

**WENATCHEE  
WATERFRONT  
SUB-AREA  
PLAN  
ECONOMIC  
ANALYSIS  
COMPONENT**

**FINAL REPORT**

**AUGUST 2003**

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# WENATCHEE WATERFRONT SUB-AREA PLAN

## ECONOMIC ANALYSIS COMPONENT

### AUGUST 2003

#### SUMMARY OF FINDINGS

The purpose of this report is to assess market demand for various redevelopment concepts along the Wenatchee Waterfront in connection with the Wenatchee Sub-Area Plan. The analysis in this report indicates that the level and type of development modeled in the project's Preferred Alternative is consistent with the high end of future growth projections over a long-term period of perhaps 20 or more years. Please see the Introduction section, below, for a description of how the development quantities in the Preferred Alternative were established and how they should be interpreted. As shown in this report, the market capacity for growth varies by submarket. Development envisioned for certain submarkets is ambitious and will require the emergence of particular demographic and market trends, and active public sector champions to forward a compelling vision and plan for the Waterfront's redevelopment.

Submarket findings are outlined here and provided in more detail in the remainder of this report.

- **Residential.** The Preferred Alternative depicts 1,440 Waterfront dwelling units developed incrementally and geographically spread over the south, central and north ends of the Waterfront. This number of units is ambitious given projected multifamily development, but demographic changes and market evolution point to greater future demand for the relatively dense condominiums necessary to support current Waterfront land prices. The Waterfront condominium represents a product that does not currently exist in the Wenatchee market, though other condominium models exist. Single family detached homes are the current market preference, and so success of the Waterfront condominium concept will require some evolution of market preferences. Vacation condominiums are seen as a future option if the City's tourism draw increases substantially. Apartments may be another option as the multifamily market matures.
- **Retail.** Wenatchee functions as a regional retail center. The Preferred Alternative envisions 96,000 square feet of new retail development, representing 10% to 21% of the retail space our analysis shows is likely to occur over the next 20 years in Wenatchee and East Wenatchee. Public sector participation would likely be required to direct this relatively significant share of overall market growth to the Wenatchee Waterfront. Given the location and character of Waterfront land, as well as access challenges, this retail development would likely occur as convenience and boutique shopping.
- **Office.** Demand for new office space in the short-term is expected to be for Class A space. The Preferred Alternative encompasses for 155,000 square feet of office space spread between the south and central portions of the Waterfront, which we estimate to be 21% of projected growth in Wenatchee and East Wenatchee in the coming 20 years. Similar to recent

development in this sector, this investment is likely to occur incrementally, with owner-occupiers serving as anchor tenants.

- **Restaurant.** A Waterfront restaurant has received favorable interest in community meetings and stakeholder interviews. A family-oriented restaurant located on the Waterfront at the foot of Orondo as described in the Preferred Alternative received support, particularly if it features a coffee or ice cream counter to draw on parks users who may not spontaneously sit down for a full meal.
- **Hotel.** Support exists for long-term development of two Waterfront hotel concepts, one catering to conference attendees and the other to tournament-goers. While the Wenatchee hotel market may not support additional hotel development in the short-term, the ability of such specialty hotels to support and possibly grow already-important local economic centers warrants further exploration.
- **Commercial Recreation.** Options for an indoor sports complex and a waterpark are briefly explored in this report. The value of building upon and enhancing Wenatchee's existing recreation draw is noted, and relevant issues for future investigation are raised.

## INTRODUCTION

### Background

**Quantities of Development Illustrated in the Plan.** The analysis contained in this report was done in support of and in conjunction with the development of the Wenatchee Waterfront Sub-Area Plan. The purpose of this document is to summarize the stakeholder interviews and economic analysis which helped determine the quantity and quality of development contained in the Preferred Alternative. The analysis was done between November 2002 and July 2003.

The quantities of development referred to in the Plan's illustrations and land use, transportation and economic analysis components were derived in an iterative process that took into account community preferences expressed at public workshops, and market analysis and site conditions described in this report. In the first step of this process, the design team translated the objectives, desired uses and design preferences expressed by workshop participants and Sub-Area Steering Committee members into a series of alternative concepts that explored the range of development types and uses. After evaluating the concepts for relative feasibility – considering economic, transportation and planning perspectives, the alternatives were presented to the public, the Steering Committee and other key stakeholders for comment. From this input, the design team formulated a preferred concept, referred to here as the Preferred Alternative, which conforms to public preferences and the planning analysis.

The resulting types and quantities of development in the preferred concept are intended to represent both a realistic and desired outcome for a 20-year horizon. The figures are consistent with the high end of future growth projections, and represent an aggressive vision that will be achieved only if the City and community take action to encourage the desired development. However, basing analysis on "high end" projections is appropriate for several reasons. First, traffic demand figures should be large enough that the circulation system can handle traffic volumes associated with the high end growth projections. Second, the illustrations were prepared to ensure that the public accepts the more intense development types and would support the resulting development regulations and height limits. Also, the high land values common within the planning area mean that feasible development will most likely be more intensive than if the land were less expensive.

It should be noted that the quantities contained in the Preferred Alternative are not specifically a growth target, nor do they represent build-out capacity within the proposed zoning regulations. Rather, they are intended as a reasoned and reasonable model of community aspirations and development potential upon which to base public decisions.

### Methodology and Approach

This report reviews and analyzes existing conditions in the Wenatchee market by presenting a summary of the City's current strengths, challenges and opportunities. This assessment is followed by an analysis of long-term development opportunities for the Wenatchee Waterfront in particular. Current conditions, market outlook, and market implications for the Preferred Alternative are described for each of the sectors examined: residential, retail, office, and special uses. While some investigation of the industrial sector was conducted during the course of developing the Preferred Alternative, given

the stated preference to encourage the highest level of use along the Waterfront, industrial uses were not incorporated in the Preferred Alternative and as such are not discussed in this report.

In order to gain a nuanced understanding of the various Wenatchee submarkets explored in formulating the Preferred Alternative, stakeholder interviews were conducted with more than 30 individuals from the public sector, real estate, development, and construction, and various private sector interests. A full list of these interviewees is contained in Exhibit 1. The analysis contained in this report draws from their input and existing data and publications; no new data was collected.

## **SUMMARY OF STRENGTHS, CHALLENGES AND OPPORTUNITIES OF THE WENATCHEE MARKET**

As the City and the region experience an economic downturn in agriculture, its traditional base, Wenatchee is faced with a variety of challenges. These factors are summarized here, along with strengths and short- and long-term opportunities which present options for increased development and vitality in the City.

### **Strengths**

- **High quality of life.** Many interviewees stated that the City offers a high quality of life, citing public safety, favorable climate, recreation opportunities and a strong sense of community.
- **Strong conference and sports tournament industries.** These are established industries and identities that the City can build upon.
- **Regional hub.** Wenatchee functions as the retail and commercial hub for the surrounding area (discussed further in the Retail section, below), drawing out-of-town dollars into the local economy.
- **Cooperation among public sector players.** Coordinated planning among the City of Wenatchee, the Port of Chelan County, and the Chelan County Public Utility District point to an increasingly shared vision for the City, of which the Wenatchee Waterfront Sub-Area Plan is one component.
- **Community Technology Center (CTC).** A project of the Port of Chelan County, the CTC is helping to develop Wenatchee's high technology infrastructure and employment base.
- **Existing Waterfront infrastructure.** Established parks and trails make the Waterfront a popular destination.
- **Public agency support for development.** Comments by stakeholders were generally positive regarding the role of the City and PUD in fostering development by establishing consistent and reasonable regulations and procedures. The City in particular was described positively, with one

interviewee simply stating that the City was “awesome,” while another stated that “Wenatchee is the best City I’ve ever worked with – much better than King County.” Feedback regarding the PUD was not always as positive: “They will work with you, but definitely have their own agenda and sometimes just lay down the law. They’re much more inflexible than the City.”

