

# Vacancy & Vibrancy:

Examining Occupancy Trends and Potential Strategies to Address Vacancies in Downtown Bellingham



City of Bellingham  
Department of Planning & Community Development

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## I. Introduction

The City of Bellingham Planning and Community Development Department initiated this project in September 2025 – as part of the Mayor’s Downtown Forward initiative – to better understand and address commercial vacancies. The study involved calculating the overall ground floor vacancy rate, comparing that rate against industry standards, and exploring the underlying causes for vacancies within the context of broader market trends and area-specific impacts. Data was gathered through a variety of sources including field observation, interviews with commercial brokers and stakeholders, as well as reputable case studies. The report ends by offering a variety of potential strategies aimed at addressing chronic vacancies, as well as recommendations for community-led efforts to improve the overall strength and vibrancy of downtown Bellingham.

## II. Why are Vacancies a Problem?

To effectively address why vacancies are a problem, we must delve into the multi-layered impacts they have on us individually, as well as our community.

First, there's a clear financial consequence. At the most basic level, vacant properties result in lost income for property owners who still need to cover expenses for utilities, graffiti abatement, cleaning and security. More broadly, the loss of business activity results in a lack of sales tax revenue and overall community investment.

Next, we must consider the physical impacts. Vacancies lead to visual blight and create unappealing gaps in sidewalk activity. This results in less engagement and monitoring of public and semi-public spaces, which can further deteriorate the area's vibrancy.

Finally, there are perceptual issues. Vacancies can signal uncertainty and lost potential. They can imply a lack of confidence in investing and undermine civic pride. These perceptions can

be just as damaging as the financial and physical impacts. By understanding these layers, we can better grasp the urgency of addressing vacancies overall.

### III. Methodology

This study was conducted over the course of six months and involved case-study research, field observation, and stakeholder interviews. We started by reviewing articles and studies focused on survey methods, commercial real estate trends, vacancy rate standards, and regulatory strategies.

The project then moved into a detailed data collection phase to identify all ground-floor vacancies within the study area. Whatcom County Assessor parcel data was used to document current uses and ground-floor square footage for each property. We then validated our findings by conducting a comprehensive field survey of the project area.

Once completed, we compared our field study results with commercial listings and interviewed brokers, downtown management staff and consultants. These conversations helped verify the status of vacancies and offered a deeper understanding of property owner dynamics, market trends, and regulatory challenges. Interview responses were then cataloged in the Stakeholder Insights Survey, attached.

In the final phase, we focused our attention on data analysis and were compelled to identify lower-density properties – such as banks, vacant lots, surface parking and automotive repair sites – to further understand impacts on vibrancy. These efforts helped reveal key findings and additional strategies to address properties that may not be vacant but contribute to perceptions of inactivity.

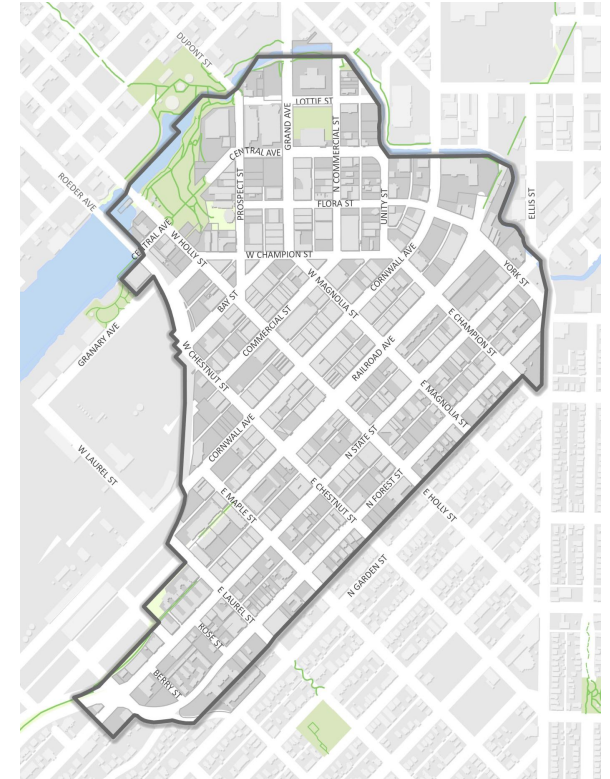
## IV. Project Area

This project focuses on the 61 blocks within Bellingham’s Main Street boundary.<sup>1</sup> The project area encompasses approximately 204 acres and roughly 2 million square feet of ground floor commercial space. This is a significantly large downtown for a city of nearly 100,000 residents<sup>2</sup>—offering both challenges and opportunities for development and revitalization.

## V. Findings

Based on our field survey, conducted in October 2025, there is approximately 193,239 square feet of vacant ground floor space. The total amount of ground floor space<sup>3</sup> within the project area is 1,935,582 square feet, which translates to a **vacancy rate of roughly 9.98% (~10%)**

After further review of the data, we identified three categories of vacancies.



Project Area Map

<sup>1</sup> It is worth mentioning that the gateway to downtown, at Lakeway/Holly/Ellis Streets, is not included in this study, however this intersection has four vacancies within its five corners, which undeniably impacts the perception of vibrancy downtown.

<sup>2</sup> By comparison, Downtown Pasadena (population 136,000) is 22 blocks. Downtown Everett (population 112,000) is 12 city blocks.

<sup>3</sup> Total Ground Floor Space in this context refers to all land use types, including office, residential, mixed use, etc.

