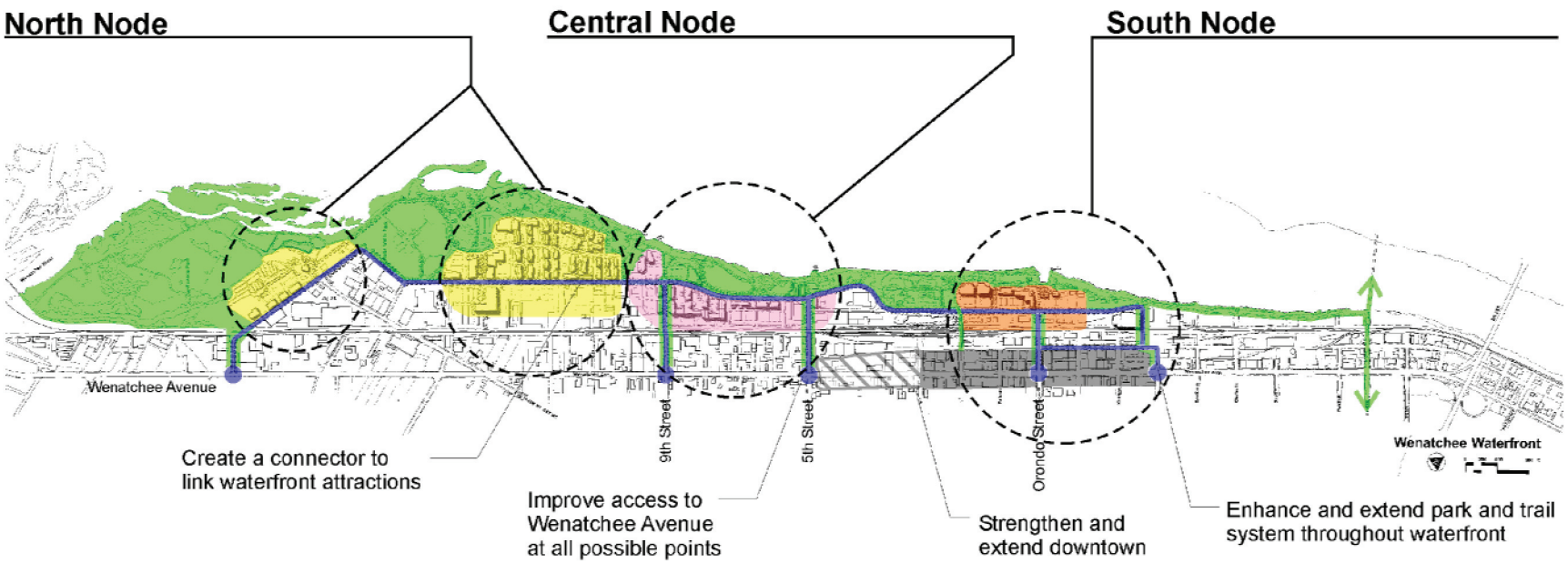
- Expected returns on public investment, estimated in terms of potential jobs and private investment expected to result from full implementation of the Plan, by phases of Implementation Actions
- Implications to the City's tax base and public tax revenue
- Implications for the City's tourism industry
- Implications for development patterns and commercial development in Downtown
- Implications to public tax revenues and growth outside the City

The report includes a discussion of the overall economic benefits of the Plan, compared to the estimated costs of public investment. The impacts of the Plan are then discussed in terms of three phases of implementation, defined as follows:

- **Phase 1 (2004 and 2005)** includes many land-use policy changes for the Waterfront and begins some circulation and street improvements. Relatively little private investment is expected during Phase 1.

- **Phase 2 (2006 – 2010)** includes the majority of circulation and street improvements and some parks and environmental investments. Some private investment is expected to occur in this phase concurrently with street improvements.
- **Phase 3 (2011 and beyond)** would bring the majority of private investment, following the relatively heavy public investments of Phase 2.

In addition to identifying the phasing of Implementation Actions, this report groups Actions and impacts within each of the three nodes (South End, Central Node and North End). An assessment of the implications of the Plan on tourism and on Downtown commercial development is then presented. Finally, a summary revisits key themes of the report.



Economic Impact Analysis

Public investment called for by the Waterfront Sub-Area Plan is estimated to cost between $15.2 and $22.7 million. In return, as shown in Exhibit 1, the Waterfront Plan will result in $240 million in private investment (11 to 16 times the amount of public investment), $152 million annually in additional local business income, and $1.2 million annually in public revenues and other impacts.

The Plan will result in 1,440 housing units, composing the majority of the Planned development. In addition, 1,430 jobs are Planned to be located in the Waterfront, most heavily concentrated in a single, 160,000 s.f. office building, but also spread amongst 220,000 s.f. of hotel space, 96,000 s.f. of retail space and an additional 60,000 s.f. of office space.

I-747 and Property Tax Revenue Assumptions

In November 2001, Washington State voters passed Initiative-747 which would limit increases in the property tax levy to 1% unless approved by voters, beginning in 2002. The effect of this limitation will be a gradual reduction in property tax rates if there are no voter approved levy increases. This analysis uses the current levy rate to estimate potential property tax revenues. This approach may result in a somewhat high-end scenario of property tax impacts related to the Waterfront Development Plan.

Exhibit 1:
Summary of Waterfront Sub-Area Plan
Economic and Fiscal Benefits at Build-Out (2003 Dollars)

Private Investment		**$239,500,000**
Residential Developments		1,440 units
Total Commercial Development		517,000 s.f.
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Port Property Tax	$91,100	
Annual Taxable Retail Sales	$35.1 million	
Annual Local Retail Sales Tax Receipts		$298,500
Utility Tax Revenues		$162,800

Source: *Wenatchee Waterfront Sub-Area Plan*, MAKERS, Berk & Associates.
Notes: All dollar values expressed in 2003 dollars.

Integrated Set of Policies and Actions

The Waterfront Plan Implementation Actions for the City include setting polices, making investments and collaborating with other local and County organizations to achieve the vision for the Wenatchee Waterfront. The Actions are summarized in the final section of the Plan, Implementation, and include the designated timing of when to take action.

The Actions begin sequentially in Phase 1 with setting policy to guide future public and private actions toward the Waterfront vision. These policy decisions require little public investment beyond administrative time and staff work. Establishing the policy framework for future investments is critical to inform private investment about the desired future for the Waterfront.

Other Actions cost specific dollars to execute, specifically in the form of public investment in streets, parks and shoreline improvements. These Actions begin in Phase 1 and accelerate in Phase 2 to focus development according to the Plan. Phase 3 includes public investments Planned for completion after significant development begins to complete the vision for the entire Waterfront.