- **Education and job force training.** The presence of Wenatchee Valley College, Washington State University’s Learning Center for North Central Washington, Central Washington University’s Wenatchee Center, North Central Technical Skills Center, and SkillSource all contribute to an educated workforce. (A related challenge is keeping this workforce local, as discussed below.)
- **Power and fiber optic networks.** The region continues to benefit from locally-produced and inexpensive power, while the Chelan County PUD is building a public fiber-optic network to connect local businesses and residences to broadband Internet access. While this is common elsewhere in the State, these infrastructure improvements will keep the community current with increasing standards.

## Challenges

- **Transportation access.** Wenatchee lacks an immediate connection to Interstate 90. This fact, compounded by the airport’s current dependency on line-of-site navigation, makes all-year and all-weather access to the City uncertain and expensive. These constraints present challenges for locating high technology, as well as commercial or industrial businesses within the City.
- **Brain drain.** The disparity of wages and opportunities that exist between Wenatchee and Seattle and other parts of the State, leads many of Wenatchee’s best educated citizens to pursue careers elsewhere.
- **Divided public.** Not all members of the Wenatchee community are interested in seeing the City grow. As one interviewee stated, “Wenatchee is divided by those who want change and those who don’t.” There is also a reported suspicion of the community development planning process.
- **Limited market participants.** As is discussed below, the limited nature of the Wenatchee real estate market leads to some market inefficiencies and a reliance on the willingness of individual property owners to sell at reasonable prices. In addition, the small number of individuals active in real estate development in Wenatchee leads to some degree of conservatism in seeing and assessing innovative development opportunities.

## Opportunities

- **Growth.** Wenatchee’s population and overall economy are projected to increase in size over the next 20 years. While Wenatchee is not unique or even unusual in this regard, this growth is a definite opportunity for the region, particularly when growth in specific population segments or sectors can be targeted and planned for. Further discussion of projected growth is found in discussions of the residential, office, and retail sectors below.

- **Planning process.** The public sector agencies responsible for establishing plans and regulations that guide future growth are jointly engaged in planning for the redevelopment of the Waterfront Sub-Area. The community has been invited into this planning process, with a remarkable response. This active consideration of and planning for the City's future is an opportunity to deliberately and effectively shape the City's growth.

## **Challenges and Opportunities Tied to Developing Wenatchee as an Urban Resort**

Wenatchee is favorably located to attract tourists seeking access to active outdoor recreation. The City also functions as the region's urban center. At this point in the City's maturity, its semi-urban nature may actually deter visitors who seek out Lake Chelan, Leavenworth, or other similar destinations instead. As it develops further urban amenities, however, Wenatchee has the potential to become the region's 'urban resort' with a vital downtown shopping and dining district, attractive Waterfront parks, theaters, nightlife, and perhaps additional recreational attractions such as a waterslide. One interviewee described Wenatchee today as a "donut," providing access to hiking, mountain biking, and skiing, but without the ability to absorb tourists downtown. Wenatchee's Waterfront location, its projected growth, and the active planning now underway create an opportunity to develop the City's urban amenities, increase its vitality, and help it become an urban resort with regional draw.

Such evolution might not only benefit Wenatchee's tourist trade, but also its ability to locate high-wage jobs in the community. High technology firms and a knowledge-based workforce are typically attracted to locales with a diversity of leisure options: an array of restaurants and cultural attractions such as artistic performances, museums, and galleries.

### **The Land Price Challenge**

An important feature of the Wenatchee market is the relatively high land prices in comparison with office rents and housing costs. As one developer interviewed stated: "I did multifamily development work in Seattle, but never invested in Wenatchee because land prices are comparable, and development costs are comparable or higher, but rents are only 40-60% [in Wenatchee versus those achievable in Seattle]."

Particularly when examining the Waterfront for development opportunities, the interests of individual land owners become critical, with prices set less by an efficient market process and more by individual assessment of what the land is worth. The Wenatchee market reportedly has a high percentage of "non-converters," or individuals who are not interested in selling their property for development by others. One interviewee related a story in which several would-be developers partnered, with plans to buy existing homes along the Waterfront and build condominiums. The project was halted, he reported, by one land owner, who wanted four times the market value of the land. The ability of an individual to maintain ownership over his or her land is a critical right, and the presence of "non-converters" is found in all markets. Given the small size of the Wenatchee market, this feature of local character has particular import for the prospects for Waterfront redevelopment projects.



As of this writing (July 2003), land prices along the Waterfront are \$5.00 to \$7.00 per square foot for undeveloped land, and as much as \$12.00 to \$13.00 per square foot for development-ready land.

## ASSESSMENT OF DEVELOPMENT OPPORTUNITIES

The following sections review residential, retail, office, and specialized use development opportunities. Existing market conditions are assessed, future market absorption potential is estimated, and implications to Waterfront development are described.

### Residential

#### *Current Conditions*

The 2000 U.S. Census shows that 57.7% of the population in Wenatchee lives in owner-occupied housing, up from 55.1% in 1990. By comparison, 48.4% of the population in Seattle are homeowners. High levels of home ownership are supported by the relatively affordable housing market in Wenatchee, assessed by comparing median household income to median home price, as shown in Table 1. Stakeholder interviews also indicated that home ownership is highly valued by the Wenatchee community.

**Table 1**  
**Comparative View of Median Home Price**  
**And Median Household Income**

	<b>Median Home Price</b>	<b>Median Household Income</b>	<b>Median Home Price as Percent of Median Household Income</b>
Wenatchee	\$133,700	\$34,897	26%
Washington State	\$168,300	\$45,776	27%
Yakima	\$106,200	\$29,475	28%
Spokane	\$97,000	\$41,316	43%

*Source: U.S. Census, 2000*

The Census found an even greater percentage of the Wenatchee population lives in single family detached homes (60.8%). This preference for single family dwellings was supported by information gathered in interviews. One developer interviewed stated that 5,000 square-foot lots (typical urban scale development) remain undeveloped as there is no market for the relatively smaller homes that would be built on such limited parcels: people prefer larger homes, even if the location is less desirable and the larger home is of lower quality.

Development of housing along the Wenatchee Waterfront will likely be key to the Waterfront area's redevelopment, as housing is an important element in the overall redevelopment process. As



housing takes hold, supporting development will follow, including retail and restaurants that feed off the local residential population, but the office market too may benefit from the location of residential neighborhoods within walking distance of places of employment.

**Market Outlook**

Table 2 summarizes several approaches to projecting growth in the Wenatchee housing market (Tables in Exhibit 2 show the calculations for projections based on historical population growth and population projections that feed into Table 2). These projections are based on population projections, from which housing projects are extrapolated based on average household size.

Given characteristics of the Wenatchee Waterfront which make it particularly appropriate for multifamily housing development (more on this below), particular attention is given to the market for multifamily residences in Wenatchee. As stated above, approximately 40% of the current population now lives in multifamily housing. This percentage is applied in Table 2 to project the relative scale of future multifamily development.