- **Market-ready** – These spaces are relatively small (less than 6,000 SF), are generally equipped for new tenants, and are likely to return to active use in a relatively short amount of time. It is worth noting that *market-ready* as defined in this report does not reflect the quality or condition of these spaces, but their size, availability, and relative time on the market.



1411 Railroad Avenue

- **Large Footprints** – As the name suggests, these are significantly large spaces (over 10,000 SF) that have yet to be re-purposed or occupied. These spaces may require substantial investment and time to transform into productive assets.<sup>4</sup> These large vacancies can be daunting, but also present opportunities for transformative redevelopment.



1400 Cornwall Avenue

- **Stalled Assets** – These properties, for various reasons<sup>5</sup>, have not advanced toward development or occupancy, with records indicating vacancies exceeding five years and no apparent sale or lease activity.<sup>6</sup> These can be the most challenging but also offer the potential for creative solutions and partnerships to overcome existing hurdles.



102 West Champion Street

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<sup>4</sup> The current retail market favors smaller floorplates, often requiring larger spaces to be subdivided or to undergo customized tenant improvements.

<sup>5</sup> In general, we found that these properties were stalled due to ownership dynamics, environmental conditions, or commercial condominium arrangements.

<sup>6</sup> One property within our data set fell within the Large Footprint and Stalled Asset categories.

The table below offers a comparison of each vacancy type as a share of the overall ground floor vacancy rate. It is our intention that by summarizing these figures and highlighting their geographic distribution we can prioritize efforts that will bring about the most meaningful impact in the community.

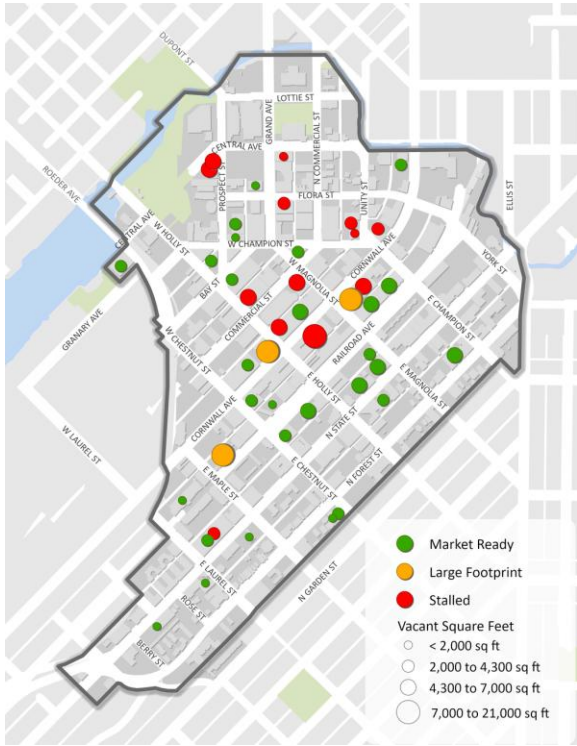
Vacancy Category	SF Vacant	% Vacant in Downtown	% Share of the Overall Vacancy Rate
Market Ready	85,726	4.43%	44%
Large Footprint	35,805	1.85%	19%
Stalled Asset	71,708	3.70%	37%
<b>Total</b>	<b>193,239</b>	<b>9.98%</b>	<b>100%</b>

Note: Total Ground Floor Square Footage within the Study Area = 1,935,582

### VI. Downtown Bellingham in Context

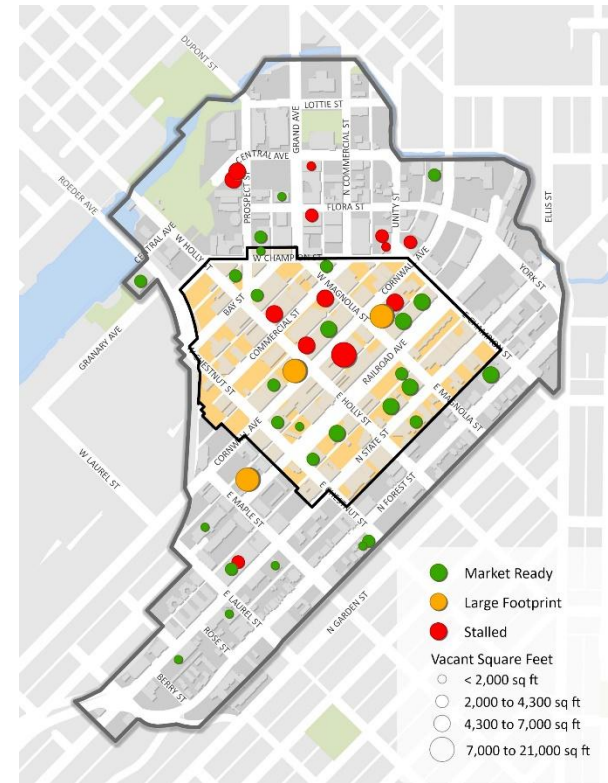
Over the past decade, real estate groups and downtown management organizations throughout the country have focused heavily on the topic of downtown vacancies.<sup>7</sup> Their research offers numerous case studies and recommendations; however, the size, market dynamics, demographics, municipal budget and regulatory powers of each city require their own unique response. In the context of broader industry standards, **5 – 10% is considered a healthy and balanced vacancy rate for a downtown.**

<sup>7</sup> The following are research papers and presentations published by major trade organizations just in the last year. “Demand Shortfalls and the Floorplate Mismatch: What’s Happening with Downtown Retail,” by Urban Land Institute, 2024; “Beyond the Pop-up Addressing Persistent Storefront Vacancy,” by the International Downtown Association, 2025; “Main Spotlight: Understanding Vacancy and What You Can Do About It,” by Main Street America, 2025; “From Vacant to Vibrant: Transforming Empty Downtown Storefronts,” by Municipal Research and Services Center, 2025.



