Seattle's Industrial Lands

Mayor's Recommendations

August 2007

Seattle's Industrial Lands

Mayor's Recommendations

Mayor Greg Nickels

August 2007

City of Seattle
Department of Planning and Development
www.seattle.gov • (206) 684-8880

Table of Contents

Introduction 3

Policy Context 4
- Growth Management Strategy and Industrial Land 4
- County-Level Planning 4
- Role of Manufacturing/Industrial Centers 5

Findings 6
- Industrial Land is a Finite Resource 6
- Seattle Zoning Map 7
- Continuing High Demand for Seattle's Industrial Land 8
- Seattle's Industrial Geography Contributes to its Vitality 9
- Industrial Lands in Seattle Map 10
- Unique Conditions Attract Industry 11
- Coherent Industrial Areas Create Synergy 13
- Location is a Compelling Feature of Seattle's Industrial Lands 14
- Industrial Sector is a Valuable Part of Seattle's Economy 14
- Public Ownership of Industrial Land Needs to be Evaluated 16
- Land Conversion Pressures Threaten Industrial Operations 17
- Findings Summary 19

Recommendations For The Future Of Seattle's Industrial Land 21
- Land Use Code Amendments 21
- Economic Development 23
- Regulatory Assistance 24
- Transportation 24

Introduction

From Henry Yesler's sawmill to the rise of Seattle as one of the major Pacific Rim ports, Seattle's industrial lands have evolved as industrial needs have evolved. Today's industrial land in Seattle remains in high demand serving the rapidly growing economy and population of the Puget Sound metropolitan region.

In an effort to better understand the condition of industrial businesses in 2007, and thereby determine land use policies to support industrial uses, the City of Seattle's Department of Planning and Development (DPD) conducted a series of studies working with industrial business owners, industrial land owners, the Seattle Planning Commission and consultants.

The reports resulting from those studies include:

- *Industrial Lands Survey: Investigation of Comparable Cities* - March 2007
- *Industrial Lands Survey: A Survey of Business Owners* - March 2007
- *Industrial Lands Survey: Perspectives on the Benefits and Challenges of Business Opportunities in Seattle's Industrial Lands* - April 2007
- *Seattle's Industrial Lands Background Report* - May 2007

These reports culminate in this document which provides the context of Seattle's current industrial lands policies, the findings gathered during the research in this effort, and recommendations for updating Seattle's industrial policies to better support the industrial economy.

As a point of definition, while reading these recommendations please keep the following in mind:

- *Industry* and *industrial* refer to all things related to manufacturing and supporting activities such as warehousing, utilities and transportation among others.
- *Manufacturing* refers more specifically to jobs and businesses that relate to production of a finished product.
- *Research and development* refers to jobs and businesses that relate to studying processes and actively developing new products and methods of production.
- *Research and development – labs* is a sub-group that refers specifically to scientific and/or medical research that takes place in laboratories and often requires environments similar to industrial spaces rather than other research and development work that can be done in office environments.

Policy Context

Growth Management Strategy and Industrial Land

Since 1990, local government planning for how land is used in Washington has been governed by the state's Growth Management Act (GMA). This law has had dramatic effect because it requires local governments to prepare comprehensive plans; cooperation and consistency between a county and the cities within it regarding their plans; and that a city's development regulations and capital budget decisions must be consistent with its plan. The effect has been to create a regionally based strategy for managing the population and employment growth that are expected to occur.

The state law contains numerous prescriptions for what must be included in a comprehensive plan, but the general intent of the law can be found in the statute's 13 goals. Among those goals are:

- **Urban Growth:** Encourage development in urban areas where adequate public facilities and services exist or can be provided in an efficient manner.
- **Reduce Sprawl:** Reduce the inappropriate conversion of undeveloped land into sprawling, low-density development.
- **Transportation:** Encourage efficient multimodal transportation systems that are based on regional priorities and coordinated with county and city comprehensive plans.
- **Economic Development:** Encourage economic development throughout the state that is consistent with adopted comprehensive plans, promote economic opportunity for all citizens of this state, especially for unemployed and for disadvantaged persons, promote the retention and expansion of existing businesses and recruitment of new businesses, recognize regional differences impacting economic development opportunities, and encourage growth in areas experiencing insufficient economic growth, all within the capacities of the state's natural resources, public services and public facilities.
- **Environment:** Protect the environment and enhance the state's high quality of life, including air and water quality, and the availability of water.

County-Level Planning

The GMA requires two key components in the county-wide planning policies to help achieve these goals at the county level: designation of an urban growth boundary; and planning to accommodate 20 years of population growth. In King County, the county-wide planning policies address not only population growth, as required by GMA, but also employment growth in recognition of the advantages to co-locating housing and jobs. The policies direct a large portion of the residential and employment growth to the 17 designated urban centers.

The urban growth boundary limits the land area available for new housing and employment. This implies that there will not be a significant increase in the amount of land for industrial expansion or relocation.

Role of Manufacturing/Industrial Centers

The county-wide policies also designate four Manufacturing/Industrial Centers (M/ICs) as places where industrial activities have reasonable access to regional highway, rail, air and/or waterway system for moving goods and where large office and retail development is discouraged. Two of the county's four M/ICs are located in Seattle; the other two are in Tukwila and Kent.

Employment forecasts for King County show a growth of more than 90,000 jobs in industrial sectors such as aerospace, warehousing, wholesale, transportation and construction support over the next 30 years. These types of employment are most likely going to locate in the M/ICs because that is where most of the firms employing people in these activities are currently located, and the firms that perform these functions generally need to be in places where they will have minimal impacts on residents. With over half of the county's total M/IC land area, Seattle's M/ICs are well-suited to take a share of this growth and will be expected to accommodate employment that builds on the core industries already located here.

Locating Future Non-Industrial Growth

To accommodate population and employment growth, while reducing sprawl and controlling environmental impacts, the county-wide policies designate a series of urban centers where significant proportions of residential and commercial development is expected to occur. Seattle contains six of the 17 designated urban centers. In addition to these centers, Seattle has identified 24 urban villages, where the City is also directing concentrations of residential and some employment growth.

