

ADDENDUM TO
CITY OF SEATTLE
ANALYSIS AND DECISION OF THE DIRECTOR
OF THE DEPARTMENT OF PLANNING AND DEVELOPMENT

Project Proposal: The adoption of an ordinance to establish locational restrictions on the production, processing, or dispensing of cannabis and to make a minor modification to existing allowances for agricultural uses in certain industrial areas.

Project Sponsor: City of Seattle Department of Planning and Development (DPD)

Location of Proposal: The proposal is a non-project action, applicable to multiple parcels in a variety of zones throughout the City.

SUMMARY OF PROPOSED ACTION

The proposal is a non-project action, applicable City-wide, that would create a new Section 23.42.058 and amend Sections 23.50.012, 23.84A.012, 23.84A.018, and 23.84A.025 of the Seattle Municipal Code to establish locational restrictions on the production, processing, selling, or delivery of marijuana, to modify the definition of food processing, and to modify existing allowances for agricultural uses in certain industrial areas.

PURPOSE

This document is an addendum to the original SEPA determination and provides additional information and analysis on amendments made or proposed by the City Council in the course of their consideration. The original environmental document provides analysis of a proposed Council Bill. A substitute bill was introduced, which changed the title and certain of the use provisions and development standards in the original bill.

The additional information and analysis in this addendum does not substantially change the analysis of impacts in the existing environmental document.

BACKGROUND

On September 10, 2012, DPD issued a determination of non-significance for legislation to establish locational restrictions on the production, processing, or dispensing of cannabis and to make a minor modification to existing allowances for agricultural uses in certain industrial areas. Council introduced this legislation as Council Bill 117744 on March 25, 2013. A substitute bill was later introduced on May 13, 2013 as Council Bill 117781. This substitute bill was passed out of the Housing, Human Services, Health, and Culture Committee on May 22, 2013 and is now before Full Council for consideration.

Since the original determination the following changes have been made or are proposed:

1. The maximum size limit for indoor agricultural operations in IB, IC, and IG2 zones in manufacturing and industrial centers has been raised from 10,000 sq ft to 50,000 sq ft;
2. Indoor agricultural operations in IG1 zones in manufacturing and industrial centers would be prohibited;
3. An exception was added for currently operating dispensaries in Pioneer Square to allow them to continue operating after the regulations;
4. Minor changes to the definition of food processing were made; and
5. Councilmembers are considering adding the Stadium Transition Area Overlay District to the list of areas subject to limitations on the amount of marijuana, marijuana-infused products, or useable marijuana under subsection 23.42.058.A.

Of these changes, only item 1 regarding an increase in the allowed size of indoor agricultural operations warranted new analysis. Items 2 and 5 represent additional limitations on production, processing, or dispensing of cannabis that are not likely to result in new impacts since they further limit these activities in areas that are considered sensitive. Item 3 allows the continuation of an existing activity that is not likely to result in new impacts. Item 4 is a clarification of existing policy.

ANALYSIS - SEPA

Increasing the allowed size of indoor agricultural operations in IB, IC, and IG2 zones in manufacturing and industrial centers to as much as 50,000 sq ft could result in more and larger indoor agricultural operations locating in the manufacturing and industrial centers in general, where it is easier to find available space for rent or where business owners feel it would allow for increased economic efficiency due to larger sizes. Overall, this change is not likely to significantly increase the amount of agricultural operations in Washington with respect to growing of marijuana as there is a limited amount of demand for products.

Indoor agricultural operations are already allowed in Manufacturing and Industrial Centers with no size restrictions provided they can qualify as vertical farming. However, it is possible this change could result in additional indoor agricultural uses in industrial areas where they could not qualify as vertical agriculture.

The existing environmental document discussed the potential impacts that might occur if more indoor agricultural uses were added in industrial areas. These included:

- Minor indirect discharges could occur due to discharge of used pesticides and fertilizers
- Minor indirect impacts could occur if indoor agricultural uses displace existing industrial uses

Additionally, the document found that minor indirect adverse impacts could occur where limitations on agricultural use in industrial areas push marijuana-related activities to other lots in or near environmentally sensitive areas. These impacts, however, would not tend to be increased by larger indoor operations.

Except for the production of marijuana, it is not likely that other agricultural products will be grown in manufacturing and industrial centers given the high cost of land and buildings and the high electrical costs associated with indoor production. However, the recent legalization of marijuana under state law could result in new demand for space for growing of marijuana.