When vacancy rates rise above 11%, it could be a red flag pointing towards weaker demand, high rents, or even an economic downturn. It's important to note that what is deemed "healthy" can vary significantly based on several factors like the condition of the buildings, local demand, and the purchasing power of the customers in the area.

While Downtown Bellingham's 10% vacancy rate currently falls within the "healthy" range, there are concerns about the concentration of vacancies in the downtown pedestrian core. When looking more closely at the retail focus area<sup>8</sup> and required ground-floor commercial zone (defined in the Urban Village Design Guidelines), the vacancy rate rises to 14%.



	SF	% Vacancy in Ped Core
Market Ready (16 parcels)	58,548	6.7%
Large Footprint (2 parcels)	24,518	2.8%
Stalled Asset (5 parcels)	43,914	5.1%
	<b>126,980</b>	<b>14.6%</b>

Total ground floor square footage in pedestrian core = 867,558

<sup>8</sup> Defined in the City's 2018 Downtown Retail Strategy report

## VII. Factors Influencing Vibrancy

While we are primarily focused on vacancies, there are other factors influencing the vibrancy of downtown. These are worth exploring as they too offer points of intervention and opportunity. We list these factors below and offer two examples where these conditions intensify vacancies in key parts of downtown.

- **Pending Transactions** – These spaces appear inactive to the passerby but are under construction or undergoing some level of repositioning.
- **Under-occupied Spaces** – This is familiar condition downtown, where some businesses occupy large spaces but have very few – if any – employees or storefront presence.
- **Banks** – There are 13 banks downtown. Almost all are located on corners, have window coverings, surface parking lots, and offer very little sidewalk appeal or activity.
- **Surface Parking Lots** – There are 13 acres of surface parking lots downtown. While these properties serve the customer and employee population and provide future opportunities for redevelopment, they currently detract from the pedestrian experience.
- **Vacant Lots** – The most visible signs of blight are vacant lots. Thankfully, this is not a common condition downtown, however there are eleven parcels (some of which are contiguous) that fall within this category.
- **Low Density Lots** – Similar to surface parking lots, low-density lots may be potential opportunities for redevelopment. These include former auto-body repair sites that may require environmental remediation, or other properties where the building footprint is small compared to the overall size of the property.

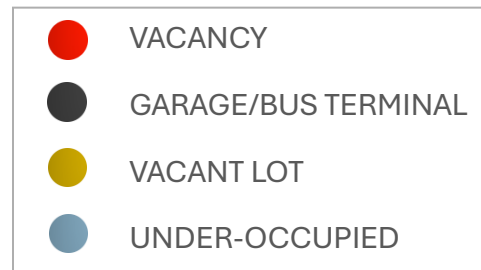
Let us focus on two geographic areas that illustrate the compounding effect of these underutilized assets that surround vacant properties.

### **Case Study 1: Magnolia and Commercial**

Situated in the northeast section of the downtown core, this area has multiple factors contributing to a lack of vitality, including a two-story commercial building that has struggled to maintain active ground floor tenants. What further complicates this property is its commercial condominium ownership and aging facade.



Looking south and east from this property, one can see the vacant Rite Aid store, Vienna Cleaners, and Hohl's site, as well as the dated bus terminal on Railroad Avenue. To the west, the building is flanked by the five-story city-owned parking garage, and a recently listed 22,000 square foot office building that is largely unoccupied across the street.





While there is a good foundation to work with, Cornwall currently lacks the vibrancy that we wish to see downtown. There are numerous mid-size and large-scale vacancies, and the street is book-ended by surface parking lots to the west and the vacant Basecamp property to the east. There are also four banks that occupy high-visibility corners at Holly and Magnolia Streets. It is worth noting that redevelopment of just a few larger-scale properties (the former sites of Basecamp, JC Penney, and Rite Aid) may radically shift the health and vitality of this corridor.

## VIII. Broader Market Trends

### *For the Consumer*

Over the last 30 years – and particularly following the 2020 pandemic – there has been a noticeable shift in behavior as more consumers turn to online shopping and seek experiences as opposed to products. Additionally, there's a move towards making more deliberate purchasing decisions, which many are calling the “choiceful” buyer.<sup>9</sup>

### *For Business Owners*

Tenants are facing higher costs in several areas, including labor, construction, and inventory, leading business owners to select smaller tenant spaces. According to several brokers we interviewed, this trend is further compounded as the need for on-site storage is minimized by rapid distribution centers.

### *Impacts on Downtowns*

While less common in Bellingham, many large cities have fewer people working in offices five days a week – reducing daytime foot traffic. Unfortunately, this shift can lead to more retail vacancies and greater visibility of nuisance behaviors. Moreover, we often see an oversupply of large, inflexible spaces as tenants seek smaller footprints to better align with their current needs.

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<sup>9</sup> <https://www.nytimes.com/2026/01/18/business/no-ones-buying-maybe-consumers-are-just-choiceful-executives-say.html>

## IX. Local Trends

Downtown Bellingham has adapted to many structural changes in the economy over the years, however there are several unique trends that currently set our downtown area apart. According to the interviews we conducted with stakeholders and commercial brokers, there are five notable trends influencing the tenant mix and occupancies downtown. (Please refer to the Stakeholder Insights Survey attached for a complete summary of responses.)