Concentrating growth in these compact areas allows people to live near services and employment opportunities; makes efficient use of public infrastructure investments; and creates pedestrian-friendly environments that can reduce the number of needed vehicle trips. While these areas continue to densify, they provide focal points for City growth-related investments. Together, the urban centers and villages are expected to accommodate over 80% of the city's household and job growth through the year 2024. These areas currently have sufficient capacity in their zoning to absorb the city's housing, retail and office development. Therefore, industrial land is not needed for non-industrial development.

Findings

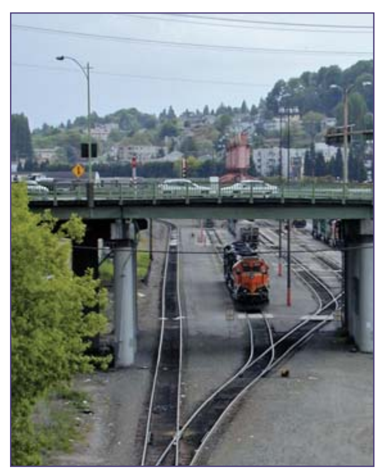
Industrial Land is a Finite Resource

Since Seattle's founding, industrial activities developed and expanded along transportation corridors – ports and waterways first, then railroads, then highways. As the city's residential and commercial development grew, industrial uses were less welcome spread out around the city so the City chose to concentrate them in particular locations. Gradually, areas where industry could be located were scaled back to the core industrial areas we have today. As Seattle's regional economy continues to grow and change, the demand for land to serve the many needs of its citizens is increasing.

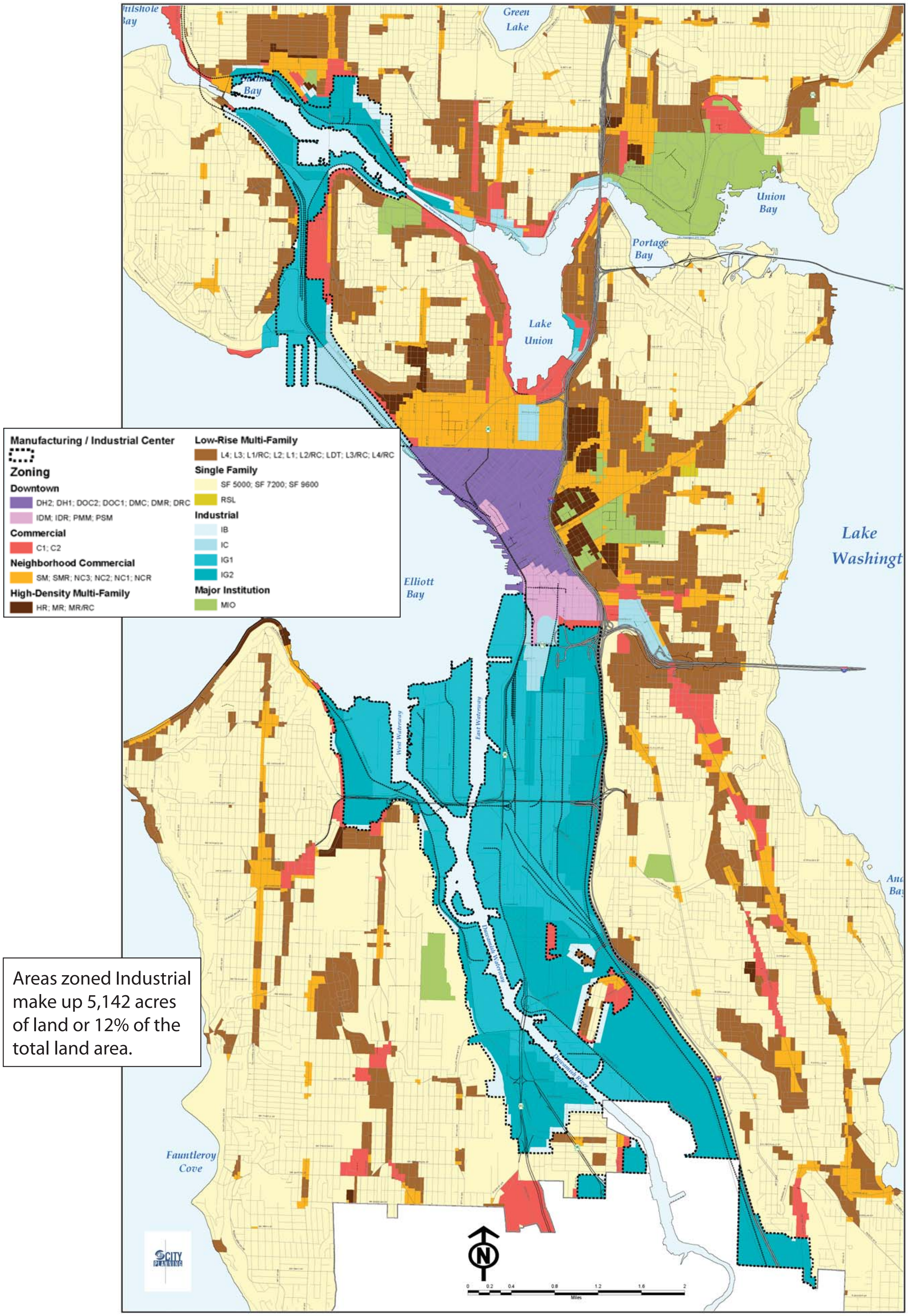
Currently there are 5,142 acres of industrially zoned land within Seattle, which is 12% of the total land area of the city. This is a decrease from the 5,698 acres, or 14% of the city's land area zoned industrial in 1984.

The opportunity to create new industrial land in Seattle is nearly non-existent due to the following conditions:

- Almost all land within the city limits is already developed.
- The ability to change zoning from another use to industrial is highly limited because of environmental and quality of life issues for adjacent, non-industrial uses.
- Increasing demand for residential and commercial land elevates the price of land beyond what is affordable to industrial users.



Seattle Zoning Map



Areas zoned Industrial make up 5,142 acres of land or 12% of the total land area.

Continuing High Demand for Seattle's Industrial Land

Current economic conditions in the U.S. indicate that traditional manufacturing industries are declining; shrinking industrial employment figures reflect that decline. There are, however, some areas of the country where that is not the case, and the Seattle metropolitan region is one of those places.