Public Investments Precede Private Investment and Economic Benefits

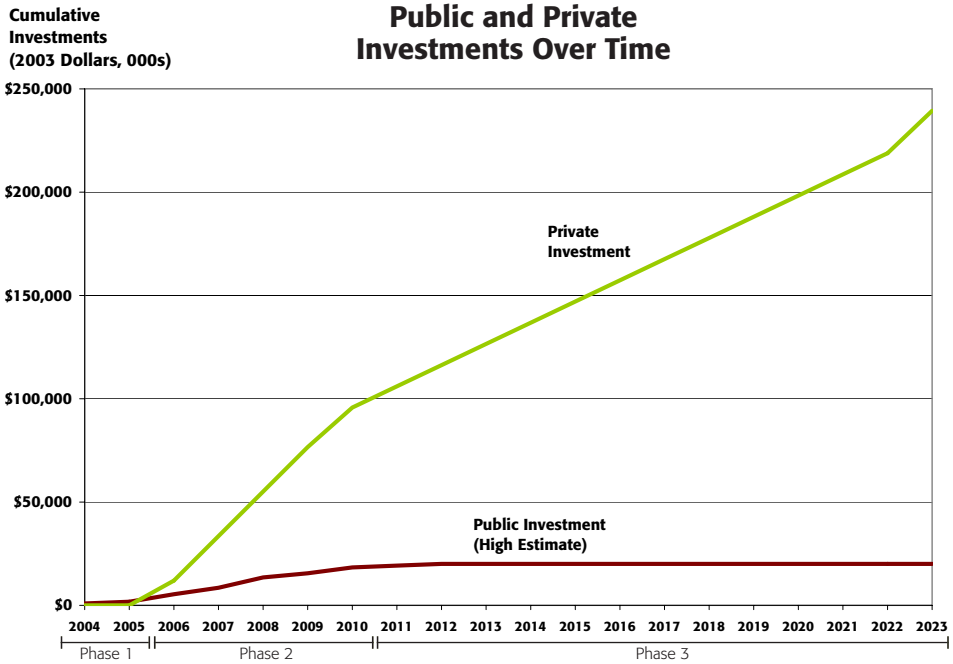
As the subsequent pages will show, the Plan will result in substantial private investment and economic benefits after public investments take place and improvements are completed. Exhibit 2 depicts graphically the general timing of public and private sector investments.

In the short-term and mid-term (Phases 1 and 2), much private investment will likely occur along with street improvements and other public investments. Developers will gain first-mover advantages by locking up parcels for development. Once they have committed to the property, showing faith in the market for their development, then they will want to precede immediately with buildings opening as soon as possible.

In the longer run private investments will dwarf public investments. Private investments will continue to grow long after completing the initial wave of street improvements and major public investments.

Cost estimates are described as order-of-magnitude and only for Planning purposes. Some actions are described as too nebulous at this time for cost estimation. The following sections present the components of Exhibit 1 in greater detail, grouped by geographic area of impact and timing of implementation.

Exhibit 2: Public and Private Investments Over Time



Phase 1: 2004 and 2005

Public Investment Assumed Phase 1: $1,370,000 to $1,862,000

Exhibit 3 provides a summary of Phase 1 Actions by node and type: Land Use; Development; Circulation and Streetscape; and Parks, Open Space and Recreation (Action numbers correspond to those used in the Sub-Area Plan). As described below, Actions in Phase 1 will result in benefits in Phases 2 and 3. The only new development Planned in Phase 1 is a new family-oriented restaurant, as reflected in Exhibit 4. Such a restaurant would be expected to provide 30 jobs, $873,600 in annual wages and $1.3 million in new business revenues (all in 2003 dollars).

In the very short term of Phase 1, the restaurant alone will generate new public revenues, of approximately $22,300 as shown in Exhibit 5. Restaurant taxes primarily consist of sales taxes. The private investment required on the site would generate new property taxes as well (for this analysis, only the increases in property taxes should be considered as new benefits associated with the Plan).

Exhibit 3:
Phase 1 Actions

South End	Central Node	North End
L-1 Rezone properties along Worthen Street, generally between Thurston Street and Riverwalk Crossing, to Mixed-Use. L-2 Designate properties surrounding the boat basin as a Pedestrian Overlay. L-3 Retain Industrial zoning for properties generally north of the pedestrian bridge and south of Thurston Street. D-1 Adopt design standards for the South End's Mixed-Use and Pedestrian Overlay Zoned Properties. S-1 Install South Waterfront access and signage improvements. (Completed in 2007) S-2 Extend Orondo Street from Worthen Street to the Waterfront Park. (Completed in 2007) P-1 Construct a day-use moorage dock at the Orondo boat basin. P-5 Enhance the waterfront park near Riverwalk Crossing, including a water feature. P-8 Enhance the South End shoreline environment.	L-4 Rezone Riverfront Center and adjacent properties to Mixed-Use. L-5 Designate properties generally between 5th and 9th Streets as a Pedestrian Overlay. L-6 Retain Industrial zoning for properties generally south of 5th Street. L-7 Find ways through zoning, streetscape or building incentives to extend downtown to 5th Street. L-8 Encourage new development south of the current Riverfront Center building through a partnership with the PUD. L-9 Protect the right-of-way for Riverside Drive through setbacks, dedication or cooperative financing. L-10 Work with area agencies / partners to provide options for affordable housing units displaced by new development. D-1 Adopt design standards for the South End's Mixed-Use and Pedestrian Overlay Zoned Properties. P-13 Shoreline environmental enhancements.	L-11 Rezone properties along Walla Walla Avenue to Mixed-Use. L-12 Designate properties adjacent to Walla Walla Point Park as a Residential + Recreation Overlay. L-13 Retain Industrial zoning for properties generally west of Walla Walla Avenue near Walla Walla Park and south of Hawley Street. L-14 Rezone the properties north of the new Walla Walla Avenue/Hawley Street connection to Mixed-Use. D-1 Adopt design standards for properties in the Mixed-Use and Residential + Recreation Overlay zones. P-14 Provide access, parking, trail, and ball field improvements to Walla Walla Park. P-16 Shoreline environmental enhancements.

Exhibit 4:
Phase 1 Economic Activity and Benefits (2003 Dollars)

Development	Phase 1
Dwelling Units	-
Residents	-
Total Commercial Development (Square Feet)	
Retail	-
Restaurant	7,000
Office	-
Lodging	-
Total Square Feet	**7,000**
Private Investment	$600,000
Public Investment (High Estimate)	$1,862,000
Ratio of Private to Public	**0.3**
Jobs	30
Annual Wages	$873,600
Annual Business Income	$1,278,200

Source: Berk & Associates, Washington State Department of Revenue, Municipal Research & Services Center of Washington, Urban Land Institute.