1. **Tenant-favored Market** – After peak trading in 2022, tenants are now seeing greater availability and more negotiable lease rates. Tenants are requesting improvements prior to signing a lease, forcing property owners to invest in their assets and/or negotiate more favorable lease terms.
2. **Tenant Owners** – There were two noteworthy purchases in 2025: Greenhouse Home and Backcountry Essentials. Both businesses occupied prominent storefronts on Holly Street, and their owners chose to purchase buildings nearby. According to brokers, these decisions were driven by long-term investment interests and the need for more adaptable space. This aligns with a wider shift in which businesses continue to reinvest downtown but increasingly favor ownership over leasing.
3. **Tolerance for More Uses** – Healthcare, fitness and childcare are among the less traditional uses that brokers are now considering – especially for properties with large floorplates.
4. **Consistent Office Demand** – While our study did not capture the upper-story office vacancy rate, brokers consistently affirmed that there is steady demand for small offices. This is an area of strength for downtown and may be further explored as a strategy to enliven ground-floor space in some areas.

- 5. **Small Business Economy** – Many retailers in downtown are small independently-owned businesses that have fewer than five employees. This, again, is an area of strength, which offers a key advantage in downtown’s desirable and irreplicable tenant mix.

## X. Signs of Vibrancy

A practical approach to reducing vacancies is to amplify existing strengths. With this in mind, there are three examples where focused interventions could enhance vibrancy. The first is the area surrounding the recently purchased Flatiron Building on Bay Street. The arrival of PLACE headquarters has signaled confidence in investing downtown and has delivered an influx of employees who patronize surrounding businesses.

Second are two recently expanded commercial blocks: along Grand Avenue and the eastern end of State Street. The newly opened Pickford on Grand naturally reinforces nearby restaurants and serves to keep customers downtown for a longer period. Similarly, Backcountry Essentials relocated next to Vital Gym and Yoga, enhancing the cluster of outdoor recreation businesses on the eastern end of downtown.

A third area of strength are the local business owners that exhibit great skill in merchandising and facade activation. Examples include Ideal, A New Leaf Flower Shoppe, and Fixco and others who have paid careful attention to creating attractive, clean and interesting storefronts. These owners can serve as a source of inspiration and education for existing and new businesses interested in locating downtown.



Grand Pickford, Redlight, Storia Cucina, & Grand Avenue Ale House



A New Leaf Florist Shoppe

## XI. Strategies Implemented to Date

As we consider potential strategies, it is helpful to revisit the policies, programs, and investments that have been implemented to support economic activity, development, and vibrancy downtown. These include:

### *Policies and Incentives*

- **Multi-Family Tax Exemption (MFTE):** The City of Bellingham offers a Multi-Family Tax Exemption that provides developers an 8-year property tax exemption on the residential improvements of new multifamily housing projects in designated urban villages. The incentive is intended to encourage construction of additional housing—particularly in areas with existing infrastructure such as downtown and other targeted growth areas.
- **Opportunity Zones:** Portions of downtown, the waterfront, and the Samish Way Urban Village in Bellingham are designated federal Opportunity Zones, allowing investors to receive favorable federal tax treatment when they reinvest capital gains into projects located within those areas. The program is designed to stimulate long-term private investment and economic development in targeted communities.
- **Business & Occupation (B&O) Tax Reduction – Downtown:** The City of Bellingham offers a Business & Occupation (B&O) tax reduction for certain businesses locating or expanding in the downtown district. The program is intended to encourage business activity, job creation, and increased economic vitality in the downtown by lowering the local tax burden during the early years of operation.
- **System Development Charge (SDC) Reduction (no longer available):** The City of Bellingham previously offered a reduction in System Development Charges (costs associated with buying into the City’s water and sewer system) to help offset

infrastructure costs for new development. The program was discontinued because the incentive did not appear to motivate development interest and it was a costly incentive - requiring the city to backfill the reduced revenue with General Fund dollars, which is no longer financially viable.

***Activation and Beautification Grant program*** – This program, established Spring 2024, is funded primarily through lodging tax revenue. It has supported a series of events, artwork, storefront activations, and other interventions with the goal of creating a welcoming, beautiful and interesting environment for tourists and other visitors.

***Downtown Retail Strategy*** – This 2018 study, prepared by Downtown Works, identified current conditions and strategies to increase downtown’s appeal as a place for shopping and dining.

***Investments in Cleaning, Landscaping and Beautification*** – The City has dedicated over half a million dollars per year in contracted services, including street, sidewalk and alley cleaning; landscaping and graffiti removal; as well as dedicated bike patrols through the Bellingham Police Department. In addition to these services, the City invests in various amenities, such as public restrooms, banners, and seasonal lighting to support a clean and welcoming environment downtown.

## XII. Potential Strategies

Looking at industry-led research, there is a range of potential strategies – from advocacy and incentives to more compliance-driven measures – to address vacancies. The City can coordinate and invest in these efforts; however, in some cases a community led organization—such as the Downtown Bellingham Partnership—may be better positioned to lead. The table below summarizes the potential strategies, the actions required, and examples of cities (primarily within Washington State) that have implemented them.