**Table 2  
Summary of Wenatchee Population and Housing Projections**

	New Housing Units			New Housing Units Annually	New MF Annually (40% total <sup>1</sup> )	Total New MF Units 2000-2020
	2001-2021	2002-2020	2000-2025			
<b>Historical Population Trend</b>		3,708		185	74	1,483
<b>High OFM/Chelan County Projection for Wenatchee</b>			6,427	257	103	2,057
<b>Low OFM/Chelan County Projection for Wenatchee</b>			4,551	182	73	1,456
<b>City of Wenatchee Urban Growth Area<sup>2</sup></b>	3,740			187	75	1,496

Notes

<sup>1</sup> Based on current ratio of single family to multifamily housing (2000 Census).

<sup>2</sup> Wenatchee Urban Area Comprehensive Plan (2001)

As the Wenatchee population and housing market changes, it is possible that the multifamily market will begin to draw on populations who currently prefer single family detached homes. This could come about through changing demographics, as explored below, as well as changes in housing availability and affordability as the City grows and becomes incrementally more urban. Table 3 represents the effect of changes in this preference for single family or multifamily housing, as well as showing the effect of applying a number of different new residential units anticipated to be constructed annually (derived from the range shown by various projections in Table 2).

**Table 3**  
**Varying Projections of 2002-2022 Multifamily Residential Development**

MF Units Percent of Total	Number of New Residential Units Per Year				
	175	200	225	250	275
40%	1,400	1,600	1,800	2,000	2,200
45%	1,575	1,800	2,025	2,250	2,475
50%	1,750	2,000	2,250	2,500	2,750

*Source: Berk & Associates, 2003*

Two growing market segments were identified in stakeholder interviews as potentially increasing future demand for multifamily dwelling options, shifting demand from single family residences to multifamily housing. These groups encompass young professionals and “empty nesters,” as discussed below.

- **Young professionals.** These are childless individuals or couples, likely first-time home buyers, who desire proximity to services and employment opportunities, and who either can’t afford or don’t want a single family home.

Jobs in Services and Finance, Insurance, and Real Estate are expected to account for approximately 45% of job growth in Chelan County between 2000 and 2010 (this is further discussed in the section devoted to the office market, below). When government positions are included, these three industries account for approximately 67% of the County’s new jobs. Current efforts by the Port of Chelan County and others to increase the region’s attractiveness to high technology firms may well increase the proportion of employment in these sectors.

Workers in these sectors tend to be comparatively well paid, and if efforts to attract a younger technology workforce to the area are successful, this population may be more accustomed to urban conveniences and lifestyle than the City’s current population. These populations are well suited to potential Waterfront multifamily housing described in the Preferred Alternative.

- **Empty nesters.** This population is older, and if they have children, they have already left the family home. Thanks to its warm, dry climate and relatively low cost of living, Wenatchee has long been a destination for retirees. As shown in Table 4, the median age of the Chelan County population has increased from 35.0 in 1990 to 36.8 in 1992, and as shown in Table 5, the population over age 65 is expected to increase substantially in the future: from 13.9% of total population in 2000 to 18% in 2025. This is largely due to the aging baby boom: as seen in both these tables, the statewide average is also increasing. As no comparative increase in the concentration of older age groups in Wenatchee is seen, the aging of the local population base may constitute the majority of this change. While transplanted empty nesters would probably be more attracted to multifamily residences than Wenatchee locals, a portion of this aging local population likely would seek out appropriately constructed multifamily residences along the Waterfront.

**Table 4**  
**Median Age of Wenatchee Population**

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*Source: Office of Financial Management, 2003*

**Table 5**  
**Population Age 65 and Over as a Percent of Total County Population**  
**Intermediate Series: History 2000 and Projections from 2005 to 2025**

	<b>2000</b>	<b>2005</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
Washington	11.2%	11.3%	12.1%	14.0%	16.1%	18.1%
<b>Chelan</b>	<b>13.9%</b>	<b>13.5%</b>	<b>13.6%</b>	<b>14.6%</b>	<b>16.5%</b>	<b>18.1%</b>
Douglas	12.7%	12.5%	13.0%	14.1%	15.9%	17.7%
Spokane	12.4%	11.9%	12.2%	13.7%	15.6%	17.3%
King	10.5%	10.4%	11.1%	13.0%	15.1%	17.0%
Yakima	11.2%	10.9%	10.9%	11.5%	12.3%	13.2%

*Source: Office of Financial Management/Forecasting, February 2002*

***Market Implications to Waterfront Development***

Given the cost of land along the Waterfront area dense accommodations such as apartments, condominiums, or townhomes are the only viable option for residential development, according to our interview results. Given land costs, residential development along the Wenatchee Waterfront requires much denser, possibly stacked development to be financially viable.

The 1,440 residential units envisioned in the Preferred Alternative constitute a very significant share of projected multifamily housing development in Wenatchee (as shown in Table 3), representing between 52% and 103% of development over the next 20 years. In order to work towards this ambitious share of the overall market, effective public sector support will be required to put forth a vision of a vibrant Waterfront community where people want to live, and developers are comfortable making investments.

**Apartments.** All but one of the interviewees gave strong negative responses to the concept of Waterfront apartments. As one interviewee stated, "Condos make more sense than apartments. The rental market is very small and very stable. People move into town and rent for six months or a year and then want to buy." The Wenatchee apartment market is a small, stable market with balanced supply and demand. The market was described as very price sensitive, with apartment developers targeting the lowest cost land in order to provide low-cost apartment rentals.

This qualitative input is corroborated by the market information shown in Table 6, which describes a current market with declining rents (-1.3% growth from March 2002 to March 2003) and increasing vacancies (up from 5.7% in March 2002 to 6.8% in March 2003). The total apartment stock shrank 2.6% from 2000 to 2003.

**Table 6**  
**Chelan and Douglas Counties Apartment Market**

2000 Apartments <sup>1</sup>			3,525
2000-2002 Apartment Construction			58
2003 Rental Apartments			3,434
2000 to 2003 Percentage Change			-2.6%
	March	March	Percentage
	2002	2003	Change
Average rent	\$533	\$526	-1.3%
Vacancy rate	5.7%	6.8%	19.3%

<sup>1</sup>Five plus units

*Source: Washington Center for Real Estate Research, 2003*

One interviewee expressed great interest in high-end apartments, the rents for which would support Waterfront development costs. The target market for such apartments (i.e. relatively wealthy empty nesters) was uniformly described by other respondents as being too small to support large scale development of such units at this time. This conclusion is supported by current demographic and economic data describing the current Wenatchee market, though the market for this product may increase over time.

The apparent short-term infeasibility of a Waterfront rental market may be substantially diminished in the long term. If interest rates increase in the future, home purchasing would become more difficult and demand for apartments may increase. This scenario points towards market interest in Waterfront apartment units over the long term. Over time, as the market matures and Waterfront multifamily residences take hold there may be a role for a rental component in later phases of the Sub-Area Plan's implementation.

**Low density condominiums or townhomes.** Land prices are such that the less dense condominium or townhome models found elsewhere in the Community are not viable in the Waterfront area. For example, Ambercrest condominiums in East Wenatchee, with approximately 8.6 residences per acre, have adopted a detached home feel, which reportedly resonates well with local preferences for detached, single family homes. Ambercrest, however, was developed on land which cost approximately \$0.40 per square foot, in comparison with current costs of \$5.00 to \$7.00 per square foot for unimproved Wenatchee Waterfront land.