Exhibit 5:
Phase 1 Public Revenues (2003 Dollars)

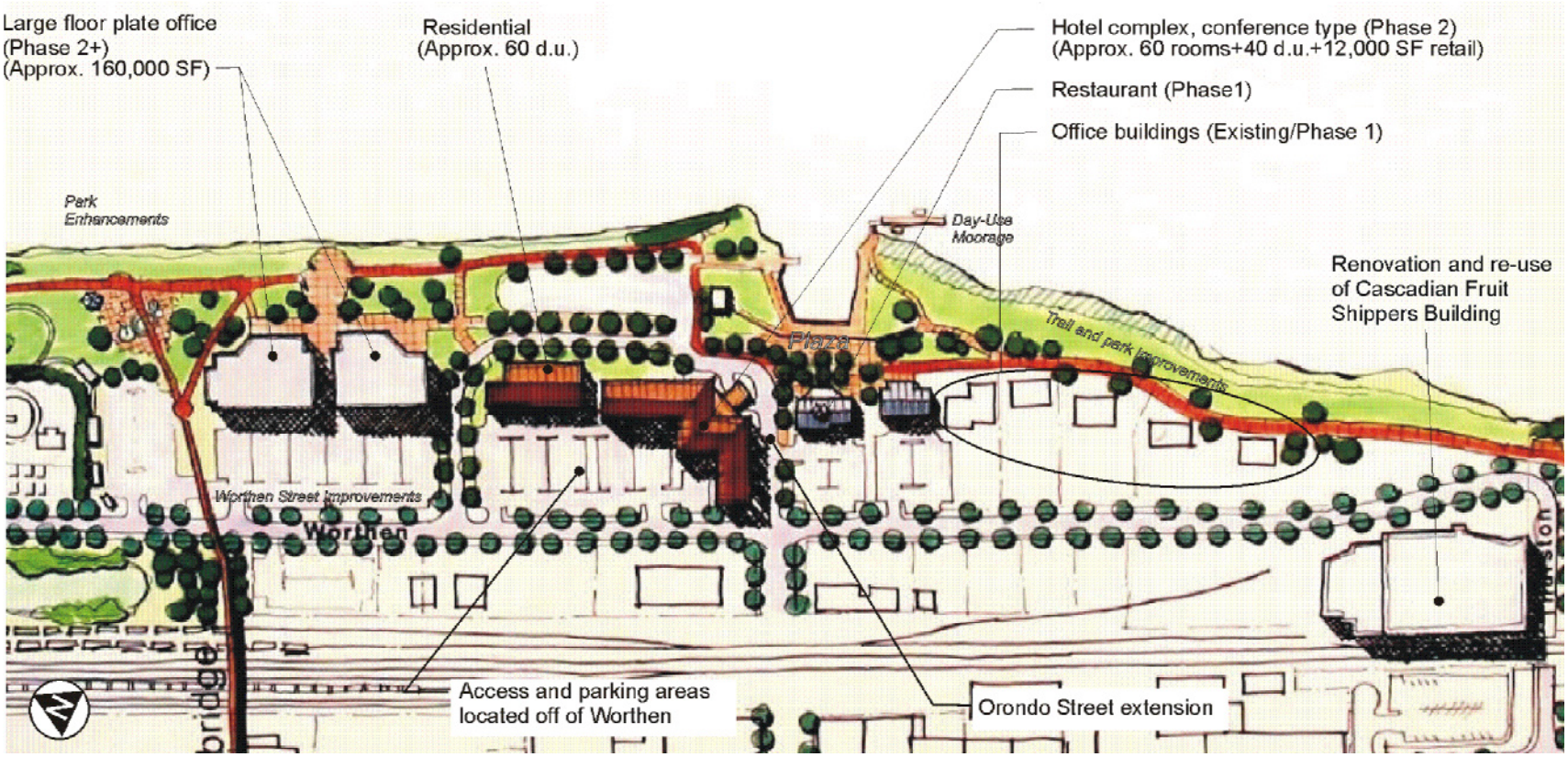
Fiscal Implications	Phase 1
Property Tax Revenue Increases	
City	$1,800
County	$900
Port	$200
Total Property Tax Increase	$2,900
Taxable Retail Sales	$2,100,000
Local Sales Tax Revenue	$17,900
Utility Tax Revenues	$1,500
Total Public Revenues	$22,300

Source: Berk & Associates, Washington State Department of Revenue, Municipal Research & Services Center of Washington, Urban Land Institute.

South End Actions

Phase I Actions in the South End, shown in Exhibit 3, consist of changing land-use policy, adopting design standards, beginning street improvements, enhancing park features and constructing the boat dock.

Rezoning properties will allow developers to begin thinking with greater certainty about Mixed-Use development along the Waterfront (Action L-1). The Mixed-Use designation will allow flexibility for property owners and developers to begin considering different types of investment in the South End.



The First Planned Development: A New Family-Oriented Restaurant

During Plan development, stakeholders interviewed and comments received from the public repeatedly expressed enthusiasm and optimism for one or more new restaurants along the Waterfront; and, the economic analysis prepared for the Plan supported the outlook for the feasibility of such a restaurant. (In particular, a family-oriented restaurant located at the foot of Orondo in the South End received support.) For these reasons, the first development expected and assumed in the analysis is a family restaurant in the South End.

Retention of Industrial Zoning for Properties North of the Pedestrian Bridge and South of Thurston Street

Other land-use actions, such as L-3, preserve and enhance space for jobs at existing office and industrial buildings. The Plan calls for these actions to spur renovation and re-use of the Cascadian Fruit Shippers Building, as well.