The economic history of Seattle is one of strong cyclical extractive industries transitioning to equally cyclical manufacturing industries. The Seattle region's modern economy, however, has dramatically shifted to a robust and more stable service-oriented economy that is supported by the industrial enterprises located in the city's industrial areas. Industrial jobs in the past were generally found in manufacturing or resource extraction industries. Today, those jobs make up a relatively small portion of industrial jobs. The majority of industrial jobs can now be found in such economic sectors as warehousing, transportation logistics, utilities and software development. Although some of those new industrial jobs can be accommodated in office environments – the majority of them require traditional, industrial land and facilities due to their need for buffering from surrounding land uses. Their operations often run 24 hours or outside of the 9 to 5 work day. They also may create conditions that office workers or residents would find a nuisance, such noise or light. In addition, the business's activities often require outdoor space to operate - space that sometimes might appear unused during large portions of the day or week or month, but when in use plays a vital role.

King County Industrial Employment Figures and Selected Subcategories (1985 – 2035)

	1985	1995	2005	2015	2025	2035
Manufacturing	124,565	133,463	111,979	125,691	117,612	106,368
Wholesale	44,425	58,401	62,831	79,664	83,235	87,357
Warehousing	6,079	7,343	3,229	4,218	4,896	5,054
Comm./Util./Trans.	51,980	83,047	116,692	137,806	165,279	197,692
Construction	33,825	46,556	64,153	73,413	77,984	77,092
TOTAL	**260,874**	**328,810**	**358,884**	**420,792**	**449,006**	**473,563**

Not all subcategories are shown – therefore, subcategory totals do not necessarily equal total jobs in each category. Historic employment and projected employment data from economy.com.

Industrial employment projections, though stable or slightly declining in the manufacturing sector over the next 30 years, show a tremendous increase in wholesale, warehousing, communication, utility, transportation and construction support activities. Current projections indicate that while manufacturing jobs in King County may decrease by about 5% from 2005 to 2035 to 106,000 jobs, total industrial jobs may increase by almost 35% from 359,000 to 474,000.

The market for skilled labor remains tight. In April 2007, the Employment Security Department had listings for 6,595 manufacturing job vacancies in the state. Fifty-seven percent of the state's manufacturing jobs are in King and Snohomish counties – and 50% of the industrial job vacancies are in those counties.

While industrial jobs are expected to increase, the trend in Seattle has been for continual loss of industrial zoned land with regular requests by land owners to convert their properties to non-industrial zoning. This scenario puts upward pressure on land prices in the industrial areas. This pressure is true across King County as industrially zoned land is either developed for industrial purposes or converted to other uses.

As an indicator of the demand for Seattle's industrial land versus the limited supply – the vacancy rate estimates at the end of the first quarter of 2007 ranged from 2.32% to 4.64% for the City of Seattle industrial market, according to four major industrial real estate firms.

In the spring of 2007, a survey of 100 randomly selected industrial businesses gathered the following information on future expansion plans of those businesses:

- 28% indicated it was likely they would expand.
- 20% indicated that it was likely they would move.
- 2% indicated that they would likely downsize.
- 1% indicated that they would close.

If the businesses were to consider moving to a new facility:

- 53% reported that they would attempt to relocate within the city of Seattle.

Seattle's Industrial Geography Contributes to its Vitality

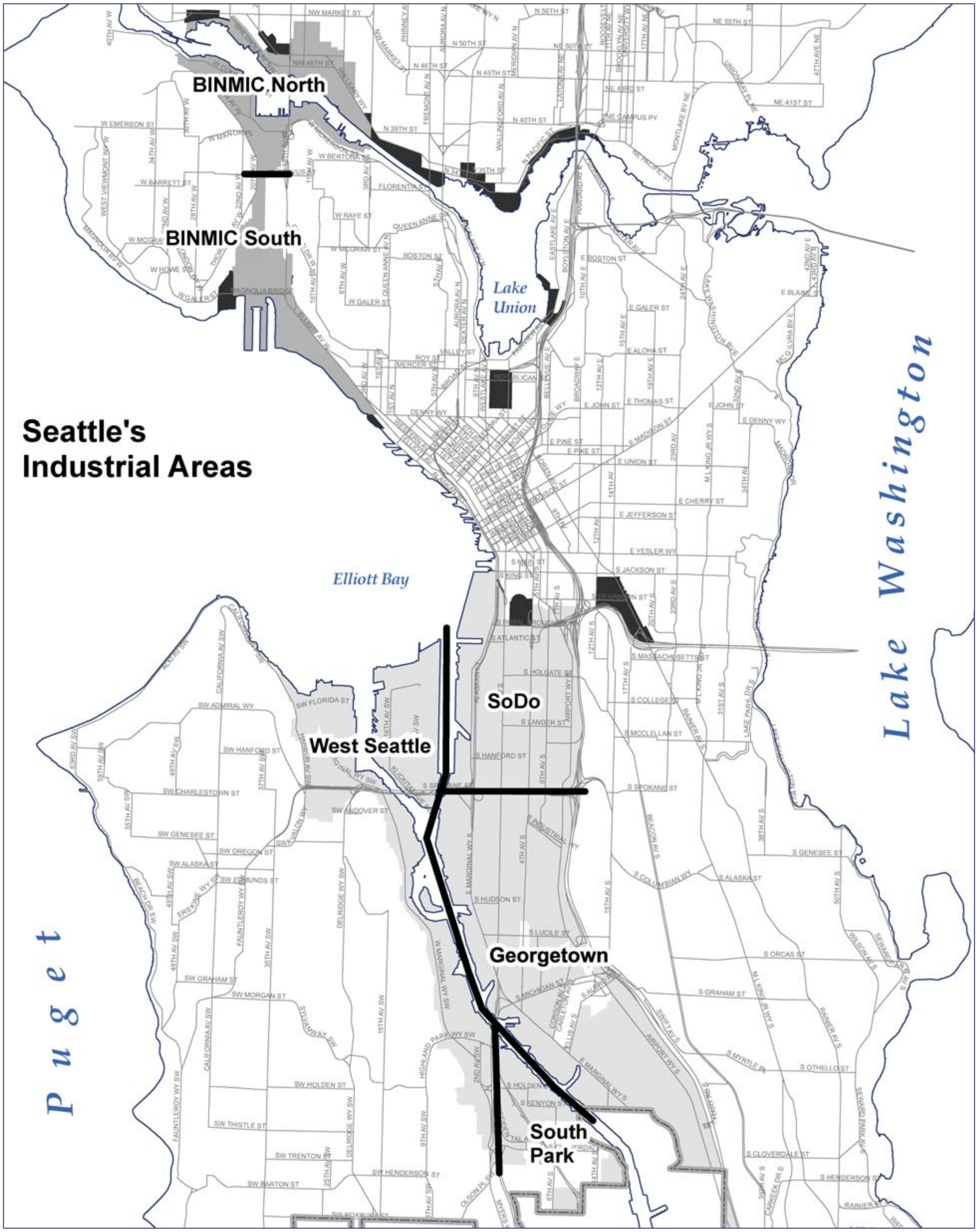
Seattle's industrial areas are well-defined by topography and geography which partly explains why they are located where they are (flat land with access to port and other transportation facilities) and why they continue to function well in the land use patterns of the city (buffered from other uses).