**Condominiums.** There has been interest in development of condominiums along the Wenatchee Waterfront among developers and some segments of the population. There is a history of unrealized concepts, and one project (Coldwell Banker's Waterfront Condominiums) has been in advanced planning stages during the research and writing of this report. The latest information received is that this project is on hold, with potential developers assessing the best use for the site. The preliminary condominium concept called for approximately 150 units on a 7-acre site (approximately 21 dwelling units per acre), with units ranging from \$170,000 to \$300,000. This price range reflects the

approximate range required to support current Waterfront land prices. A more modest development, following a “cookie cutter” approach may result in \$140,000 or \$150,000 units, and there is some support for developing higher end units aimed at the \$300,000-\$400,000 range (substantially above Wenatchee’s median home value). The cost of Waterfront land and construction costs for units and parking dictate that condominium development will be relatively dense and that unit prices will be at or above the median home price in Wenatchee (which is \$133,700 according to the 2000 Census).

Given the local preference for single family dwellings and the likely high cost of Waterfront condominiums, interest in these dense multifamily dwellings will likely come from particular submarkets. Interviews with local developers and real estate agents focused on the two markets mentioned above – young professionals and empty nesters – as potential markets for multifamily dwellings along the Waterfront. For both groups, a low-maintenance condominium option located in proximity to downtown and Waterfront parks would likely be attractive. Empty nesters may be willing to sell their existing home and relocate to a Waterfront condominium providing it is large enough to accommodate their accumulated goods and has parking for multiple vehicles. Given this market’s age, attractive complexes would be equipped with elevators, and each unit would be on a single level.

**Vacation condominiums.** Local communities such as Lake Chelan and Crescent Bar are home to successful vacation condominium developments, and this option was explored for the Wenatchee Waterfront. According to our stakeholder interviews, in the short-term such development in Wenatchee is unlikely, given difficulties competing with such nearby “destinations” as Lake Chelan, Crescent Bar, and Leavenworth. If through the redevelopment of the Waterfront subarea and other efforts, Wenatchee comes to offer a variety of restaurants, cultural and nightlife attractions, and a pleasing urban setting near outdoor activity centers, vacation condominiums may become a more viable option.

**Phased development.** Given Wenatchee’s current economic and development climate, the development of multifamily housing described in the Preferred Alternative would target long-term demand, but not likely short-term needs. Development will likely occur in phases. This is evidenced by the Waterfront Condominium project now in early stages of development: while developers ultimately foresee the potential for 150 units on the 7-acre site, plans call for initial development of a single 25-unit building. A developer interviewed over the course of this project stated that speculative development in condominiums did not seem likely, stating that developers would probably adhere to a pre-sales model for the foreseeable future.

## **Retail**

### ***Current Conditions***

Wenatchee is the retail center for a large portion of Central Washington: residents of portions of Chelan, Douglas, Grant and Kittitas Counties come to Wenatchee to shop. Wenatchee is currently served by several forms of retail. Downtown merchants specialize in unique, boutique retail. Larger stores are located away from downtown, in the north and south ends of town. East Wenatchee, across the river and in Douglas County, offers retail shopping opportunities as well. East Wenatchee commercial property competes in some ways with Wenatchee retailers for common customers.

Retail rents reportedly range from \$6.00 to \$12.00 per square foot. While no Citywide statistics are maintained on the retail sector, interviews suggest that the City's overall vacancy rate is currently very high, estimated to be in the range of 15-16%, with an approximate 2% annual absorption rate. According to interviews with commercial real estate developers, there is a small amount of demand currently for additional retail space. According to the stakeholder interviews, much of the existing retail stock is older and of poor quality. This would indicate greater potential for absorption of newly developed, attractive retail space in desirable locations.

Downtown Wenatchee is a unique submarket, and is also home to professional offices, banks, and restaurants. Last year (2002) was reportedly a difficult year for downtown merchants, with the economic downturn eliminating marginal businesses more quickly than might otherwise have been the case. According to the Wenatchee Downtown Association, the vacancy rate for 2002 was 8% (11% in 1998-99; 3% in 2000-01), but the year ended with fewer vacancies, and Downtown vacancies are expected to decline in 2003.

A regional retail demand index called *pull factors* provides a means for understanding the drawing power of retail activity in Wenatchee. A pull factor demonstrates a combination of two important aspects of the community's retail market: (1) whether a community's shoppers spend more than others in their region; and, (2) the degree to which a community's retailers attract shoppers from outside the community.<sup>1</sup>

A pull factor value of 1.0 implies that the amount of retail spending per capita in a community is exactly equal to the overall market average. A value greater than 1.0 suggests that spending in that community is more than the overall market average, indicating either higher levels of spending of local residents or higher levels of non-resident spending. A value less than 1.0 indicates spending is less than the regional average and the area either has less disposable income or fewer shopping opportunities, resulting in a smaller capture rate of local disposable income.

For Wenatchee, the pull factor is just over 2.0 when compared with a four-county regional market. Review of sales data suggests that the pull factors primarily indicate the degree to which local retailers draw shoppers from outside of City limits. One factor supporting this conclusion is the fact that Wenatchee has the greatest concentration of retail activity within the region. In particular, Wenatchee is home to auto sales and other durable goods retailers that draw from a large market area. Income levels and distribution in Wenatchee are very similar to those of the larger region, indicating a relatively uniform distribution of disposable income in the larger regional market. The 2000 U.S. Census reported the median household income in Wenatchee to be \$34,897,<sup>2</sup> while the median household income for the four-county region was \$36,065. Similarly, the lower bound of the upper income quartile of both the Wenatchee and the four-county region was \$60,000. Wenatchee's population

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<sup>1</sup> Analytically, pull factors are based on the amount of retail sales activity within a city compared to that city's population, or *retail sales per capita*. By itself, the amount of retail sales per capita for a community is a rather meaningless number; a comparison to another community or region is necessary to understand its value. A pull factor provides that comparison by describing the ratio of retail sales per capita for a community to retail sales per capita for the larger region including the community.

<sup>2</sup> U.S. Census Bureau, SF3 files. Note that household income as defined here is the 1999 income earned (expressed in 1999 dollars) by households in Wenatchee as of 2000.



(28,270 in 2002) represents 13% of the four-county region (211,900 in 2002); therefore, the greater region is sufficiently large to provide a meaningful comparison.

Submarkets present varying advantages in neighborhoods within Wenatchee and East Wenatchee. Nonetheless, retail development in Wenatchee and East Wenatchee serves both communities. For this reason, to understand the retail market in Wenatchee, it is useful to understand the *combined* drawing power of Wenatchee and East Wenatchee.

In 2002, Wenatchee and East Wenatchee together had a pull factor for all retail sales of 1.6, relative to the four-county region of Chelan, Douglas, Grant and Kittitas Counties. Retail spending in the communities combine to be 1.6 times the regional average, given their combined population and the spending habits of everyone living in this region.

The value of Wenatchee’s pull factor varies by type of retail (Exhibit 3). More people currently come from further away to buy apparel, for example, than they do to dine out. Lower pull factors speak to competition in those sectors located in other communities. Auto dealerships in Chelan, for example, apparently compete more strongly with Wenatchee auto dealers than apparel retailers in Chelan compete with Wenatchee retailers.

**Market Outlook**

The short-term outlook shows very little demand for net new retail space Citywide, as discussed above. Consequently, the outlook for new retail development is that little new development is expected in the short-term. In the longer-term, however, continued population growth will bring with it new opportunities for retailers and developers.