The Washington State Liquor Control Board estimates that about 1 to 2 million sq. ft. (about 23 to 46 acres) of growing area will be necessary state-wide to support estimated marijuana consumption. According to the 2009 Seattle Industrial Land Report, the Manufacturing and Industrial Areas contained approximately 4,980 acres of land and 1,340 acres of buildings. Estimating the portion of this demand that will choose to locate in Seattle Manufacturing and Industrial Centers is difficult given that there are few precedents in other parts of the nation or world. Below are a variety of factors that could affect the size of the demand for indoor agricultural operations in Manufacturing and Industrial Centers.

Factors suggesting large demand for growing area

- Seattle has a progressive political climate which means that it is likely to contain a greater portion of landlords, financiers, workers, and consumers who will participate in and support this type of business
- It is likely that many adjacent jurisdictions are likely to ban or limit growing operations
- Industrial land in Seattle is cheaper than commercial land in Seattle
- Many of the existing businesses with expertise in growing marijuana are already located in Seattle
- The state's limitation on growing within 1,000 sq ft of a variety of uses (such as schools) will tend to push marijuana growing operations to industrial areas where fewer of these uses exist

Factors suggesting small demand for growing area

- Initial estimates suggest that it will be cheaper to grow on the warmer and sunnier east side of Washington State and ship it to Seattle than to grow it here
- Industrial land in Seattle is much more expensive per square foot than other areas in the region and the state
- The new building stock outside Seattle may contain better spaces for large production
- The state's limitation on growing within 1,000 sq ft of a variety of uses will tend to push marijuana growing operations to low-density areas where fewer of these uses exist

Overall, these factors suggest that, at least in the short term, a number of businesses will choose to grow marijuana in Seattle's Manufacturing and Industrial Centers. At the same time, industry stakeholders have suggested that approximately 10-20 businesses are already growing marijuana in these areas, although it is not possible to verify this information given that these businesses tend to avoid actions that would identify themselves. It is likely that existing business will fill some of the estimated capacity, but that additional or expanded businesses will be necessary to meet the additional demand for local production caused by change in state law.

Increasing the size limit to 50,000 sq. ft. for indoor agriculture operations is likely to increase the total amount of growing that occurs within Seattle. Specifically, this change would tend to increase the total square footage used for indoor agricultural operations where it:

- Makes it easier to find usable space (a major issue for marijuana growers is finding landlords who are willing to rent space; consequently, allowing them to rent larger spaces might expand the overall pool of landowners that they can rent from)
- Allows businesses to expand in place rather than move as they grow
- Allows businesses to use a space that is more cost-effective due to economies of scale

Informal discussions with the Washington State Liquor Control Board staff suggest that studies in other markets have found that, as the market matures, most businesses will desire to reach operations of greater than 30,000 sq. ft. in order to remain cost competitive.

On the other hand, an increase in the size limit may reduce the total number of businesses that locate in the Manufacturing and Industrial Centers as it is likely that a substantial number of businesses less than 10,000 sq. ft. (the original proposed size limit) would be needed to meet existing demand.

It is not likely that the proposed increase in size limits will have significant impacts on transportation or transit service since the marijuana growing businesses would tend to replace existing industrial tenants rather than construct new buildings and these marijuana growing businesses will not have transportation needs that are likely to be substantially different than other industrial uses.

Minor impacts to air and water could occur if businesses choose to grow indoors in Seattle rather than outdoors in Eastern Washington where energy and light inputs could potentially be reduced. Overall, it is likely that larger size limits will not substantially impact the amount of marijuana that is grown indoors versus outdoors, since growing locations will tend to be driven primarily by the current location of owners and employees, federal enforcement and overall economics of indoor vs. outdoor growing.

Minor land use impacts are likely to occur where businesses involved in the growing of marijuana can pay higher rents than traditional industrial uses and thus displace existing industrial users. Although data on the rental rates that these businesses can afford to pay is not available, it is expected that they will be able to pay more than industrial uses given the compact nature of their business. This difference in ability to be pay will tend to be minimized by the total statewide demand of 1 to 2 million square feet and the limited number of property owners who will be willing to rent to this type of use. Additionally, it is likely that, if significant demand exists, many property owners would simply rent to multiple businesses at or under 10,000 sq ft instead renting to one business at or under 50,000 sq ft. Given all of these circumstances, it is anticipated that these impacts will not be significant.