The Duwamish Manufacturing and Industrial Center (Duwamish) is bounded by Interstate 5 and the Beacon Hill slope on the east, the West Seattle/Delridge slope on the west, King County International Airport (Boeing Field) and the city limits on the south, and Elliott Bay and downtown Seattle on the north. The area is mostly flat, made up of the Duwamish River Valley and filled areas of Elliott Bay.

The Ballard Interbay Northend Manufacturing and Industrial Center (BINMIC) is bounded by the slopes of Magnolia and Queen Anne hills on the west and east, Elliott Bay on the south, and the Ballard Hub Urban Village on the north. BINMIC spreads out along the Lake Washington Ship Canal to the east and west from Fishermen's Terminal to include the maritime activities that are located there. The southern portion of BINMIC is largely built on filled land between Elliott Bay and the Ship Canal.

The strong topographic features of hills, slopes and water help to isolate industrial impacts from nearby residential uses. They have also served to condense industrial activities and strengthen relationships between industrial businesses.

Industrial Lands in Seattle Map



The areas in black represent industrial zoned land outside of the M/ICs.

Unique Conditions Attract Industry

The qualities that make Seattle's industrial lands so desirable as an industrial location are rarely found in such close proximity in major cities. Seattle's deepwater port has direct access to rail and is within a mile of two key interstate highways. In addition, two airports serve the industrial area, one within the city limits serving cargo and charter flights, and the second several miles south (but easily accessible by Interstate 5 and State Route 509) is the region's main commercial passenger airport. Close proximity of all of these modes of transportation is a rare combination and not easily duplicated.

There has been a tremendous amount of public investment through the decades exploiting the unique features of Seattle's transportation advantages. The scale of that investment is significant and would be difficult, if not impossible, to replicate.

The advantages of Seattle's location has led to the Port of Seattle becoming the fifth largest container port in the U.S. and the home base for the 700-ship North Pacific Fishing Fleet, one of the most important fishing facilities on the continent. The Port is responsible for nearly 20,000 jobs directly and thousands more in supporting businesses.

Port of Seattle Facilities

Current Operations

- There are 24 steamship lines that operate out of the Port of Seattle facilities.
- The facilities handle almost 2,000,000 TEUs (twenty-foot equivalent units) a year.

Container Terminals

- Terminal 5 – dedicated in 1998 after a $270 million modernization and expansion program.
- Terminal 18 – completed in spring 2002 is the Port's largest container terminal and one of the largest in North America. The $300 million expansion doubled the size of the terminal.
- Terminal 25 - $20 million modernization recently completed for Matson Navigation.
- Terminal 46 - $70 million upgrade and expansion recently completed and a new long-term lease signed with Total Terminals International and Hanjin through 2015 and possibly 2025.

Break-bulk Terminals

- Terminal 91 – new Carnitech manufacturing facility is under construction and the new two-berth passenger cruise ship terminal will be constructed at the southern end of the terminal.
- Terminal 115 – 70 acre facility located on the Duwamish Waterway operated by Northland Services.
- Grain Facility – 16 acres located between downtown Seattle and Interbay, this 4.2 million-bushel-capacity facility provides service to the Burlington Northern Santa Fe and Union Pacific railways and is a key component in the international shipment of grains from the Northern Plains.

Fishermen's Terminal

- Home base for the 700-ship North Pacific Fishing Fleet.
- $22 million upgrade underway – to be completed in spring 2008.

Transportation System

Highway

- US Interstate 5 runs the length of the eastern edge of the Duwamish M/IC and has three points of direct access.
- US Interstate 90 has its western terminus in the northeast corner of the Duwamish M/IC with direct access to the interstate.
- State Route 99 runs along the Duwamish Waterway and provides access to State Route 509 to the south (and SeaTac) and access to downtown Seattle and points north.
- Spokane Street Viaduct and the West Seattle Bridge cut across the mid-section of the Duwamish M/IC providing access to West Seattle as well as port facilities on Harbor Island and Terminal 5 and direct, grade separated access to Interstate 5.
- 15th Avenue provides highway access for BINMIC - north via Holman Road and south via Elliott Avenue West and Denny Way - to Interstate 5.

Railway

- Seattle is served by two rail companies, Burlington Northern Santa Fe (BNSF) and Union Pacific (UP).
- Three rail yards located in the city: Seattle International Gateway – or SIG - located adjacent to Port facilities in the Duwamish and the Ballmer Yard in BINMIC, both operated by BNSF; and the ARGO Yard in Georgetown run by UP.

Airports

- King County International Airport (Boeing Field) handled 142,000 tons of cargo in 1997 and projects to handle 305,000 tons by the year 2015.
- SeaTac is the 19th busiest air cargo port in the US handling over 340,000 metric tons of cargo in 2006.

Coherent Industrial Areas Create Synergy

In addition to the natural features that help define Seattle's industrial areas, the current size of the two M/ICs also contribute to their value as industrial refuges. Seattle has a number of industries in which a cluster of suppliers and customers have created a web of relationships that benefit each other and, ultimately, consumers. Close proximity allows for a richer level of service and more immediate response to market needs. In addition, it reduces the amount of transportation needed, thereby limiting the amount of time, money, and resources spent on shipping.