Wenatchee’s regional draw and projected regional growth suggest that additional retail development will occur with time. We can use pull factors to project the amount of retail development that population growth in the area might be expected to support. Several factors other than population growth will affect the amount of retail development, most importantly tourism and seasonal residents. We discuss these implications in more detail below, but population growth serves as an acceptable starting point for discussing long-term development potential.

Table 7 shows the steps involved in projecting new retail development using the pull factor and population growth. Population in Wenatchee and East Wenatchee combined in 2002 was 36,235. As discussed above, the pull factor for the combined cities in 2002 is 1.6. Taxable retail sales (TRS) in the two cities combined in 2002 was just over \$456 million. Compared to TRS for the four-county region of \$1.27 billion in 2002, the two cities combine to capture 36% of the four counties’ taxable retail sales.

**Table 7  
New Retail Development Square Footage Projected Scenario**

2002 Wenatchee and East Wenatchee Population	36,235
Retail Pull Factor	1.6
Wenatchee Trade Capture of Market Area	36%



2002 Four-County Area Population	211,900
2020 Market Area Population	268,275
Population Growth 2002-20	<u>56,375</u>
2002 Per capita Taxable Retail Sales (TRS)	\$5,991
TRS to Gross Sales Adjustment	1.6
2002 Per Capita Retail Spending	<u>\$9,435</u>
Four-County Gain in Retail Spending	\$531,885,410
Wenatchee and East Wenatchee Share	\$191,478,747
Sales per S.F.	<u>\$300</u>
Market Area Net Gain in Retail Space (s.f.)	<u>638,262</u>

*Source: Washington State Office of Financial Management, Washington State Department of Revenue, Urban Land Institute*

The Washington State Office of Financial Management estimated the four-county area population in 2002 to be 211,900 and forecasts 2020 population to be 268,275, a net change of 56,375 people. In the four Counties, taxable retail sales per capita in 2002 was \$5,991. The State Department of Revenue reports that total gross sales are 1.6 times the amount of taxable retail sales in 2002 for retail businesses, therefore, we can estimate 2002 per capita total sales to be \$9,435.

If spending per person remains the same, and expressed in 2002 dollars, then multiplying spending per person by population growth yields a projected increase in retail spending for the four-county region to be nearly \$532 million by 2020, excluding the effects of inflation. If Wenatchee and East Wenatchee's share of retail spending is maintained during this time, then annual retail spending in the local submarkets would be expected to increase by \$191 million by 2020.<sup>3</sup>

The amount of retail sales per square foot of built space varies greatly by location, type of retail and many other factors. The Urban Land Institute (ULI) periodically surveys commercial centers across the country to track this important indicator. The 2002 ULI research in the Western United States shows a median of \$236 per s.f. in 2002 for regional commercial centers and a median of \$217 to \$486 per s.f. for community commercial centers. Over time, changes in Internet sales, catalog sales, transport costs and warehousing capabilities continue to change this measure as well.

An assumption of \$300 for annual retail sales per square foot of built space, as shown in Table 7, would suggest that regional population growth and local spending trends could support an additional 640,000 s.f. (rounded) of retail space in Wenatchee and East Wenatchee combined by 2020.

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<sup>3</sup> Inflation will play a part in all of the numbers presented in this analysis; however our analysis does not include forecasts of inflation. All dollar amounts are expressed in 2002 dollars, unless otherwise noted. Appropriately, the ratios used in comparison to dollars, such as spending and sales per square foot, also are based on 2002 dollars.

The projections based on this framework are more sensitive to some assumptions than others. In particular, varying the amount of annual retail spending per capita and retail sales per square foot of retail space varies the project from 450,000 to 975,000 square feet, as shown in Table 8.

**Table 8**  
**Varying Projections of New Retail Development (s.f.)**

Per Capita Retail Sales	Sales Per Square Foot			
	\$250	\$300	\$350	\$400
<b>\$12,000</b>	974,000	812,000	696,000	609,000
<b>\$11,000</b>	893,000	744,000	638,000	558,000
<b>\$10,000</b>	812,000	677,000	580,000	507,000
<b>\$9,000</b>	731,000	609,000	522,000	457,000

*Source: Berk & Associates, 2003*

The projection of 638,262 s.f. of new retail space serves as a useful baseline projections, though several impacts not captured by these calculations could change this number upwards or downwards. The following market factors, grouped by downward and upward adjusting factors, will have an impact on the amount of built retail space to develop in Wenatchee and East Wenatchee:

***Downward adjusting factors***

- Existing retail space will absorb some of the increased sales, both in terms of existing retail businesses seeing increased sales per s.f. and new businesses locating in currently vacant retail space. Sales per square foot as a metric is a very fluid number. Retail sales fluctuate throughout the year without changes in the number of retail square footage.
- New retail development outside of Wenatchee and East Wenatchee could decrease the area’s share of the four-county retail economy.
- Increased sales via the Internet from providers outside of the region may result in lower sales per capita in retail outlets over time and thus diminish the sales impact of population growth within the region.

***Upward adjusting factors***

- Increased tourism and increases in seasonal residents will increase retail sales in the entire region relative to its permanent population base. If Wenatchee and East Wenatchee maintain their share of the regional market, retail sales would increase relative to population growth.
- Continuation of trends in “experience retail shopping” will increase the amount of development occurring to accommodate the same amount of sales. Sporting goods and outdoor recreation stores in regional centers increasingly offer opportunities to try out equipment inside of their stores.
- Power Center developments can have exponential impacts on drawing retailers to an area, and the Wenatchee area would be a logical location for developers wishing to serve this portion of Central Washington. Consequently, this would result in an increase in the pull factor for Wenatchee and East Wenatchee and increase the amount of built retail space. This

potential was supported by our interviews, during which one developer reported seeing the demand for an additional mall in the Wenatchee area within 20 years.

In addition, more global economic impacts would affect retail development, such as trends in employment, income and spending patterns. Local and regional industries such as agriculture will affect retail spending and development, as well.

### ***Implications for Waterfront Development***

The projections discussed above present the total amount of retail space plausible for development within the larger Wenatchee market area, including Wenatchee and East Wenatchee. Those projections provide a useful frame of reference for planning for the Waterfront study area. As discussed in the introduction of this report, much of the evidence used in this research served as inputs to the development of the Preferred Alternative.

The Preferred Alternative describes 96,000 s.f. of new retail development, representing approximately 15% of the baseline projection scenario of new retail space in Wenatchee and East Wenatchee combined. Active public support would likely be necessary in order to locate this relatively significant share of overall retail growth along the Waterfront. As noted above, the scenario for Wenatchee and East Wenatchee will vary based on several changes in the economy.

Our interviews suggest that Wenatchee's Waterfront is not appropriate for either big box or chain retail. Land is too expensive for big box development, which in any case, is not in keeping with the vision established through the Wenatchee Waterfront Sub-Area Plan. Poor access, poor visibility, expensive land, constrained parking, and more stringent design and landscaping standards make it unlikely that chain retailers would pioneer retail development along the Waterfront, particularly given that Wenatchee's retail vitality is centered in its malls and power center.

Short-term opportunities for Waterfront retail are of two varieties:

- **Convenience retail:** shops that support local businesses and residences, offering everyday items to individuals who frequent the area or pass through on the way to the Waterfront parks.
- **Boutique retail:** local shops that take advantage of the unique Waterfront location. Such shops would likely be in direct competition with downtown merchants. It is questionable whether such options could support new development costs.