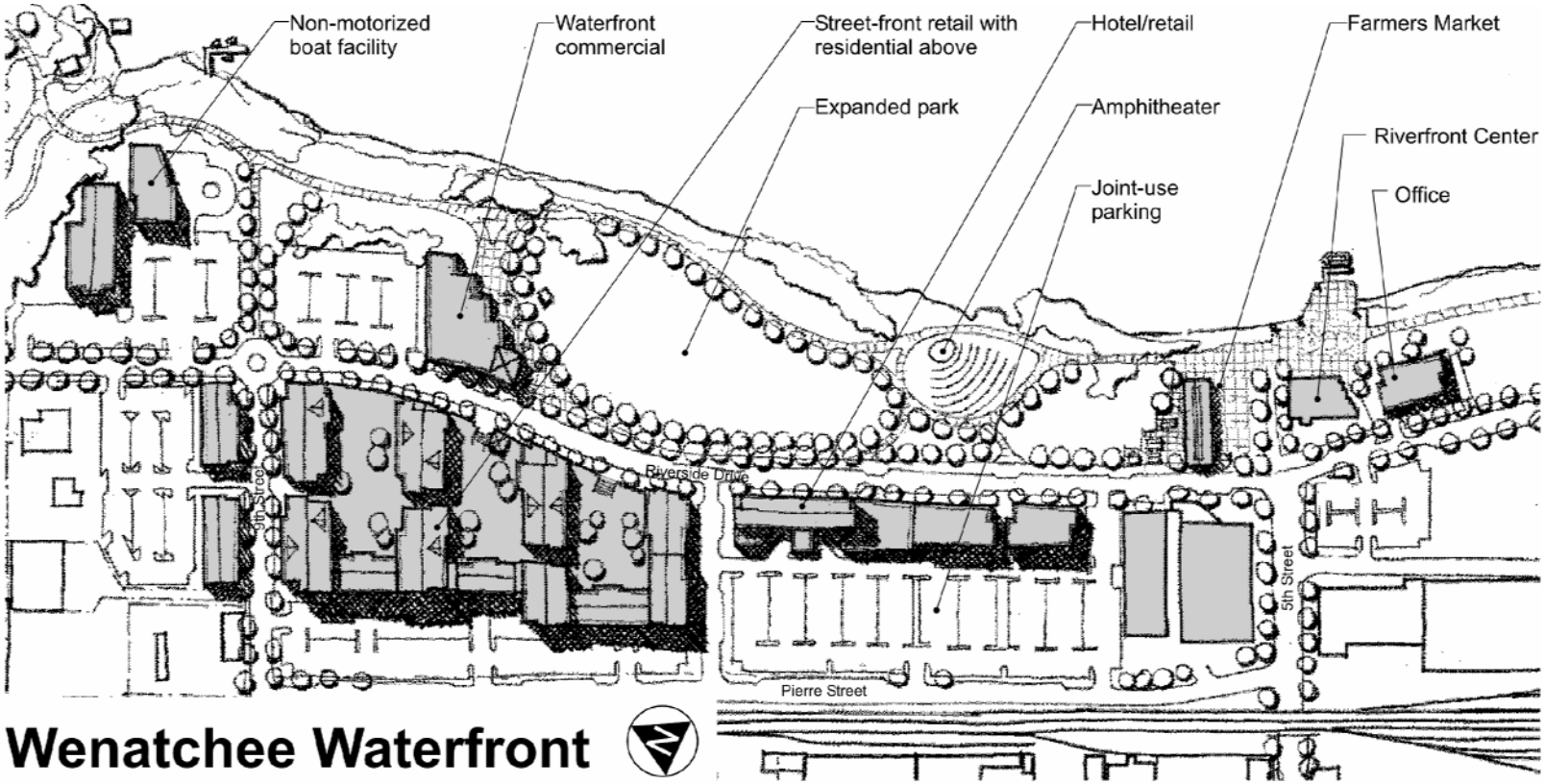
Other South End Actions

The remaining Phase 1 Actions focused in the South End relate to improving access to the Waterfront and enhancing shoreline amenities (L-2, S-1, S-2, P-1, P-5, P-8). This package of investments includes street improvements, designating the Pedestrian Overlay, new day-use moorage and shoreline improvements. Together these actions will invite Waterfront users to focus more on the Wenatchee environment. Associated investments will encourage use of the Waterfront, enhancing the market for the restaurant and commercial features expected in subsequent phases of the Plan.

Central Node Actions

Phase 1 Actions in the Central Node consist almost entirely of land-use policy changes (L-4 through L-10), as shown in Exhibit 3. These Actions set the stage for future development, as follows:

- Rezoning land to Mixed-Use and providing incentives to extend the Central Business District (CBD) to the Waterfront provides the regulatory framework necessary to advance thinking by developers and attract development to the site. (L-4, L-7)



Central Node Actions

- The Pedestrian Overlay establishes design standards to foster pedestrian activity, enhancing the area for retailers and providing the vitality necessary for mixed-use, development and connections to Downtown. (L-5)
- Retaining Industrial Zoning provides certainty for existing businesses to continue operations at their sites. (L-6)
- City staff partnering with the PUD to foster new development in under-developed areas demonstrates agency commitment, which will encourage developers to invest in the site. (L-8)
- Protecting right-of-way for future development of Riverside Drive reserves land for an important element of the Plan. (L-9)
- Establishing design standards at the outset of the Plan provides certainty and a clear regulatory framework for developers at the outset of Waterfront development. (D-1)

The City has also committed to work with area agencies to provide options for affordable housing units displaced by new development. (L-10) This commitment will include unspecified costs that are likely to result in social benefits for the community.

Phase 1 actions for the Central Node also include shoreline enhancements in the vicinity of 9th Street. (P-13) Shoreline enhancements will help cultivate the Waterfront as an amenity for public enjoyment and will be likely to increase commercial and residential demand in the Central Node.

North End Actions

Similar to the South End and Central Node, Phase 1 Actions in the North End consist of land-use policy changes and design standards. North End Phase 1 Actions also include access and parking improvements to the ball fields and shoreline enhancements.

The mid-term (Phase 2) and long-term (Phase 3) vision for the North End includes a new multifamily development. Land-use policy Actions in Phase 1 will foster development of that vision as follows:

- Rezoning these areas provides the necessary regulatory framework to achieve that vision and will spur thinking about developing the site with housing. (L-11)
- Designating properties adjacent to parks and the residential area as a Residential + Recreation Overlay will ensure that the open space in the North End continues to serve as an amenity to attract residents and housing developers. (L-12, D-1)
- Rezoning properties to Mixed-Use provides the framework for developers to consider mixed-use projects. (L-14)

Industrial zoning will preserve existing uses and allow businesses there the certainty they need to invest in their own futures (L-13).

The remaining Phase 1 actions for the North End address the ball fields, parks and open space already in high demand in the North End (P-14, P-16). The North End open space Actions will help meet demand for a regional recreational center, which will be important to the City in attracting increased intraregional tourism. Continued development of the recreation uses along with supportive recreation programs will help bring more people, and consequently enhanced vitality to the Waterfront.

Phase 2: 2006-2010

Public Investment Assumed
Phase 2: $10,420,000 to $16,638,000
Phase 1 & 2: $11,790,000 to $18,500,000

Phase 2 Actions include the majority of public investment required for circulation and street improvements. The investment in public streets will provide the neighborhood infrastructure necessary for private investment to occur.

Phase 2 is when significant private investment would be expected. The analysis assumes new development in the Waterfront will include 640 new multifamily housing units (less than half of the total Planned) and 116,000 s.f. of new commercial development (about one quarter of the total Planned), as shown in Exhibit 6. Commercial development is expected to include retail, restaurant and lodging, requiring nearly $95 million in private investment by 2010.