Seattle has several industrial clusters identified by the City's Office of Economic Development. In addition to the previously mentioned maritime industry supporting the North Pacific fishing fleet and the city's world-class international shipping facilities there are clusters related to:

- Industrial Machinery and Fabricated Metal
- Aerospace
- Printing and Publishing
- Stone, Clay, Glass and Concrete Products
- Office and Home Furnishing Production
- Food and Beverage Production
- Construction and Contracting
- Transportation and Wholesale Distribution
- Seafood Processing

These clusters provide Seattle with a distinctive economic character that sets it apart from other cities in the region and makes it very competitive with other cities on the west coast. Between the maritime support for the fishing fleet in BINMIC and the international shipping facilities in Duwamish, these two clusters provide jobs in waterborne transportation, ship and boat building and repair, cold storage, seafood processing, marinas, marine terminals, fuel, marine construction and specialized wholesale and retail companies as well as marine design, insurance and law. A 2004 report for the Office of Economic Development identified a total of over 22,000 jobs in just six maritime industries, with average wages for those jobs of about $70,000.

The size of the industrial area not only supports the concentration of industrial clusters, it also serves as part of the buffer between industrial uses and adjacent residential and commercial uses. Although much of the city's industrial areas are bordered by steep slopes, highways or waterways, having sizeable blocks of industrial areas allows some of the less neighbor-friendly uses to locate further away from the types of uses that may be impacted by them. Having enough industrial zoned land allows for a graduation of use intensity and creates buffers within the industrial areas to mitigate nuisances, especially in the Duwamish.

Location is a Compelling Feature of Seattle's Industrial Lands

In the spring of 2007, a survey of 100 randomly selected industrial businesses highlighted some of the issues facing industrial businesses in Seattle:

- 65% of the respondents indicated that proximity to customers was essential or important to their decision to be in Seattle.
- Nearly 60% indicated that proximity to suppliers was essential or important to their location while 51% indicated that their suppliers are local.
- Almost 80% indicated that proximity to highway access was essential or important to them.
- 60% indicated that proximity to skilled labor was essential or important.

The proximity to customers was even further refined by many survey respondents during the interview, as they indicated that their proximity to downtown Seattle was key to the success of their business.

Whether it is the proximity to customers and suppliers, or ready access to the rich transportation infrastructure already in place, industrial businesses in Seattle find it compelling to be here. In fact, many remain because of the existing relationships they have created and the superior location in spite of pressures for them to leave, such as rising cost of real estate and rents as well as other factors that contribute to the cost of doing business, such as government regulation. Anecdotally, information about why businesses leave is not because of lack of customers or poor business management but generally because of the need for more space, less expensive space or to follow customers who have left the area for similar reasons.

Industrial Sector is a Valuable Part of Seattle's Economy

Seattle's industrial sector is an important part of Seattle's economy for the following four key reasons:

1. employs a large number of employees;
2. creates accessible, family wage jobs;
3. contributes significantly to the City's tax base; and
4. provides important diversification to the local economy.

Employment

Seattle's industrial sector employment (which includes construction, manufacturing, maritime, and related businesses) totals 121,700, comprising approximately one-fourth of Seattle's jobs. Employment in Seattle's designated M/ICs increased from 66,600 in 1995 to 79,200 in 2005, a total increase of approximately 19%. This growth rate is comparable to the overall city-wide employment increase of 21% over a similar period.

Wages

Industrial jobs provide wages that are higher than other types of jobs. Jobs in Seattle's industrial sectors paid an average of $55,500 in 2004, 18% more than other jobs in Seattle ($47,200). Throughout the state, industrial jobs paid 38% more on average than other jobs.

Tax Revenues

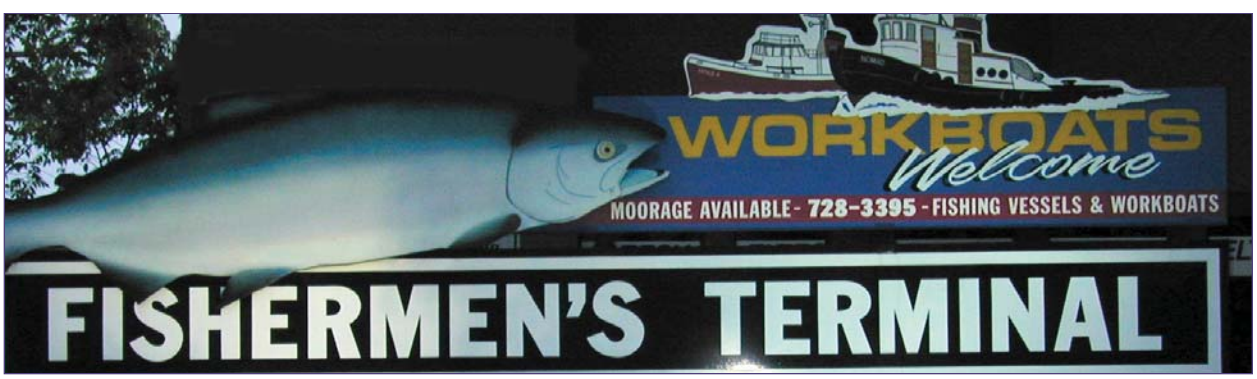
The fiscal impact to the City of Seattle is also significant. In 2006, the industrial sector accounted for $5 billion in taxable sales which translates to 33% of the City's total retail sales tax revenue. Industrial businesses also generated 32% of the City's total B&O tax revenue.

Industrial companies are also major generators of utility tax payments. In 2002, the City received $15 million in tax revenue from electricity usage by businesses in the Duwamish and BINMIC combined. Although industrial users compose only 45% of City Light user "premises" (premises might include multiple hook-ups, and a single company might include multiple premises) in the M/ICs, they make up 87% of utility taxes generated by electricity use. Compared to non-industrial users in the M/ICs, the average industrial user generates 8.5 times as many electricity taxes.

Overall, the City of Seattle received $34 million in taxes from electricity usage in 2002, including from industrial companies located outside of the M/ICs. The Duwamish and BINMIC account for 45% of the total electricity taxes paid, and industrial uses in those areas account for 39% of the City's total.

Economic Diversity

A diverse employment base that includes a strong industrial sector, in addition to new and emerging industries such as information technology and biotechnology, is critical to the long-term stability and growth of our local economy. Increased economic diversity makes it easier for the local economy to respond to economic downturns because different types of businesses respond differently to economic cycles which ultimately helps stabilize wages, business revenues and the City's tax base. Perhaps most importantly, a diverse economy provides good jobs to a wide range of individuals with various educational and skill levels.