Strategy	Actions	Examples
<p style="text-align: center;"><b>Invest in Business Development &amp; Marketing</b></p>	<ul style="list-style-type: none"> <li>• Develop marketing materials and an outreach campaign that shapes the narrative of downtown recovery and resilience</li> <li>• Host broker round tables and tours</li> <li>• Include Placer foot traffic data, recent investment activity and articulate a desired tenant mix</li> </ul>	<p>Downtown Everett, Anacortes, Wenatchee</p>
<p style="text-align: center;"><b>Strengthen Property Owner Relationships</b></p>	<ul style="list-style-type: none"> <li>• Host an education forum where property owners can learn about market trends , resources, and share information peer-to-peer</li> <li>• Invite property owners to share their experience and success stories</li> </ul>	<p>Downtown Seattle, Pioneer Square</p>

<p><b>Share Goals &amp; Coordinate Investments</b></p>	<ul style="list-style-type: none"> <li>• Evaluate how public improvements and design of the public realm can influence the retail and development environment</li> <li>• Launch a temporary retail activation program in city-owned properties</li> <li>• Establish a revolving loan fund with a downtown bank that can lend to small businesses (e.g. Downtown Milwaukee)</li> </ul>	<p>Downtown Denver (16<sup>th</sup> Street Revitalization Project)</p>
<p><b>Offer Business &amp; Land Use Incentives</b></p>	<ul style="list-style-type: none"> <li>• Focus incentives in the Pedestrian Core by offering additional business tax incentives along the pedestrian-oriented streets or smaller high-impact area</li> <li>• Identify parking resources and potentially offer discounted rates for employee parking</li> <li>• Advocate for environmental remediation funds and purse grants that may be available district-wide, as this is a key impediment to the transfer and/or development of property</li> </ul>	

<p><b>Establish a Vacant Building Registry</b></p>	<ul style="list-style-type: none"> <li>• Conduct a yearly survey to provide a touchpoint between the city and private property owners</li> <li>• Base survey criteria on existing standards for maintenance, upkeep and window clearances</li> </ul>	<p>Bremerton, Medical Lake</p>
<p><b>Apply a Vacancy Tax</b></p>	<ul style="list-style-type: none"> <li>• A tax can be implemented as a percentage of assessed value or as a flat rate. It is important to note that there are constitutional limits that restrict variable tax rates in the State of Washington<sup>10</sup> making this politically and administratively complex. Other challenges include tracking, enforcement, handling appeals, and identifying a clear definition of vacancy</li> </ul>	<p>Oakland, CA; Washington DC</p>

<sup>10</sup> <https://app.leg.wa.gov/wac/default.aspx?cite=458-07-010>

### XIII. Next Steps

So far we have examined commercial vacancies in downtown Bellingham by analyzing ground floor vacancy rates, comparing them to industry benchmarks, identifying contributing market and location specific factors, and outlining potential strategies. Going forward, City staff will establish criteria to evaluate these strategies – such as the area of impact (e.g. the downtown core), efficiency, efficacy and resource availability – and prioritize a course of action. A preliminary draft – referred to as the Downtown Vacancy Implementation Strategy – is attached. Ultimately, we know that addressing commercial vacancies presents an opportunity to strengthen downtown’s economic health, enhance the public realm, and reinforce community confidence. Active and occupied spaces generate revenue, improve sidewalk vitality and public safety through increased activity, and signal investment and optimism. Realizing this vision will ultimately depend on continued partnership with the private sector—not only through investment in physical spaces, but in the businesses, ideas, and experiences that bring those spaces to life and sustain a vibrant downtown.

## XIV. Appendix

- A. Project Team
- B. Stakeholder Interview List
- C. Stakeholder Insights Survey
- D. Bibliography
- E. Downtown Vacancy Implementation Strategy

## A. Project Team

### Project Management

- Tara Sundin – Supervisor
- Sarah MacPherson Besley – Lead Researcher & Analyst
- Darby Galligan – Project Advisor & Support

### Supporting Team

- Kate Newell – GIS Analyst/Data Support
- Forrest Longman – Advisor & Mayor's Representative

## B. Stakeholder Interview List

### Brokers

- Jim Bjerke, Pacific Continental Realty
- Tracy Carpenter, Gage Commercial Real Estate
- Amia Froese, Saratoga Commercial Real Estate
- Ryan Martin, Pacific Continental Realty
- KC Koonc, Pacific Continental Realty
- Greg Martineau, Gage Commercial Real Estate

### Stakeholders & Consultants

- Will Heidel, RE Community Partners
- Hayden Richardson, Whatcom Transportation Authority
- Ali Taysi, AVT Consulting
- Jennifer Walters, Daylight Properties

### Downtown Managers

- Jordan Hay, Downtown Anacortes Alliance
- Scott Hume, Downtown Everett Association
- Lindsey Payne Johnstone, Downtown Bellingham Partnership
- Rich Sarian, LA Southpark District

## C. Stakeholder Insights Survey

### Market Trends

- Presently we're in a tenant-oriented market and seeing more interest from owner/tenant purchasers, who are more specific about their needs and location. Long-standing property owners, who wish to adapt to the current market, must be flexible and actively invest in their buildings to attract tenants. This shift largely occurred after 2022 when there was peak trading of commercial properties downtown.
- Brokers are encouraging owners to consider a broader range of uses for their properties --- away from traditional retail to healthcare, fitness, dental, and childcare.
- Listings now commonly provide a variety of available footprints to accommodate a mix of size, configurations and potential uses.
- There is robust demand for office space downtown (more so than retail). Development of office space could be a potential opportunity as there are employers looking to move from larger cities.
- The quarterly vacancy rates released by Ryan Martin, from Pacific Continental Real Estate, and featured in the Cascadia News, are calculated using a similar methodology to the Whatcom County Real Estate Report, last published in 2015. Readers should note that there is some level of self-selection in this research, as owners who are unwilling to lease or might stymie a transaction are eliminated from the data pool.
- Co-Star data is inaccurate because it relies on brokers to upload their listings. SCBA data is more up to date. (Recommend cancelling subscription.)
- Apart from REI and a few others, a vast majority of retailers in Bellingham (not just downtown) are small entrepreneurs and offices with one to five employees.