This assumed level of Phase 2 investment would accommodate 210 new jobs for a total of 240 new jobs, $6.4 million in wages and $31.5 million in new business revenue.

New public revenues associated with the Plan, shown in Exhibit 7, would total $665,100 annually upon completion of Phase 2, assuming the development occurs as described above. By this time, most of the new public revenues will be generated by property taxes derived from the substantial development expected along the Waterfront ($470,600 annually). Local sales tax revenue increases of $142,900 would be expected from the retail activity included in the Plan by the end of Phase 2.

By the end of the Phase 2 Planning period, approximately 75% of the public expenditures will have occurred, while only 40% of the total expected private investment is assumed to have occurred. Impacts at that time will represent only 50% of the increase in annual public tax revenue increases and 20% of increased annual business income.

Exhibit 6:
Phase 2 Actions

South End	Central Node	North End
S-1 and S-2 completion S-3 Enhance Worthen Street (north of Thurston Street). S-5 Extend the cross-river pedestrian bridge over railroad tracks to Bridge Street.	S-6 Provide waterfront access and gateway improvements on 5th Street from Wenatchee Avenue. S-7 Provide waterfront access and gateway improvements on 9th Street from Wenatchee Avenue. S-8 Construct Riverside Drive. S-9 Extend Riverside Drive around Columbia Colstor. P-10 Obtain land east of Riverside Drive for an expanded Waterfront Park with improvements, and develop central park facilities, such as an amphitheater or multipurpose shelters.	(No actions planned)

South End Actions

South End Actions include completion of South Waterfront access and Orondo Street improvements (S-1 and S-2), along with enhancements to Worthen Street (S-3) and extension of the cross-river pedestrian bridge.

The analysis assumes that as street improvements are completed, the hotel complex with conference amenities would be developed. This development, as shown in the Waterfront Plan, would include 40 dwelling units and 12,000 s.f. of new retail space.

Worthen Street enhancements are Planned to accompany new development as the quality of the area flourishes. Such enhancements are important to increase the quality of the infrastructure in the South End. Aesthetic improvements and quality infrastructure will foster private investment and help attract higher rental rates.

Exhibit 7: Phase 2 Economic Activity and Benefits (2003 Dollars)

	Phase 2 Activity	
Development	**Phase 2**	**Phases 1& 2**
Dwelling Units	640	640
Residents	960	960
Total Commercial Development (Square Feet)		
Retail	42,000	42,000
Restaurant	7,000	14,000
Office	-	-
Lodging	60,000	60,000
Total Square Feet	**109,000**	**116,000**
Private Investment	$94,400,000	$95,000,000
Public Investment (High Estimate)	$16,638,000	$18,500,000
Ratio of Private to Public	**5.7**	**5.1**
Jobs	210	240
Annual Wages	$5,553,600	$6,427,200
Annual Business Income	$30,272,900	$31,551,100

Source: Berk & Associates, Washington State Department of Revenue, Municipal Research & Services Center of Washington, Urban Land Institute.

Exhibit 8: Phase 2 Public Revenues (2003 Dollars)

	Phase 2 Activity	
Fiscal Implications	**Phase 2**	**Phases 1& 2**
Property Tax Revenue Increases		
City	$282,600	$284,400
County	$149,200	$150,100
Port	$35,900	$36,100
Total Property Tax Increase	$467,700	$470,600
Taxable Retail Sales	$14,700,000	$16,800,000
Local Sales Tax Revenue	$125,000	$142,900
Utility Tax Revenues	$50,100	$51,600
Total Public Revenues	$642,800	$665,100

Source: Berk & Associates, Washington State Department of Revenue, Municipal Research & Services Center of Washington, Urban Land Institute.

Central Node Actions

Phase 2 is assumed to bring the first wave of investment to the Central Node. All public investments for Central Node circulation and street improvements would occur in Phase 2, making the Central Node ready for development. Waterfront access and gateway improvements on 5th and 9th (S-6 and S-9) will help foster the growth of the Farmers Market, the Riverfront Office area and the beginnings of development in the Pedestrian Overlay zone.

The analysis assumes commercial development during this period will occur concurrently with road construction and infrastructure improvements. Specifically, development is assumed to accompany the 5th and 9th Street improvements, along with continued construction of Riverside Drive, to encourage mixed-use developments in the form of 340 multifamily housing units, 30,000 s.f. of general retail space and 7,000 s.f. of restaurant space. This amount of development equates to 45% of the total Planned development in the Central Node.

By completion of this phase in the Central Node, the gateway connections on 5th and 9th can be expected to have a positive impact on Downtown vitality, with up to 1,000 more people living within walking distance of Downtown.

North End Actions

No implementation actions are Planned for Phase 2 in the North End. The Phase 1 zoning changes and the completion of street improvements at the end of Phase 1, however, will bring interest in multifamily development in the North End. This analysis assumes 200 units (half of the Planned total) will be built during Phase 2.

Phase 3: 2010 and Beyond

Public Investment Assumed
Phase 3: $3,455,000 to $4,155,000
Total Plan: $15,245,000 to $22,655,000

The remaining Actions, including all unscheduled Actions, include street improvements, Waterfront access and many parks improvements (Exhibit 9). The balance of the Planned development is assumed to occur beyond 2010, including just over half of the residential units and the bulk of commercial space.

The remaining multifamily units Planned for the Waterfront (800 units) would be expected in Phase 3, as shown in Exhibit 10. New commercial space would include 54,000 s.f. of retail, 7,000 s.f. of restaurant, 220,000 s.f. of office (all of the new office space Planned) and 120,000 of hotel space. Much of this development would be expected to occur early in Phase 3.

By build-out of the Plan, the 1,440 dwelling units and 517,000 s.f. of development reflected in Exhibit 10 would include:

- $240 million in private investment (a magnitude of 11 to 16 times the level of public investment)
- $56 million annual wages
- $152 million in annual business revenue

Annual public revenues will increase substantially with the development expected in Phase 3, bringing the annual public revenues to $1,186,500. Nearly three-fourths (72%) of new public revenues will come from property tax revenue increases. Sales tax revenues will contribute nearly $300,000 annually and utility taxes will add an estimated $162,800 each year.