Public Ownership of Industrial Land Needs to be Evaluated

Almost half of the city's industrial zoned land is owned by public entities. Most of the uses located on those properties are industrial or transportation-related and, like many of the area's development, would either not be appropriate in other parts of the city or they contribute to the industrial-transportation infrastructure that make the area a highly desirable industrial location.

Ownership by Government Unit

Ownership	Acres
Federal Government	58.1
State of Washington	73.0
Port of Seattle	976.2
King County	534.3
City of Seattle	202.5
Sound Transit	20.0
Other	60.8
Total	**1923.9**

The uses on government-owned property include:

- Federal office building on West Marginal Way
- Coast Guard facility
- Land associated with state highway projects
- Docks and portside facilities of the Port of Seattle - including cargo terminals, container storage areas, passenger terminals and facilities for the fishing fleet
- Hiram M. Chittenden Locks
- King County International Airport (Boeing Field)
- Metro Transit's bus base
- Sound Transit's light rail base
- City fire station
- City electrical substations
- School district headquarters

In a few cases, however, the public use is not industrial or could be located elsewhere in the city. Sometimes these non-industrial public uses are found on industrial land for historic reasons.

Land Conversion Pressures Threaten Industrial Operations

A significant threat to the health of Seattle's industrial areas is the increasing development of non-industrial uses in those areas. Commercial (office and retail) development in industrial areas can have several profound, negative effects on the industrial area particularly when it is not associated with an industrial use.

When a commercial use develops in an industrial area it reduces the supply of land that could be used for industrial activities. The continuing low vacancy rates for industrial property in Seattle demonstrates the high demand for this land, and converting some of this land to non-industrial uses further reduces the options for industrial firms that want to locate or expand in the city.

Typically, commercial users are financially able to pay higher prices to purchase or rent land than are industrial users. When large commercial uses are allowed in the industrial area, other nearby land owners may raise rents to reflect the commercial market and thereby possibly deter industrial businesses from staying, expanding or relocating in the industrial area.

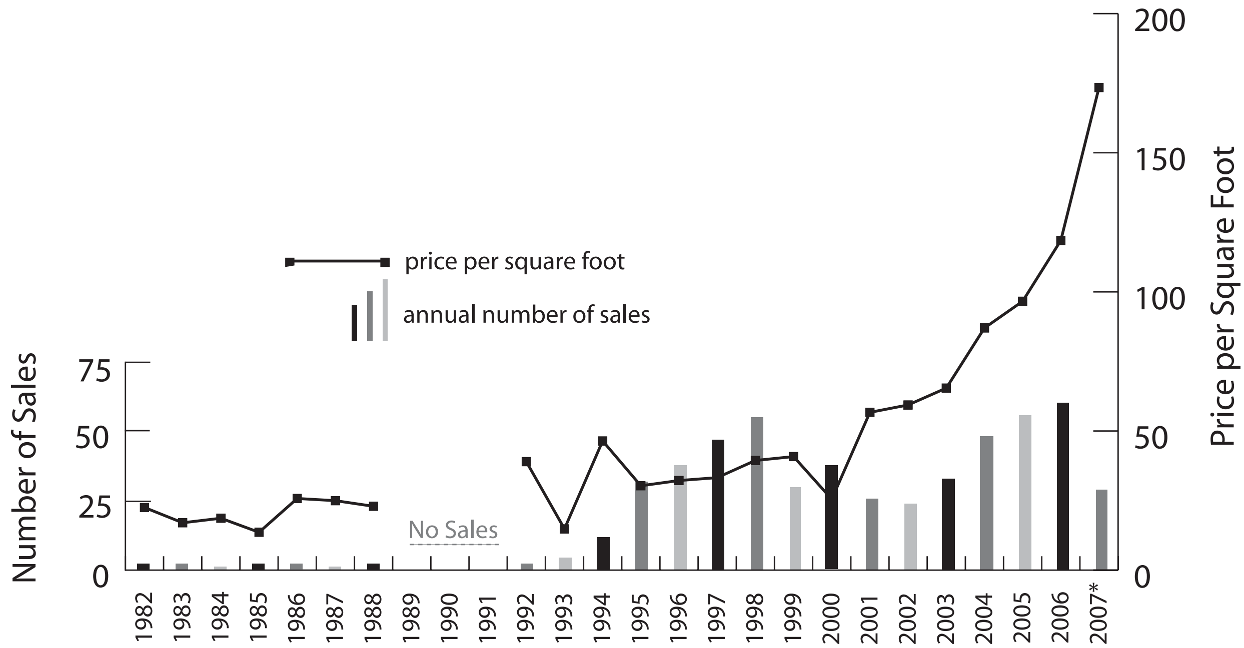
Commercial uses generally attract large volumes of commuter or consumer vehicle trips. Many industrial businesses rely on the efficient movement of trucks as the primary means for receiving and shipping the freight that is critical to their operations. Additional traffic can interfere with this freight movement, causing delays and adding costs to industrial operations.

Commercial uses also generate demand for increased amenities in an area to meet the daily needs of workers or to complement the retail uses. Those amenities, such as open space, landscaping and leisure facilities can further decrease the amount of land available for industrial uses and interfere with industrial operations. Experience here and in other cities shows that, once in place, office workers and retail customers in the industrial area often complain about the noise, dust, odor and other impacts of industry and lobby for regulatory changes to restrict industrial activities.

Over the past twenty-five years, prices paid per square foot for industrial real estate has increased – but not in a slow incremental manner. Instead, certain industrial areas have felt acute price pressure.

All industrial areas show few sales and relatively modest prices in the 1980s and early 1990s. By the late 1990s the number of sales increased dramatically and prices began to rise as well. After a short reprieve of moderate sales during the 2001/2002 recession, sales and prices increased dramatically. BINMIC, Sodo, and the industrially zoned land outside of the M/ICs experienced particularly large increases in the land price per square foot, in comparison to the other industrial areas. The higher than average increases in these neighborhoods will result in higher expectations of financial return for the purchasers – either through future sales, or through increased rents that can make it difficult for industrial businesses to stay on the land.