### Building Configurations

- Smaller floorplates are preferred in this market, in part, due to labor costs. Small business owners want to start small and experiment with a concept.
- Most retail tenants aren't seeking large floorplates because storage space (e.g. file cabinets) and rapid distribution have minimized the need for storing inventory on site.
- There are some examples of buildings downtown where a smaller tenant occupies the first 20-30 feet within a building and another business utilizes the back for storage and warehousing. Lease rates consequently vary. This might be a beneficial model to help occupy historic buildings with large floor depths.

### Property & Business Owner Dynamics

- Two highly-visible buildings that are subdivided into commercial condominiums have fallen in disrepair – 118 W. Holly Street and 117 W. Magnolia. In both circumstances the associations are either underfunded and there's a lack of agreement amongst the owners.
- Two property owners were universally described as “difficult,” “challenging,” and “unworkable.”

- Property owners who own multiple buildings shift tenants from smaller spaces to larger ones or vice versa. This flexibility allows greater retention of small local businesses.
- Many longstanding property owners believe they shouldn't have to invest in their properties when there's turnover. This mindset is largely born out of earning steady financial gains over prior decades when the retail market was more robust or feeling "a burden of inheritance" or apathy when a property is handed down generationally.
- Absentee property owners who are retirees and live outside of Bellingham often lack understanding of what their contribution or impact is on the community.
- There is a sense of frustration amongst owners that tenants and businesses received Covid relief funds when they too experienced financial hardship, in the form of unpaid rent and other impacts.
- One broker recommended running a comparison of properties that are self-managed versus those that are professionally managed. Professional managers are more likely to pursue preventative maintenance; have a finger on the pulse of potential tenants; and respond to issues quickly. Owners may benefit from knowing that the tenant bears the cost of professional management and there's no upfront cost for listing a space when there's a triple-net lease.

#### Regulatory Hurdles

- Modifying historic building to meet newer regulations is expensive, particularly if there is a change of use – examples were sprinkler installation and adding housing units. (?)
- The usable open space requirement often leads to a lack of activation on the ground floor. This survey respondent recommended widening the types of allowable uses and perhaps making it flexible over time.
- There are likely more (possibly many) contaminated sites downtown than those identified by the State's Department of Ecology because properties haven't transferred ownership.

#### Social and Community Impacts

- Base Camp and Covid had a significant impact on tenants and property owners. In the instance of Base Camp, there was a small group (around 15%) who took advantage of clients seeking services and brought many problematic behaviors into the neighborhood. There was a sense of "lawlessness and no consequence for unruly behaviors."
- There is a widely held perception that homeless individuals and those suffering from mental illness are not a threat to safety, but there a smaller group of more aggressive individuals that prey on those more vulnerable and contribute to customers feeling less safe.
- During Covid, property owners and tenants had to invest heavily in security measures and other improvements, which ultimately lead to "downtown fatigue" and a desire for tenants to move to other parts of Bellingham.

- Efforts that have improved conditions downtown: newly opened public restrooms; issuance of property trespass orders; reinstatement of bike police; and the reopening and expansion of the Lighthouse Mission.
- The arrival of the new PLACE headquarters has signaled a newfound confidence in investing downtown, in addition to providing an influx of employees who patronize local businesses and parking lots.
- There's a perception that moving downtown is more costly and burdensome. (E.g. Owner of a hair salon asked their elderly clients to call in advance of arrival so they could escort them from the car.)
- Property owners are waiting for signals and may not be aware of redevelopment efforts, such as the WTA or county properties on the eastern edge of downtown. Awareness of these efforts can instill greater confidence and spur investment.
- One broker felt the city is 100% responsible for vacancies downtown. Reasons for this include: the bike lanes on Holly which inhibit customers from patronizing restaurants during the lunch hour; and the lack of enforcement during Covid. "Mayor Lund has instituted changes (e.g. bike patrol) that have improved conditions, but there should be more."

#### Specific Properties/Unique Conditions

- Rite Aid -- Development plans for this property fell through as a result of financing. The owners needed a partner, while maintaining ownership of the land. Rite Aid is no longer paying rent for the property; however, all racks remain inside the building and are expensive to remove – further delaying a potential transaction.
- 102 W. Champion (Griggs property) – The property has environmental complications – involving underground tanks and a chemical plume that has seeped into the adjacent PROW. The owner is willing to sell, but the offer must be all cash. In addition, the purchaser must sue the original business responsible for the contamination, which could take upwards of 15 years. In the interim, the owner has expressed interest in demolishing the building and utilizing the property for parking.
- Base Camp – The property was acquired by WTA in October 2025. Once financing is secured, WTA will contract with a private developer for a long-term lease. Uses must meet a threshold for "public benefit." Development isn't expected for a minimum of 5 years. In the meantime, WTA is looking at partnering with a local organization to activate the building and surface parking lot.
- Old Skagit Bank Property (1501 Cornwall) – This property has been vacant for more than five years and is allegedly being reclaimed by the bank. It's unclear how this would impact the condition or oversight of the property.
- 201 Grand Avenue – This property has a music rehearsal space in the basement that is impacting the owner's ability to lease the ground floor.