Exhibit 9:
Phase 3 Actions

South End	Central Node	North End
S-4 Enhance Worthen Street (south of Thurston Street). P-2 Construct a pedestrian plaza at the Orondo boat basin. P-3 Convert the park access road south of Orondo Street to a pedestrian trail with removable bollards or planters, and remove existing fencing between office buildings and park. P-4 Expand the parking area north of the boat basin. P-6 Enhance the trail south of Thurston Street to the cross-river bridge. P-7 In the long-term, develop a park along the waterfront south of the cross-river bridge.	P-9 Construct non-motorized boat facility. P-11 Create a permanent Farmers Market site north of 5th Street. P-12 Provide for a public viewpoint and sternwheeler moorage and dock at 5th Street.	S-10 Provide waterfront access and gateway improvements on Hawley Street from Wenatchee Avenue. S-11 Extend Walla Walla Avenue and Hawley Street. P-15 Encourage the development of an environmental education center/urban agricultural center north of Hawley Street.

South End Actions

The Plan for the South End includes 160,000 s.f. of Class A office space, assumed to be developed in Phase 3. However, demand for Class A office space in Wenatchee is reportedly underserved, and developers might build office space earlier, potentially in Phase 2.

Worthen Street improvements Planned for the South End in Phase 3 (S-4) will continue to improve the quality of the area south of Thurston, tying the neighborhood image into the Waterfront and increasing demand for the area.

Exhibit 10: Phase 3 Economic Activity and Benefits (2003 Dollars)

	Phase 3 Activity	
Development	**Phase 3**	**Phases 1,2&3**
Dwelling Units	800	1,440
Residents	1,200	2,160
Total Commercial Development (Square Feet)		
Retail	54,000	96,000
Restaurant	7,000	21,000
Office	220,000	220,000
Lodging	120,000	180,000
Total Square Feet	**401,000**	**517,000**
Private Investment	$144,500,000	$239,500,000
Public Investment (High Estimate)	$4,155,000	$22,655,000
Ratio of Private to Public	**34.8**	**10.6**
Jobs	1,190	1,430
Annual Wages	$49,467,600	$55,894,800
Annual Business Income	$120,534,700	$152,085,800

Source: Berk & Associates, Washington State Department of Revenue, Municipal Research & Services Center of Washington, Urban Land Institute.

Exhibit 11: Phase 3 Public Revenues (2003 Dollars)

	Phase 3 Activity	
Fiscal Implications	**Phase 3**	**Phases 1,2&3**
Property Tax Revenue Increases		
City	$432,500	$716,900
County	$228,400	$378,500
Port	$55,000	$91,100
Total Property Tax Increase	$715,900	$1,186,500
Taxable Retail Sales	$18,300,000	$35,100,000
Local Sales Tax Revenue	$155,600	$298,500
Utility Tax Revenues	$111,200	$162,800
Total Public Revenues	$982,700	$1,647,800

Source: Berk & Associates, Washington State Department of Revenue, Municipal Research & Services Center of Washington, Urban Land Institute.

High-end pedestrian access, trail improvements and parking expansions (P-2, P-3, P4, P-6 and P-7) will provide many benefits to the area, including:

- Increased foot traffic and activity in the area to perpetuate success;
- Fostering of the connection to Downtown; and,
- Increasing housing, office and retail demand for the area.

Central Node Actions

Following the public investment in Phase 2, Phase 3 will bring the remainder of development to the Central Node, which includes significant amounts of all types of developments. Phase 3 development assumptions for the Central Node include:

- 600 multifamily housing units
- 40,000 s.f. of retail space
- 7,000 s.f. of restaurant space
- 60,000 s.f. of office space
- 120,000 s.f. of hotel space

The remaining parks improvements Planned for the Central Node consist of constructing a non-motorized boat facility, creating a permanent Farmer's Market site and providing a public viewpoint and permanent moorage for the Sternwheeler. (P-9, P-11, P-12) All of these improvements will continue to drive up demand for the Central Node of the Waterfront and they are especially important to foster quality attractions for increased tourism at the Waterfront itself and in Wenatchee generally.

North End Actions

The analysis assumes that the remaining multifamily units (200 units) Planned for the North End will come in Phase 3. Actions Planned in Phase 3 or not scheduled include providing Waterfront access and Downtown Gateway improvements, extending Walla Walla Avenue and Hawley Street and encouraging the development of an environmental education center. (S-12, S-13, S-15) The regional draw of the North End recreational facilities will continue to be improved with these street and parks improvements.