Property Sales in Seattle's Industrial Lands: 1982-2007



* 2007 figures are for the first six months of the year.

Findings Summary

Seattle's industrial lands are a finite resource - once they are taken out of industrial use it would be difficult, if not impossible, to create more industrial land.

There is continuing high industrial demand for the limited land zoned industrial today.

Seattle's industrial lands have been reduced over the years to two primary industrial centers generally buffered from surrounding residential and commercial neighborhoods by topography and man-made features.

The roads, ports and other infrastructure in place to serve industrial needs represents a significant public investment.

Industrial businesses in Seattle benefit from, and are thriving on, proximity to suppliers and customers.

Industrial uses only occupy 12% of Seattle's land area, but their impact on the city's economic well-being far exceeds that percentage.

Public facilities in industrial areas mostly support or complement industrial uses, but some may not need to be located in an industrial zone.

Continued conversion of industrial land to non-industrial uses threatens to destabilize the balance that exists in Seattle's industrial areas between the cost of doing business, proximity to customers, and the synergy of business relationships.

Because of the value industrial enterprises contribute to the city's economy, the City of Seattle supports them through economic development programs, regulatory assistance, and infrastructure improvements.

Through a better understanding of the current conditions facing industrial businesses and research done on comparable cities, it has become apparent that certain aspects of the current industrial land use regulations are too permissive.

Current regulations in Seattle allow between 30,000 to 100,000 square feet of office or retail space (depending on the land use zone and whether or not the use is associated with an industrial use). Other cities are much more restrictive. For example: Portland, Oregon limits office and retail uses in their most intense industrial zones to 3,000 square feet; Chicago, Illinois limits office to 9,000 square feet and retail to 20% of the gross floor area and only allows products to be sold that are produced on-site; and Vancouver, British Columbia limits office to 2,530 square feet or 25% of the total gross floor area, whichever is greater, and retail to 10,764 square feet.

Analysis of conditions in Seattle shows that the majority of stand-alone office and retail uses in industrial areas are less than 10,000 square feet. Most of those smaller uses are accommodated easily and many serve surrounding industrial businesses. The trend towards larger, regional retail and office developments raises concern over displacement of industrial businesses and it limits the supply and increases the cost of available land for new industrial expansion or investment.

There is an existing large employer in Seattle's industrial area that may have the need to expand its already substantial office space. The challenge is to allow that expansion, but link it to the preservation of surrounding industrial uses. Transfer of development rights programs are often used to preserve open space and agricultural lands, but in this case a program could be established to preserve industrial lands and give the employer the ability to expand their operations and remain in Seattle.

After completing additional research, there are several other issues related to industrial land use that will be pursued over the next several months - from clarifying and updating definitions of industrial uses to reviewing industrially zoned areas outside of and along the edges of the M/ICs to determine whether it may be appropriate to rezone them for other uses.

The goal of the continuing review will be to better support the needs of industrial uses and to anticipate the continuing need for high-quality, well-served, well-located industrial lands in the future.

Recommendations For The Future Of Seattle's Industrial Land

Land Use Code Amendments

Policy Changes

Add the following new policies to the Comprehensive Plan:

Policy 1: IG zones are most appropriately located in the designated Manufacturing/Industrial Centers, where impacts from the types of industrial uses these zones permit are less likely to affect residential or commercial uses. Outside of the M/ICs, IG zones may be appropriate along waterways in order to provide land for maritime uses.

Policy 2: Industrial zones are generally not appropriate within urban centers or urban villages, since these are places where the City's goals encourage concentrations of residential uses. However, in locations where a center or village abuts an M/IC, the IC zone within the center or village may provide an appropriate transition to help separate residential uses from heavier industrial activities.

Policy 3: In limited circumstances, existing large non-industrial employers may be allowed to expand within an M/IC through land use controls that also help ensure continued industrial use as the primary function of the M/IC.

Policy 4: The City should limit its own activities on land in the M/ICs to uses that are appropriate to the industrial nature of these areas and should discourage other public entities from siting non-industrial uses in these areas.

Regulatory Changes

Amend the Land Use Code to reflect the following:

1. Lower the maximum size of use limits for non-industrial activities to:

- 10,000 square feet for office or retail in IG zones.
- 30,000 square feet for office or retail in the IB zone.
- 0.5 Floor Area Ratio (FAR) for office or retail in IG zones.

The City's Land Use Code currently permits 50,000 to 100,000 square feet of office and 25,000 to 75,000 square feet of retail use per lot in the IG and IB zones, depending on zone and location. The Code also currently permits a density of up to 2.5 FAR for all uses on a site in industrial zones, and today the average FAR of an industrial business is well under 1.0. These current maximum limits allow large commercial uses that do not appear consistent with the City's adopted policy to "preserve industrial land for industrial uses."

Experience in other cities indicates that lowering the expectations about the level of non-industrial activities is a very effective tool for both controlling the conversion of industrial land to other uses and for sending a clear message to industrial businesses about the City's continued support for their activities.

2. Develop land use controls that will allow an existing major office employer to expand its headquarters, while promoting the retention of industrial businesses in the Duwamish M/IC.

The world headquarters of Starbucks reuses a very large, multi-story building that once served as a warehouse. That facility currently houses about 4,000 workers, making it one of the largest employment centers in the M/IC. In 2006 and 2007, the owner of this building submitted a proposal to amend the City's Comprehensive Plan to exempt the immediate area around the Starbucks Center from the current size of use limits in order to allow for eventual expansion of the office space.

The Mayor's goals are to ensure that this home-grown, worldwide company can continue to grow in its current location and to ensure that industrial businesses have adequate land to grow and thrive throughout the Duwamish M/IC.

One option for achieving these goals is a transfer of development rights (TDR) program which would designate the area bounded by 1st Avenue South, South Walker Street, Colorado Avenue South and South Forest Street as a receiving area for development rights. The program would allow office space in the receiving area to exceed the limits described above by purchasing development rights from private properties within the Duwamish M/IC that contain active industrial uses.

The Mayor is directing City staff to explore TDR and other zoning techniques to help ensure that this major employer can continue to grow in its present location, and that there is incentive for industrial property owners to keep their property in industrial use.

3. Clarify the definition of "research and development laboratory" that appears in the Land Use Code to ensure that it does not allow office buildings to be approved as R&D.