The application of our projections to Waterfront development does not specifically account for development costs unique to the study area. The findings in our interviews suggest that current rents would not be sufficient to support development costs along the Waterfront. Feasibility of all development along all the Waterfront will require detailed market studies of the specific usages, including the specific building configurations, building costs, prospective tenants and market niches met by each land use and development type.

For planning purposes our analysis suggests that the level of retail development modeled in the Preferred Alternative would amount to 10% to 21% of the retail development projected for

Wenatchee and East Wenatchee combined. Though many uncertainties will affect feasibility, such a relatively low proportion of local retail growth, combined with Waterfront amenities, suggest a market will exist in the long run to support the retail portion of the Preferred Alternative, particularly with active support by public sector agencies.

## **Office**

### ***Current Conditions***

Our interviews with local stakeholders suggest that the Wenatchee office market has an overall vacancy rate of 20-22%, with an annual absorption rate of roughly 3%. This high vacancy reflects a difficult economic time, and interviewees were uniformly optimistic about future prospects, particularly for Class A space. Class B space reportedly constitutes the bulk of current vacant space.

While there is apparent excess capacity in today's market, it is important to examine the quality of existing stock compared to market demand. Much of the existing office space is 30 or 40 years old. Newer space built five to seven years ago is aging. The older space is undesirable for a number of reasons: much is downtown, on second or third stories and includes little off-street parking. The stock has outdated décor and generally lacks the communications infrastructure necessary for firms to easily connect to high speed Internet access.

The rates for average office space range from \$12.00 to \$15.00 per square foot, while buildings with newer construction and a prime location can rent from \$18.00 per square foot (tenants responsible for utilities, janitorial services, internal maintenance, while building owner maintains building exterior and pays property taxes) to \$22.00 (full service) per square foot. These higher end rents are found in newer buildings located on the Waterfront.

### ***Market Outlook***

The scale of future demand for new office space in Wenatchee is estimated by examining job growth projections. These figures are not meant to represent absolute predictions of future development, but indicate the potential scale of development which may be absorbed by the local economy. Table 9 highlights projected growth of the Services and Finance, Insurance, and Real Estate industries for Chelan and Douglas Counties.<sup>4</sup>

Table 10 extrapolates projected growth in demand for office space in Wenatchee and East Wenatchee based on this bi-county job growth. Projected job growth is combined with an estimate of square

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<sup>4</sup> FIRE and Services jobs are considered an adequate proxy for office-based jobs. Although certain jobs contained in the Services category may not be office-based, this compensates for office jobs in industries other than FIRE and Services which are not included in this count. Jobs in the Services sector include hotels; legal services; business services (i.e., temporary employment agencies, security services, computer support services, etc.); amusement and recreation services (i.e., golf courses, country clubs, travel agencies, ski centers, etc.); health services (i.e., private hospitals, doctors and dentists' offices, medical clinics, nursing homes, etc.); and private social services (i.e. assisted living and daycare centers).

footage required per employee to approximate the scale of future demand for new office space in the Wenatchee and East Wenatchee markets.

### ***Implications for Waterfront Development***

Given the above conditions in existing office space, future demand is predicted to be for Class A stock. This corresponds well with the character of Waterfront office development modeled in the Preferred Alternative, and Waterfront land prices which will best support development by Class A stock. Waterfront office space will therefore likely cater to Class A users, with full amenities, easy parking, and a location close to Waterfront parks and downtown. Commensurately high rents should support Waterfront development costs.

As established firms shift to new office space along the Waterfront, this will open up existing Class A space, which is cheaper and less desirable for new ventures. This is a natural progression within a market, and the development of new Waterfront offices will provide needed options to facilitate a healthy office market.

**Table 9**  
**Projected Job Growth for Chelan and Douglas Counties**

	<b>2000</b>	<b>2005</b>	<b>2010</b>	<b>Change (2000-10)</b>	<b>Percent of New Jobs</b>	<b>FIRE + Services</b>
Food & Kindred	450	450	450	0	0%	
Lumber & Wood Products	280	280	280	0	0%	
Primary Metals	870	750	720	-150	NA	
Other Manufacturing	1,310	1,290	1,360	50	1%	
Construction and Mining	2,180	2,240	2,390	210	4%	
Transportation and Public Utilities	1,470	1,510	1,610	140	3%	
Wholesale	2,550	2,600	2,800	250	5%	
Retail	8,460	8,870	9,440	980	20%	
Finance, Insurance, and Real Estate Services	1,390 8,930	1,480 9,900	1,590 10,970	200 2,040	4% 41%	Total 45%
Government	8,300	8,740	9,400	1,100	22%	
<b>Total</b>	<b>36,190</b>	<b>38,110</b>	<b>41,010</b>	<b>4,820</b>	<b>100%</b>	

Source: Berk & Associates, 2003

**Table 10**  
**Estimated Demand for New Office Space in Wenatchee and East Wenatchee**

2000-2010 FIRE and Services job growth in Chelan and Douglas Counties <sup>1</sup>	2,240
Wenatchee and East Wenatchee Share <sup>2</sup>	53%
FIRE and Services job growth in Wenatchee and E. Wenatchee (2000-2010)	1,183
FIRE and Services job growth in Wenatchee and E. Wenatchee (2010-2020)	1,183
FIRE and Services job growth in Wenatchee and E. Wenatchee (2000-2020)	2,366
Square feet per job <sup>3</sup>	300
Square feet occupied	709,796
Vacancy rate	5.0%
Expected development (square feet)	<b>747,154</b>

<sup>1</sup> Chelan and Douglas County Profile, State Employment Security, September 2002

<sup>2</sup> Based on share of taxable retail sales in FIRE and Services industries.

<sup>3</sup> Includes common space such as hallways, closets, entry ways, elevators, etc.

Source: Berk & Associates, 2003

According to the baseline scenario analyzed in Table 10, the 155,000 square feet of office space described in the Preferred Alternative represents approximately 21% of the projected growth in Wenatchee and East Wenatchee together. This is a relatively ambitious share of the market and will require continued effort to facilitate this targeted level of development.

**Phased development.** Wenatchee's most recently constructed office buildings were not built speculatively but were constructed for owner-occupiers as anchor tenants. Additional space within the building was typically leased to other tenants before construction began. This conservative model is likely to continue given current economic and development climates. While absorption potential for office space in the future is as described above, it should be noted that this development will likely occur through the incremental additions of owner-occupied or pre-leased buildings. It is doubtful that large-scale speculative office development will occur in the near future. In the short-term, new buildings would also be expected to be in the 5,000 to 10,000 square foot range, as has been the recent pattern.

## **Specialized Uses**

### ***Restaurant***

According to stakeholder interviews, Wenatchee is reportedly very well served in the fast food and casual markets. Anecdotal evidence points to unmet demand for both higher end and mid-level dining. Mid-level options – quality food in a family-oriented environment – were frequently described as most appropriate for the Waterfront area. In order to draw park-goers, who might not be interested in a sit-down meal, a restaurant equipped with retail-oriented coffee, ice cream, or gelato would be recommended.

**Relationship with Downtown.** The proposed restaurant location described in the Preferred Alternative will be a direct extension of Wenatchee's central business district, particularly if an easy pedestrian access can be established between Downtown and the Orondo Waterfront node. Development of a restaurant on this site would likely complement, not compete with Downtown, adding greater diversity and vitality to the Central Business District. The Downtown area is now described as extremely quiet after working hours, with few open establishments other than bars. A Waterfront restaurant at the foot of Orondo may go some ways to increasing the nighttime energy of this area, encouraging shop owners to maintain later hours and possibly spurring additional development, including second and third floor residences which will likely remain undeveloped as long as Downtown lacks full services and restaurants to attract residents.