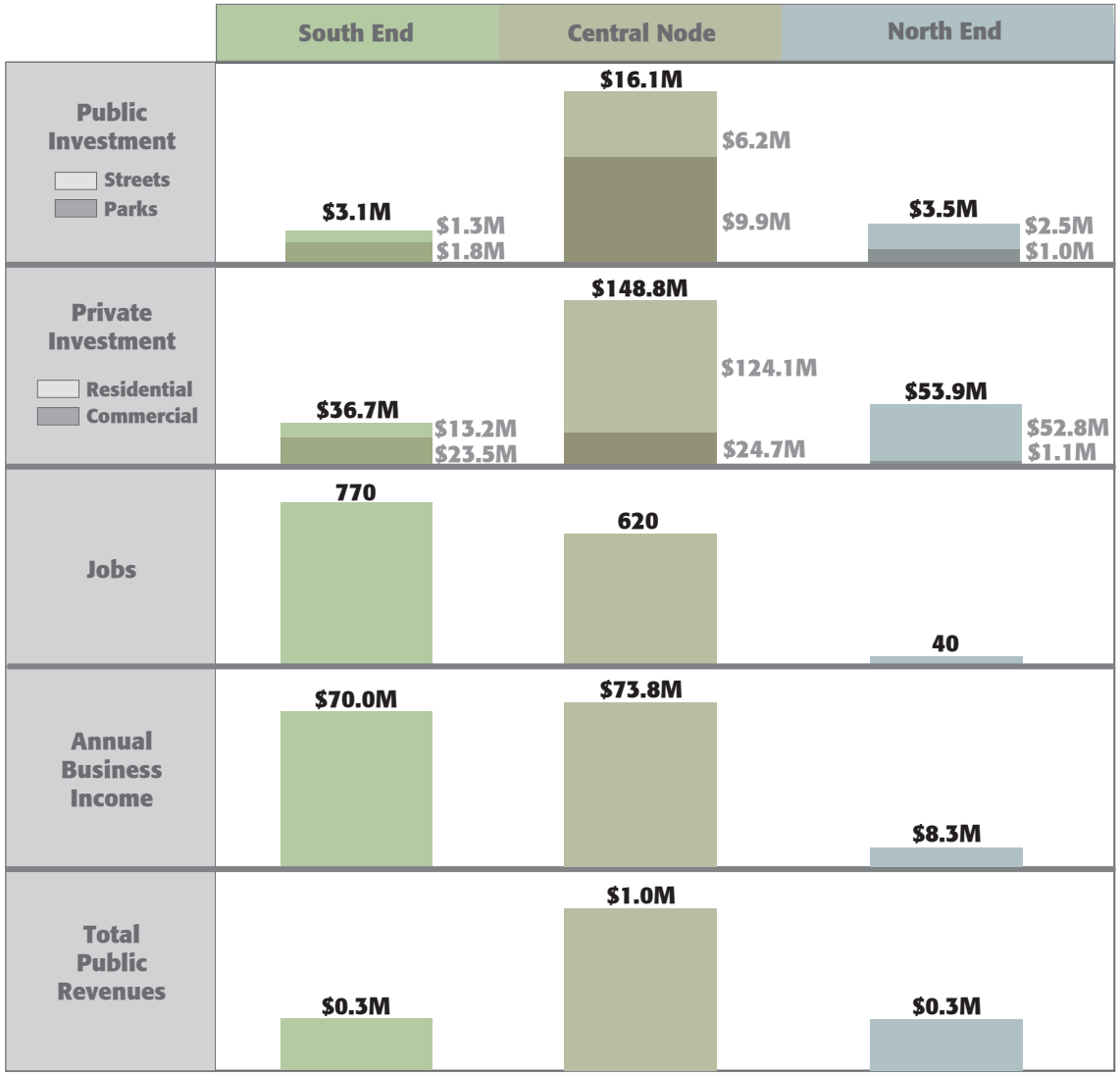
Development Node Summary of Impacts

Exhibit 12 shows the results from the economic impact analyses re-organized by the development nodes outlined in the Plan. The exhibit shows the impacts associated with completion of the Plan. As the exhibit shows, public investments in transportation and parks would occur throughout the Waterfront Sub-Area, concentrated most heavily in the Central Node ($9.9 million in parks investments and $6.2 million in streets).

Private investment is similarly distributed, with the majority of private investment associated with the Plan going toward residential construction in the Central Node ($124.1 million). Commercial investments would be relatively evenly distributed between the South End and Central Node ($23.5 million and $24.7 million, respectively). Relatively little commercial investment would be expected in the North End, where residential uses compose most of the planned development. The distribution of jobs and business income reflect private investment in commercial uses.

The total public revenues reflect the distribution of private investment as well (residential and commercial combined). As discussed previously in this report, property taxes from new construction (improved values only, not increases in land value) define much of the public revenue expected to accompany the Plan, followed by sales taxes from retail sales and utility taxes from businesses and residences.

Exhibit 12:
Economic Benefits by Development Node



Do-Nothing Scenario Comparison

The analysis above presents the economic and fiscal benefits expected to accompany implementation of the Waterfront Sub-Area Plan. An important complexity in interpreting the analysis is an understanding of what portion of those economic benefits would occur for the City and the region only if the Plan is implemented, i.e. what portion of the expected benefits would the City not realize, without development of the Waterfront.

Many features of the Waterfront Plan are special because of their proximity to the Wenatchee River and because of limited opportunities for comparable development elsewhere in the City. For these reasons, most of the benefits identified above are expected to occur only with implementation of the Waterfront Plan. This conclusion is supported by the following assumptions and observations that suggest the Waterfront presents a rare opportunity for Wenatchee:

- Seasonal residents will be attracted to the Waterfront – residents who would otherwise not live in Wenatchee.
- High-rent tenants in Class A office space require amenities offered by the Waterfront Plan and not found elsewhere in the City or region.
- Mixed-Use development at the Waterfront will benefit from proximity to Downtown.

The City of Wenatchee will continue to grow and businesses and developers will find economic opportunity in Wenatchee regardless of whether the City implements the Plan. Many of the benefits expected to derive from the Waterfront Plan, however, will occur because of the special role the Waterfront can and will play in the City's future – both from an economic and a quality-of-life perspective.

Tourism Advantages and Implications

The river provides an amenity important to hotels for attracting visitors. The views and the connections to Downtown and the Convention Center would provide amenity value to new hotels in the Waterfront Sub-Area. Four tourism market segments will be served by the Waterfront Plan:

- Conference and convention attendees;
- Nearby users of recreational facilities in the Waterfront (boating access, ball fields and open space);
- Winter seasonal recreation vacationers; and,
- Summer seasons recreation vacationers.

The City has the opportunity to provide urban amenities in the center of many outdoor recreation opportunities. Wenatchee is the only community in Central Washington with two key comparative advantages: (1) a central location amidst outdoor recreational opportunities found in the surrounding rural areas; and, (2) a year-round population base large enough to support urban amenities.

The Convention Center is underutilized largely due to a lack of high-quality hotel space within the same complex or within walking distance. The Convention Center can comfortably accommodate events with up to 800 people, but 800 delegates for one convention cannot currently stay nearby in one high-quality hotel. The lack of hotel space fitting this description deters larger groups from booking the Convention Center.

The Convention Center loses larger groups to Seattle, Spokane and other areas outside of Central Washington. For conferences and conventions, the hotels would not compete with hotels in Chelan, Leavenworth or other communities nearby (Yakima is the nearest competitive supply). More hotel space would allow Wenatchee to compete with the larger cities for conferences that attract delegates statewide and beyond.

Hotel rooms are in short supply for peak summer periods, hosting attendees of softball and soccer tournaments and annual conventions. Within the recreation market segments, the hotels along the Waterfront would primarily serve out of town guests coming for these events. They would not likely draw tourism markets away from Lake Chelan or Leavenworth, due to the different and well established recreational opportunities in those areas.

Development Patterns and Commercial Development

Planning for the Waterfront Plan has created an on-going dialogue among community leaders and local stakeholders about the impact of the Waterfront on development patterns and commercial development Downtown. The discussion of the Waterfront's impacts on Downtown needs to consider the cumulative effect of the Waterfront Plan, including housing, seasonal residents, offices and new daytime population, recreational opportunities and tourism draws. Combined, these influences will present new opportunities for Downtown businesses.

The economic analysis completed as part of Plan development included retail market analyses that suggests the total amount of retail space Planned for the Waterfront fits well within the demands of projected growth for the City and the four-county region. The economic analysis showed that the Waterfront Plan included 10% to 21% of the new retail space development likely to occur in the next 20 years in Wenatchee and East Wenatchee.

The Waterfront will enhance the vitality of Downtown under the following conditions and assumptions:

- The Waterfront will add 1,440 housing units and more than 2,000 residents within walking distance of Downtown.
- 220,000 s.f. of office space and 1,430 jobs would substantially increase the daytime population near Downtown.
- Additional recreational and retail opportunities in the Waterfront will bring more people into the Downtown area during the day.
- More retail in the Waterfront increases opportunity for Downtown businesses to find complementary retail opportunities and specialty niches.
- Downtown and Waterfront businesses can work together to coordinate marketing efforts and events to draw shoppers Downtown and to the Waterfront during the same trips.
- Parking and pedestrian access provide convenient connections between the Waterfront and Downtown (as Planned well in the "Gateways" identified in the Waterfront Plan).