#### Strategies & Recommendations

- Special valuation for tax credits and façade improvements .
- Indemnification for property owners for environmental conditions or potential conditions in PROW. E.g. Small green building at 102 Champion. This is a barrier that impacts both the transfer of property and a property owner's ability to gain financing.

- More temporary permits for interim uses, such as food trucks on vacant or underutilized lots.
- Coordination and incentives for employee parking. (Proximity of the parking is also critical due to safety concerns.)
- An economic development effort that includes:
  - A market study aimed at identifying the right tenant mix and well as available incentives – e.g. potential childcare subsidies could spur investment, especially for buildings with larger footprints.
  - Professional retail and business recruitment aimed at “Pitching Bellingham” to regional, national and Canadian businesses and employers.
  - A greater understanding of Bellingham’s relationship to Canada – including dollar shift, politics and tourism.
  - A campaign aimed at long-standing residents who have apathy towards accommodating new businesses in Bellingham -- identifying benefits to the local economy and the community at large.
  - Fostering relationships between property owners who can share information on tenanting strategies, market trends and resources (such as vendors and contractors).

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## EXHIBIT E: Downtown Vacancy Implementation Strategy (April 7, 2026)

The following implementation framework organizes a comprehensive set of strategies designed to improve downtown vitality by advancing three core objectives: Occupancy (O), Perceptions (P), and Investment (I). Each strategy was evaluated using a consistent set of criteria, including its contribution to these objectives, relevance to the Pedestrian Core area, and feasibility in terms of cost and complexity. This approach ensures that recommended actions are not only impactful, but also realistic and aligned with near-term implementation capacity. Collectively, these strategies address both immediate activation needs and longer-term structural barriers to filling downtown vacancies.

### A. Criteria

#### 1. Impact on Objectives

*To what extent does the strategy advance the City's Vacancy Strategy objectives? OPI means strategy hits on all three.*

- Contributes meaningfully to one or more objectives:
  - Increase or retains Occupancy (O)
  - Improve Perceptions – (P)
    - Physical appearance
    - Enhance general street-level activity
    - Investments indicate commitment or movement towards filling the space
  - Increase Private Sector Investment (I)
    - New residential or office buildings = additional nearby customers
    - Redevelop large or stalled assets = reduce vacancy
    - Major renovation leads to increased tenancy

#### 2. Pedestrian Core Area Relevance

*Does the strategy directly address ground-floor vacancies within the defined downtown Pedestrian core area?*

- Prioritizes the highest-impact geographic area

#### 3. Feasibility and Resource Alignment

*Do we have the capacity and resources to successfully implement the strategy?*

- Can be executed with existing staff capacity or partner capacity
- Requires no General Fund and/or minimal investment
- Has a clear and realistic implementation pathway
- \$=staff time, \$\$ lots of staff time or < \$100k/yr, \$\$\$ staff time, plus <300k/yr, \$\$\$\$ staff time, plus \$1M+

## B. Full Slate of Potential Strategies

Category	Strategy	Description	Contribution to Objectives	Pedestrian Core Relevance	Feasibility
<b>Continue Existing Strategies</b>	Multi-Family Tax Exemption	Property tax exemption for multi-family housing to increase downtown density and support retail	O, P, I	Medium	\$\$
	Window Wraps (Core Priority)	Temporary coverings on vacant storefronts to improve visual appeal	P	High	\$
	Opportunity Zones	Federal tax incentives to attract redevelopment investment	I	Medium	\$
	B&O Tax Reduction	Reduced business taxes to attract tenants to vacant spaces	O, I	Medium–High	\$\$
	Cleaning & Beautification	Litter removal, graffiti cleanup, and maintenance	P	High	\$\$
	DT Activation Grants	Grants for pop-ups, events, and temporary uses	O, P	High	\$\$
	Special Valuation Tax Reduction	Tax relief for redevelopment of underutilized buildings	O, P, I	Medium	\$\$
	Pre-Leasing Program	Free inspection and analysis by the City’s building services, planning and/or fire department staff to assess building condition and readiness	O, I	High	\$
<b>Business Owner Focused</b>	B&O Tax Reduction (Core Enhanced)	Expanded tax incentives specifically in the Pedestrian Core focus areas	O, I	High	\$\$
	Employee Parking Coordination	System for sharing parking capacity and solutions	O	High	\$–\$\$
	Downtown Business Bootcamp	Training and resources for potential new start-ups on business planning, financing, leasing and operations	O	Medium	\$
	Expedited Permitting	Faster approvals for tenant improvements, could focus specifically within Pedestrian Core area	O, I	High	\$\$
<b>Business Owner – Partner Led</b>	Window/Merchandising Toolkit	Best practices for storefront presentation, ranging from cleaning/lighting/painting, window activations, to pop-ups and short term uses	P	High	\$
	Storefront Improvement Grant	Funding for façade and interior upgrades	O, P, I	High	\$\$–\$\$\$
	Hours Coordination	Align and/or expand business hours to increase activity	P, O	High	\$