### ***Hotel***

Approximately 1,100 rooms, spread between Wenatchee and East Wenatchee, serve the Wenatchee market. East Wenatchee features three lower-cost motels, while Wenatchee has a mix of several full-service hotels and many utilitarian, limited-service establishments. Within recent years, the City has lost two full-service hotels, which were replaced by limited-service offerings.

Lodging tax collection by the City increased by 6% between 2001 and 2002, while 2001 receipts were down slightly over 2000. While Citywide occupancy statistics are not available, current



occupancy rates are estimated to be in the “low to mid 60s.” A rule of thumb in the hotel industry is that new development is warranted when occupancy is in the 65%-75% range.

Wenatchee’s leisure market is its least healthy hotel submarket. The City’s hotels serve as overflow for Leavenworth and Lake Chelan establishments, and as the number of rooms in Leavenworth increases, Wenatchee’s market suffers.

The Wenatchee hotel market enjoys a strong mix of corporate and group travelers. Within the group market, Wenatchee benefits from both sports-related travelers and conference attendees. Opportunities are particularly strong in the conference market and point to the feasibility of a Waterfront hotel catering to convention attendees and business and leisure travelers. The Wenatchee Convention Center can accommodate up to 800 people at a time. According to the Convention and Visitor’s Bureau staff, while the facility may be frequently booked, it is often underutilized, with groups of 200-300.

A key challenge to selling the space to larger groups is that there are only 147 rooms directly attached to the Center in the Westcoast Wenatchee Center Hotel. This requires conference organizers to contract rooms at five or six hotels in town, creating additional work for organizers, as well as parking and transportation difficulties. Wenatchee competes directly with Yakima in the convention market, and is at a disadvantage in this regard, as Yakima features three large hotels of equal caliber within walking distance of the Yakima Convention Center. Additional hotel space that is conveniently located and caters to this market would likely increase Wenatchee’s convention business and have positive effects throughout the local economy.

Similarly, staff of the Wenatchee Valley Sports Council report that while the City is currently able to host regional tournaments, due to a lack of venues and hotel accommodations, the City cannot now take advantage of its central location to become a center for statewide tournaments. A Waterfront, sports-oriented hotel within walking distance of Walla Walla Park would address a portion of this problem, allowing the City to better take advantage of this market. Sporting groups generally seek more affordable accommodations than those desired by convention attendees. Such a hotel, likely developed on a later timeframe than a convention-supporting facility, would therefore likely follow a more limited-service model facility.

### ***Commercial Recreation: Sportsplex or Waterpark***

Wenatchee’s outdoor recreation offerings are a key strength which has been built upon in developing a strong sports-oriented identity for the City. Preliminary discussions of both an indoor sportsplex and a waterpark would build upon this identity.

**Wenatchee Valley Sportsplex.** The Wenatchee Valley Sportsplex has been offering indoor soccer and baseball in a leased facility in Cashmere for approximately two years. The facility is open for six months of the year, from mid-October to mid-April. The venture has been successful enough to encourage management to consider developing and owning a facility on a more centrally-located site in Wenatchee or East Wenatchee. A number of sites have been investigated on both sides of the river. The most ambitious preliminary concept is a 100-acre complex including a hotel and waterpark, which would provide year-round activity on the site, in addition to a new indoors sports facility.

Although such a large-scale complex would not be possible on the Waterfront given limited land availability, a smaller version, consisting perhaps of an indoor sports facility alone, may be possible.

**Waterpark.** Lake Chelan features a full waterpark with multiple slides and attractions, while Ephrata, Moses Lake and Quincy offer smaller slides at public or community pools. While a comprehensive market study has not been conducted, these facilities are reportedly well supported by the local communities, and particularly in the case of Lake Chelan, may serve to attract out-of-town visitors to the community, including Wenatchee residents seeking entertainment on a hot day.

**Additional study.** Both the waterpark and the sportsplex deserve additional study to determine what level of public support would justify investing in these private sector efforts. While the indoor sportsplex is currently being actively pursued by the private sector, and these backers may request public support, given the lack of known private sector players pursuing the waterpark concept, this option would require some initial investment by the public sector to determine the feasibility of such a venture. The following questions would be of greatest interest in a feasibility assessment:

- Will the local market support a waterpark?
- Will Waterfront land prices support the development of a waterpark?
- Is there sufficient available land (10-30 acres including parking) for such development?

A quick assessment of whether Waterfront land prices would support the development of a waterpark is not encouraging. As shown in Table 11, varying land prices in the Wenatchee area result in greatly disparate proportions of land acquisition costs to total development costs. As a waterpark would itself be a primary draw, not relying on other nearby attractions to bring people to the site, it is questionable whether a waterpark developer would pay a substantially higher amount for Waterfront land when cheaper sites are available in the area.

In addition to private sector interest in developing either a sportsplex or waterpark, the public sector partners involved in the Wenatchee Waterfront Sub-Area Plan face the question of whether their vision for the Waterfront includes such a use as an indoor sportsplex or a waterpark, and whether or not the public sector should contribute to its development:

- Is this the best long-term use for Waterfront land?
- Would such a use support or hinder other development envisioned in the Plan?
- Should the public sector contribute towards development of the waterpark? The current softball facilities are publicly developed and funded and act as a significant draw for tourism. A public investment in a waterpark, perhaps all or partly on existing park land would serve a similar function and enhance Wenatchee's ability to attract tourists. It would also likely be supportive of the current draw for sports-related visitors. A waterpark could be a significant summer tourism attraction and help improve the prospects for competing with Lake Chelan and other local options.

**Table 11**  
**Waterpark Land Acquisition Costs**  
**As Percentage of Total Development Costs**

\$3,082,615 Estimated development costs not including land acquisition and preparation.  
 for a medium sized water park on 7 acres<sup>1</sup>

\$1.00	\$5.00	\$7.00	Land cost per square foot
\$304,920	\$1,524,600	\$2,134,440	Land acquisition cost
9%	33%	41%	Land acquisition cost as percent of total costs <sup>2</sup>

<sup>1</sup> Features include a lazy river, three main water slides off the central complex, a speed slide complex offering two slides and a children's play area.

<sup>2</sup> Not including land preparation costs, if any

*Source: "Exploring the Opportunity of Starting a Waterpark," conducted by the Economic Development Administration University Center, Washington State University, May 2003; Berk & Associates, 2003*

## CONCLUSIONS

The analysis contained in this report indicates that the level and type of development modeled in the Preferred Alternative is consistent with the high end of future growth projections over a long-term time range of perhaps 20 or more years. Development envisioned for certain submarkets is ambitious and will require the emergence of particular demographic and market trends, and active public sector champions to forward a compelling vision and plan for the Waterfront's redevelopment.