The Waterfront can be expected to challenge Downtown under the following conditions:

- Retail space is developed in the Waterfront without the housing and tourism draws being developed, thereby increasing nearby retail competition without increasing the customer base.
- Waterfront offers more evening and weekend hours of business than Downtown.
- Downtown businesses and building owners do not maintain and update their businesses and buildings to accommodate new retail demand (for example, providing Wi-Fi access at coffee shops and restaurants, responding to new retail trends and serving changing markets).

The Waterfront Plan overall provides great opportunity to complement the Downtown, which will happen only with coordinated efforts among Downtown and Waterfront businesses. Downtown businesses, already well organized, provide the best opportunity to lead this coordination. Together, Downtown and the Waterfront have the opportunity to provide a retail center large enough to increase the City's and the region's share of retail spending by its residents and visitors.

Summary and Conclusion

Implementation of the Waterfront Sub-Area Plan presents an opportunity for the City to realize both quality-of-life enhancements and economic and fiscal gains, as summarized in Exhibits 13 and 14.

Exhibit 13:
Summary of Waterfront Plan Economic Activity Benefits at Build-Out (2003 Dollars)

		Phase 2 Activity		Phase 3 Activity	
Development	**Phase 1**	**Phase 2**	**Phases 1& 2**	**Phase 3**	**Phases 1,2&3**
Dwelling Units	-	640	640	800	1,440
Residents	-	960	960	1,200	2,160
Total Commercial Development (Square Feet)					
Retail	-	42,000	42,000	54,000	96,000
Restaurant	7,000	7,000	14,000	7,000	21,000
Office	-	-	-	220,000	220,000
Lodging	-	60,000	60,000	120,000	180,000
Total Square Feet	**7,000**	**109,000**	**116,000**	**401,000**	**517,000**
Private Investment	$600,000	$94,400,000	$95,000,000	$144,500,000	$239,500,000
Public Investment (High Estimate)	$1,862,000	$16,638,000	$18,500,000	$4,155,000	$22,655,000
Ratio of Private to Public	**0.3**	**5.7**	**5.1**	**34.8**	**10.6**
Jobs	30	210	240	1,190	1,430
Annual Wages	$873,600	$5,553,600	$6,427,200	$49,467,600	$55,894,800
Annual Business Income	$1,278,200	$30,272,900	$31,551,100	$120,534,700	$152,085,800

Source: Berk & Associates, Washington State Department of Revenue, Municipal Research & Services Center of Washington, Urban Land Institute.

Exhibit 14:
Summary of Public Revenues Waterfront Plan
(2003 Dollars)

		Phase 2 Activity		Phase 3 Activity	
Fiscal Implications	**Phase 1**	**Phase 2**	**Phases 1& 2**	**Phase 3**	**Phases 1,2&3**
Property Tax Revenue Increases					
City	$1,800	$282,600	$284,400	$432,500	$716,900
County	$900	$149,200	$150,100	$228,400	$378,500
Port	$200	$35,900	$36,100	$55,000	$91,100
Total Property Tax Increase	$2,900	$467,700	$470,600	$715,900	$1,186,500
Taxable Retail Sales	$2,100,000	$14,700,000	$16,800,000	$18,300,000	$35,100,000
Local Sales Tax Revenue	$17,900	$125,000	$142,900	$155,600	$298,500
Utility Tax Revenues	$1,500	$50,100	$51,600	$111,200	$162,800
Total Public Revenues	$22,300	$642,800	$665,100	$982,700	$1,647,800

Source: Berk & Associates, Washington State Department of Revenue, Municipal Research & Services Center of Washington, Urban Land Institute.

Private investments of $240 million will represent 11 to 16 times the $15.2 to $22.7 million of public investment required. Plan implementation will occur in phases, with benefits and private investment lagging public actions and expenditures, as follows:

- **Phase 1: 2004 and 2005**, will consist of significant changes in Waterfront land-use policy with relatively low public expenditures. Circulation and street improvements will begin in the South End. Overall, little development is assumed to occur, with the exception of a family-oriented restaurant, frequently cited in Plan development as being in high demand in the community.

- **Phase 2: 2006 to 2010**, will include the majority of public expenditures, as circulation and street improvements begin. Much development will begin to occur during this period, assuming that development is concurrent with street improvements. About one-quarter of the Planned residential development and less than half of the Planned commercial development is assumed to occur in Phase 2.

The Central Node will receive the bulk of the new development during this phase, with some housing development assumed in the North End and continued retail and mixed-use growth expected in the South End. Street improvements will be widespread throughout the Waterfront, including the construction of Riverside Drive, which will be completed at the end of Phase 2.

At the end of Phase 2, approximately 75% of the public expenditures will have occurred, while only 40% of the total expected private investment is assumed to have occurred. Impacts at that time will represent only 50% of the increase in annual public tax revenue increases and 20% of annual business income increases.

- **Phase 3: beginning in 2011**, will include the remaining public expenditures, including the remaining street improvements Planned and development of many of the parks and open space features. During Phase 3, private development will follow the significant public investments in Phase 2, resulting in the realization of full benefits from Plan implementation.

  Most of the private development is expected to begin in 2011 and continue in the following years. In Phase 3, the Waterfront development will increase by 400,000 s.f. of commercial development and 800 multifamily housing units. In addition to retail space associated with mixed-use developments, commercial development will include 160,000 s.f. of Class A office space in the South End and new hotel and convention space in the Central Area.

Impacts on Tourism, Downtown and the City's Economic Vitality

Increased connections to the water and enhancements to the existing recreational facilities will heighten the area's attraction to out-of-town visitors, increasing the City's role in tourism from within the region as well as from other parts of the state and the Pacific Northwest.

The Waterfront Plan development will have a positive impact on the region, the City and Downtown Wenatchee. Many of the Plan elements, including housing, daytime employees and tourist draws will benefit the Downtown. Downtown businesses have the opportunity to maximize their own benefits by working closely with the City and Waterfront businesses to effectively implement Plan linkages to Downtown and to coordinate business opportunities and events.

The Waterfront Plan presents opportunities for a new, vibrant, mixed-use neighborhood in the heart of Wenatchee and the region. Substantial new private development and public investments in streets, parks and waterfront connections can bring many opportunities to Wenatchee businesses, residents and visitors. Implementation of the Plan will benefit the City and all stakeholders as development occurs, and will continue to serve future generations by helping an important part of the community realize its potential.