<b>Property Owner Focused</b>	Vacant Space Registry	Track and inspect vacant spaces	O, P	High	\$\$
	Vacancy Tax Advocacy	Encourage legislation for taxing unused properties	O, I	Medium	\$
	Large Space Conversion Team	Help subdivide large vacant spaces	O, P, I	High	\$\$-\$\$\$
	Brownfield Cleanup	Clean contaminated sites for redevelopment	O, P, I	Medium	\$\$\$
	Developer Tours / Media	Market stalled or underutilized properties	I	High	\$
	Code Enforcement (Storage)	Prevent storefronts from being used as storage	O, P	High	\$\$
	Incentive Promotion	Increase awareness of existing incentives	I, O	High	\$
	Business Advocate (with DBP)	Dedicated support and recruitment role for businesses/property owners	O, P, I	High	\$\$
	External Plans Review	Third-party support for complex projects which includes transitioning large commercial spaces to smaller spaces or for different uses. City does not require payment for both external plan reviews and City permit. (REWORD)	I, O	Medium-High	\$\$
<b>Property Owner – Partner Led</b>	Owner/Broker Networking	Connect stakeholders to accelerate leasing	O, I	High	\$
	Business Advocate (with DBP)	Dedicated support and recruitment role for businesses/property owners	O, P, I	High	\$\$
	Encourage Property Sales	Promote sale of long-term vacant properties	I, O	High	\$
	Incentive Promotion (Partner)	Expand outreach via partners	I	High	\$
	Update Retail Strategy	Refresh strategy based on current conditions	I, O	Medium	\$\$
<b>Developer / Economic Dev</b>	Evaluate Ground Floor Commercial Use Requirement	Examine retail strategy and pedestrian oriented streets boundary and adjust zoning requirements to match demand	O, I	High	\$\$
	Property Prospectus	Curated list of available properties (fall under biz advocate)	I, O	High	\$
	Public-Private Partnerships	Strategic acquisitions and redevelopment	O, P, I	High	\$\$\$
	Pavement to Parking Incentive	Adopt and promote state redevelopment incentives to convert vacant parking lots	I	Medium	\$
<b>Econ Dev / Partner Led</b>	BID Start-up	Establish Business Improvement District	O, P, I	High	\$\$-\$\$\$
	Business Advocate (with DBP)	Dedicated support and recruitment role for businesses/property owners	O, P, I	High	\$\$

### 3. Priority Strategies – 2026 & 2027

While the full set of strategies provides a comprehensive toolkit, not all actions can or should be implemented at once and some strategies should be implemented by others, for example by the Downtown Bellingham Partnership (DBP). The priority strategies identified through this evaluation represent those with the strongest combination of high impact and near-term feasibility, making them critical to early momentum. These actions function as the foundation of the implementation approach, delivering visible improvements, reducing key barriers, and strengthening market conditions in the Pedestrian Core area.

Do

The priority strategies establish a sequenced approach and in some cases, will require additional work prior to launch.

	Strategy	Why Prioritized	Role in Strategy
2026	Continue Existing Strategies	The City has already implemented many effective redevelopment incentives and businesses improvement actions.	Don't lose ground - maintains momentum and ensures continued impact of proven tools
	Incentive Promotion (City + DBP)	Low-cost, high-impact; increases use of existing tools	Multiplies investment and occupancy outcomes
	Vacancy Tax Advocacy	Encourage legislation for taxing unused properties	Helps motivate owners of chronic vacancies to sell or lease.
	Property Owner / Broker Networking	Reduces leasing friction with minimal cost; strong upside	Improves deal flow and closes information gaps
	B&O Tax Reduction (Pedestrian Core-Focused)	Direct financial incentive with strong occupancy and investment impact	Helps businesses choose downtown locations
	External Plans Review Large Footprint Conversions	Pay third-party for external review to assist property owners convert large footprints	Reduces barriers to reduce retail footprints to meet demand
	Evaluate Ground Floor Requirement	Adjust zoning requirements to match demand	Helps fill up existing vacancies by not creating more supply than needed
	Expedited Permitting (Ped Core)	Removes major barriers; high impact on business openings	System-level improvement that accelerates occupancy
	Downtown Connections Plan	The City is initiating this planning work to coordination transportation plan and investments with land use and urban design goals	Use investments to support the land use goals

<b>2027</b>	Window Wraps – Core Emphasis	Highly visible, low-cost, and quick to implement; immediate improvement to perceptions	Quick win that signals momentum and reduces vacancy impacts
	Downtown Activation Grants	Proven to create activity and test tenants; strong occupancy and perception impact	Bridge between temporary use and permanent tenants
	Large Space Conversion Team	Addresses hardest-to-fill vacancies; high impact	Unlocks large or challenging vacant spaces
	Business Advocate (Replace Retail Advocate + DBP)	Directly advances Occupancy, Perceptions, and Investment (OPI) at moderate cost; connects permitting, leasing, and incentives	Central implementation driver that improves effectiveness of multiple strategies
	Prospectus of Available Properties	Simple, tangible recruitment and marketing tool prepared by Business Advocate	Foundational tool for attracting tenants and investment
<b>Partner</b>			
	Work with the Downtown Bellingham Partnership (DBP) and others to prioritize appropriate implementation of strategies.		

This implementation strategy is designed to be both practical and adaptive, balancing immediate action with long-term transformation. By aligning strategies to clear objectives—Occupancy, Perceptions, and Investment—and prioritizing those with the greatest near-term impact, the City and its partners can build momentum while addressing underlying market challenges. Success will depend not only on individual actions, but on coordinated execution, ongoing evaluation, and the ability to adjust strategies as conditions evolve.

At its core, however, the long-term success of this effort depends on the continued investment and participation of property owners and business owners. Public-sector tools, incentives, and programs can reduce barriers and create favorable conditions, but they cannot substitute for private decision-making. Property owners ultimately determine how spaces are managed, improved, and brought to market, while business owners bring the activity, services, and energy that define downtown experience. As such, this strategy is fundamentally about aligning public actions to catalyze and support private investment.

With a focused, collaborative, and phased approach—grounded in strong partnerships with the private sector—these efforts can collectively reposition downtown as a more active, attractive, and economically resilient district.