- Residential.** The 1,440 residential units modeled in the Preferred Alternative is an ambitious aim given projected multifamily development, but demographic changes and market evolution point to greater future demand for the relatively dense condominiums necessary to support current Waterfront land prices. Market preference for this housing type may increase with time. Vacation condominiums and high-end apartments may be additional options as the multifamily market matures.
- Retail.** The Preferred Alternative envisions 96,000 square feet of new festival retail development, representing 10% to 21% of retail space our analysis shows is likely to occur over the next 20 years in Wenatchee and East Wenatchee. Public sector participation would likely be required to direct this relatively significant share of overall market growth to the Wenatchee Waterfront.
- Office.** Demand for new office space over the short term is foreseen to be for Class A space. The Preferred Alternative describes for 155,000 square feet of office space spread between the south and central portions of the Waterfront, which we estimate to be 21% of projected growth in Wenatchee and East Wenatchee over the coming 20 years. Similar to recent

development in this sector, new investment is likely to occur incrementally, with owner-occupiers serving as anchor tenants.

- **Restaurant.** Conditions appear favorable for a restaurant located on the Waterfront at the foot of Orondo as described in the Preferred Alternative.
- **Hotel.** Potential exists for development of two Waterfront hotel concepts over the long term, one catering to conference attendees and the other to tournament goers.
- **Commercial recreation.** Opportunities for an indoor sports complex and a waterpark are worth pursuing given the potential for building on Wenatchee's already-established identity as a recreation center.

## Exhibit 1 Stakeholder Interviews

The following stakeholders were interviewed during the course of this study.

Dan Barr, Center Investments	Evan Landen, Quincy Condominiums
Kandy Beecham, Visconti's Italian Restaurant	Hank Lewis, Safari Development
Al Beidler, Sage Real Estate Services, Inc.	Tony McMillan, Caldwell Banker, Lake Chelan
Jay Bollinger, Bollinger Construction	Kurt Morris, Morris Insurance, Quincy
Stu Cusick, Cusick Construction	Al Neace, President, Greater Wenatchee Area Technology Alliance (GWATA)
Lisa Day, Lisa Day Real Estate	Peter Nolen, Peter Nolan Properties
John Eberle, Development Partners, LLC	Jon Port
Donn Etherington	Pat Scofield, Caldwell Banker
Mary Flood, Windermere Real Estate, Lake Chelan	Brad Selland, Columbia Distributing
David Freimuth, Freimuth Group Architects	Nancy Smith, Wenatchee Valley Sports Council
Steve Gear, Westcoast Wenatchee Center Hotel	Marty Sterlin, Wenatchee Low Income Housing Authority
Dave Gellatly, Mann & Gellatly	Howard Syria, Century 21 Exclusively
Lee Hering, Hering and Associates	Bill Terhaar, Goodfellow Bros., Inc.
Don Huber, Huber Real Estate	Jill Wood, Director, Wenatchee Valley Convention Center and Visitor's Bureau
Cindy Huffer, Coldwell Banker	Steve Wood, Century Pacific Real Estate
Dennis Johnson, Mayor	
Steve Kelley, Windermere Real Estate	

## Exhibit 2 Population and Housing Projection Using Historical Population Trends

POPULATION	Census	Intercensal	Census	Estimate	Estimate	Projected	Projected	Calculations	
	1990	1995	2000	2001	2002	2003	2022		
Wenatchee	21,829	25,068	27,856	27,930	28,270	28,628	36,363	36,363 2022 population	
Annual Growth		950	291	74	340	358	455	2.53 Average household size	
Annual Percent Growth		3.8%	1.0%	0.3%	1.2%	1.3%	1.3%	14,373 Housing units - occupied	
<i>Average percent growth: 1998-2002</i>							<i>1.3%</i>		6.5% Vacancy rate (2000 Census)
								15,372 Housing units - total	
								11,664 2002 existing housing units	
								3,708 New housing units	
								<b>185 New housing units annually</b>	

Source: Berk & Associates, 2003

## Population and Housing Projection Using Office of Financial Management Population Projections

	Population			Housing				
	Apr-00	2025		Household Size	Occupied Units		New Units	New Units Per Year
	Census	Estimate <sup>1</sup>	Growth		2000	2025		
<b>Greater Wenatchee Area</b>								
Based on high OFM estimate	32,368	49,313	16,945	2.64	12,276	18,703	6,427	257
Conservative estimate <sup>2</sup>	32,368	44,368	12,000	2.64	12,276	16,827	4,551	182

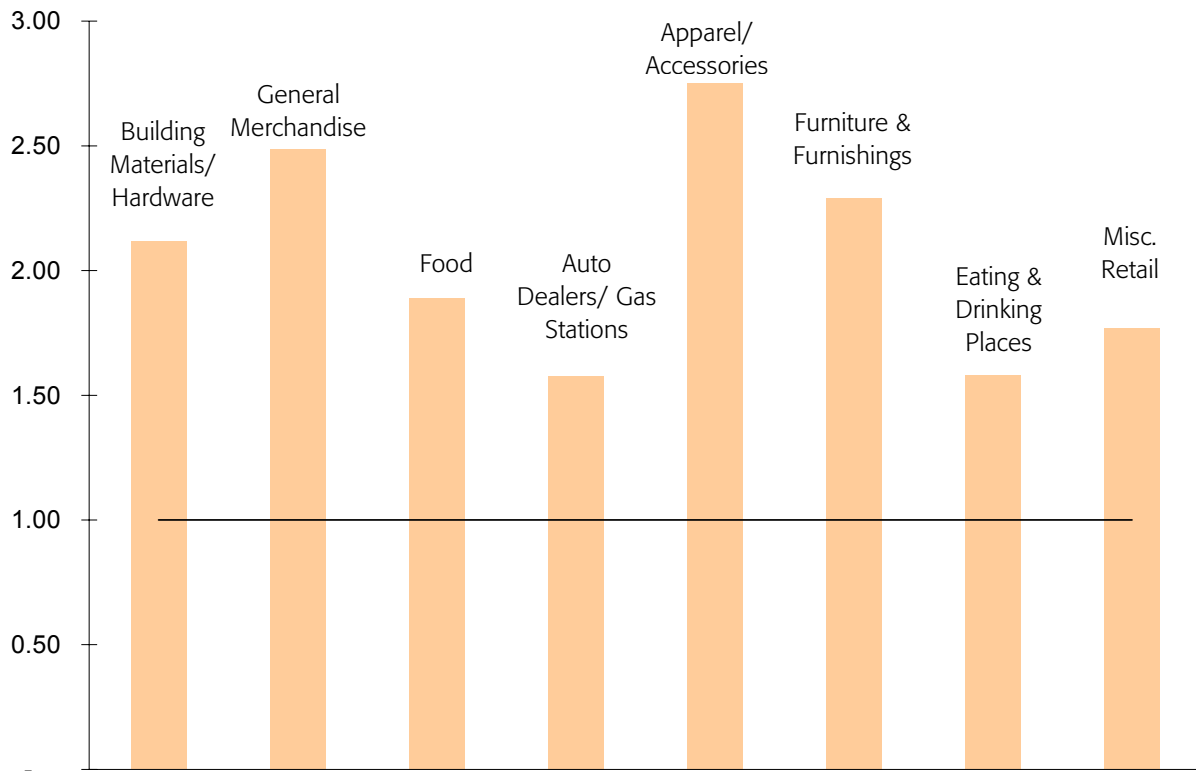
Greater Wenatchee Area includes Wenatchee City, Sunny Slope CDP, and South Wenatchee CDP.  
CDP refers to a Census Designated Place.

<sup>1</sup>Chelan County, 2003

<sup>2</sup>Based on OFM low estimate with some modification

Source: Berk & Associates, 2003

**Exhibit 3**  
**Wenatchee and East Wenatchee Pull Factors for Retail Categories, 2002**



Source: Washington State Department of Revenue, Washington State Office of Financial Management