Research and development laboratories are currently limited to a density of 2.5 FAR in industrial zones, but there is no maximum square footage limit, as there is for office and retail space. With the proposed lower size-of-use limits for office uses, the City will want to ensure that projects proposed as R&D uses are designed as laboratories, and not actually office buildings. The current definition includes characteristics such as high floor-to-ceiling heights and laboratory benches plumbed for water service, but there may be a need for more specificity to ensure the buildings are used for the use the City intends.

Review Zoning Map

Review industrially zoned lands outside the M/ICs, as well as selected locations within and on the edge of the M/ICs to determine the appropriateness of those zoning designations.

1. Review industrial zones outside of the M/ICs to determine whether the industrial classification should continue on that land, and if so, what regulations should apply. These zones include land within urban centers and urban villages as well as land outside those designated mixed-use growth areas.

One advantage of the designated Manufacturing/Industrial Centers is the large concentration of related industries they can accommodate. The much smaller industrial zones outside the M/ICs do not provide that advantage. Some of the industrial land outside the M/ICs is immediately adjacent to the M/ICs but within urban villages (Ballard and Fremont), where policies in the City's Comprehensive Plan promote concentrations of housing. Other non-M/IC industrial land is on the eastern and northern shores of Lake Union, while some is in the Downtown and South Lake Union urban centers, where the City expects to achieve the highest density of housing and employment uses.

2. Review specific areas on the edge of the Duwamish M/IC to determine whether these areas should remain within the M/IC.

Among the areas to be reviewed are the South Downtown planning area and the CEM site in West Seattle, which were both the subjects of proposed Comprehensive Plan amendments in 2007. The Mayor recommends considering these and similar sites in 2008.

Economic Development

Retaining Manufacturing Businesses

The City will continue to support the Seattle First industrial business attraction and retention program. Seattle First has developed a range of business development programs that address the unique needs of the manufacturing and maritime industry sectors. Seattle First provides direct technical assistance to manufacturing and maritime businesses on issues that include the City's permitting process, environmental education and financial management. It provides site selection assistance for manufacturing and maritime companies seeking to expand or locate in Seattle. Seattle First also connects business owners to potential funding sources or workforce training programs.

Frequent Contact

The City has committed to meeting quarterly with industrial stakeholders to discuss issues related to City regulations, processes and services.

Exploring Opportunities in the Clean Technology Industry Sector

The City will explore economic development opportunities in the emerging clean technology industry sector. With the City's policies mandating that all new City-owned buildings be designed and built "green," encouraging sustainable business practices, and implementing planning decisions that create healthy and sustainable communities, there is an opportunity to expand Seattle's presence in such fields as sustainable materials manufacturing and new energy technology.

Workforce Development

The City will continue to support job training programs such as the Seattle Jobs Initiative (SJI), which provides job training and support services in key business sectors, including manufacturing, to low-income and low-skill individuals. By partnering with community-based organizations, community colleges and employers, SJI links individuals to jobs that pay living wages, offer room for advancement and include necessary work support such as health coverage.

The City will also support South Seattle Community College's vision to make their Duwamish campus a business and entrepreneurial development center that addresses the economic and workforce development needs of businesses in the Duwamish.

Regulatory Assistance

Retain Industrial Permit Liaison

DPD will continue to retain an industrial permit liaison on staff in order to address manufacturing and maritime business permitting needs.

Implement Shoreline Mitigation Program

The City has developed an industrial shoreline mitigation program that provides mitigation options for industrial businesses seeking to locate or expand on shoreline sites.

Transportation

Ensure Consistent Land Use and Transportation Planning

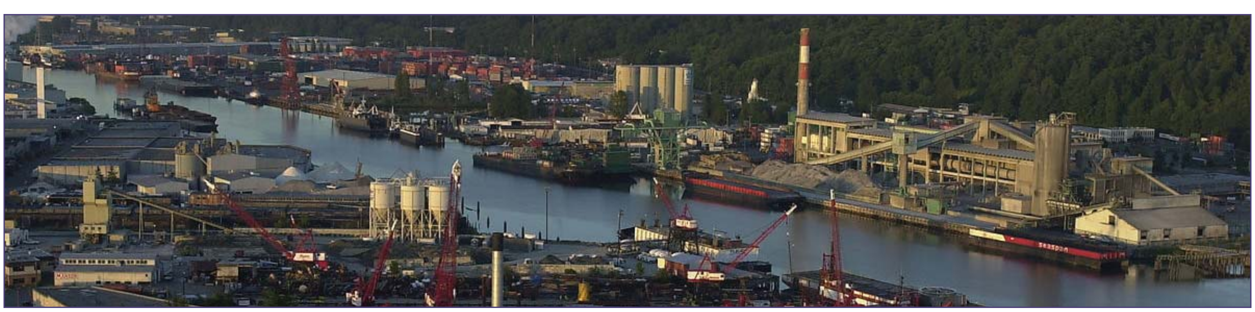
Review the City's Transportation Strategic Plan to ensure that its strategies are consistent with the recommended land use changes included here.

Address Freight Needs

Revise the Right-of-Way Improvements Manual to address specific design needs of freight and oversized vehicle traffic on routes that have high freight volumes. Use the revised designs when constructing or improving streets in the industrial area, such as when implementing projects that are part of the 'Bridging the Gap' transportation initiative.

Improve Pedestrian Safety and Transit Use

Program Capital Improvement Plan funds to make improvements that will provide for pedestrian safety and facilitate transit use by employees in industrial areas.



Acknowledgements

Department of Planning and Development
Diane Sugimura, Director
Tom Hauger, Comprehensive Planning Manager
Scott Dvorak
Jim Holmes
Mark Troxel
Lish Whitson
Moon Callison
Jennifer Pettyjohn

Office of Economic Development
Susan Shannon, Director
Brian Surratt

Department of Transportation
Grace Crunican, Director
Susan Sanchez, Policy & Planning Division Director
Tracy Krawczyk, Transportation Planning Manager
Cristina VanValkenburgh

Seattle Planning Commission
Barbara Wilson, Executive Director
Casey Mills

City of Seattle
Department of Planning and Development
www.seattle.gov • (206) 684-8880

Printed with soy-based ink on 50% recycled paper