



PROJECT MEMO

TO: Sumner and Pacific City Staff and Planning Commission Members
FROM: Gabe Snedeker, AICP, Project Manager
DATE: October 30, 2008
PROJECT: Sumner/Pacific Manufacturing and Industrial Center Study
SUBJECT: **DRAFT** Cost and Benefit Technical Memo

Content and Purpose

This memo presents preliminary analysis by the team of AHBL, Community Attributes and Heffron Transportation and represents a starting point for additional discussion. The focus is an analysis of the costs and benefits related to the designation of the Sumner-Pacific industrial area as a Manufacturing and Industrial Center (MIC) under Puget Sound Regional Council (PSRC) and Pierce County Regional Council (PCRC) criteria. To provide context, it also provides a brief summary of background information related to the ongoing Sumner/Pacific MIC Study, including a brief summary of study area conditions. A complete description of the study area and a more detailed analysis of how current plans, regulations and projects relate to MIC designation criteria are contained in the *Existing Conditions Memo*, dated July 30, 2008. This memo also includes a brief summary of existing and potential future market conditions in the study area. A complete description of market conditions and forecasts for the area is found in the *Potential Market Assessment*, dated September 9, 2008.

The core of this memo analyzes the costs and benefits associated with increased industrial development in the area. The project team was asked to analyze the costs and benefits of two specific scenarios:

- 1) Continuation of current trends given the City's existing land use policies and development plans – referred to as the *Baseline Scenario*; and**
- 2) Increased manufacturing/industrial uses under a MIC designation – referred to as the *Higher Density Scenario*.**

Importantly, the original project scope did not include analysis of land use scenarios that were significantly different from those presented in the Sumner and Pacific Comprehensive Plans. However, the City may want to consider potential additional actions beyond MIC designation to optimize the benefits that can be obtained from this area. Specifically, these include consideration of re-designation of a portion of the MIC study area to allow a broader range of uses in a discreet area within the numeric imitations allowed for non-industrial zones within MICs under the Pierce Puget Sound Regional Council designation criteria. Initial discussion related to this issue are contained at the end of this memo and merit further discussion.

Market Conditions and Forecast Summary

The Sumner-Pacific industrial area is located on the southeastern edge of the central Puget Sound region, close to other industrial centers and with good connectivity to

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major markets to the north and south. Industrial development continues in the central Puget Sound region, with growth naturally extending into the Sumner-Pacific industrial area. The Sumner-Pacific industrial area's location and market attributes position it to capture an increasing share of future industrial growth in the region. Despite recent increases in vacant space in Sumner, manufacturing and industrial rents are in line with other MICs in the region. Industrial vacancies region-wide have been declining and future demand should continue to grow. At the current time, the Sumner Pacific MIC study area contains approximately 10,000 jobs. Simply filling existing vacant buildings within the study area with industrial tenants is expected to add another 2,000 jobs.

Our research of available information indicates that:

- **The Sumner/Pacific industrial area is already zoned and positioned to receive an increasing share of industrial growth in the region.**
- **Market forces will largely determine the amount and type of industrial and manufacturing development that comes to Sumner and Pacific.**
- **Analysis of regional economic forecasts and local development trends resulted in a range of planning scenarios that include net gains in jobs in the Sumner-Pacific industrial area that varied from 5,470 to 9,840 new jobs, over the next twenty years.**
- **Accommodating this job growth would require approximately 4.0 million to 9.3 million square feet of new manufacturing/industrial space to be built by 2028.**

For the purposes of this analysis, we have developed two scenarios for additional growth and development in the region: **The Baseline Scenario** (5,470 new jobs) and the **Higher Density Scenario** (9,840 new jobs). Additional background information about the data and assumptions behind the employment forecasts and scenarios can be found in the *Market Potential Assessment*, dated September 9, 2008.

The Baseline Scenario, based on PSRC regional forecasts, predicts a total employment of 15,000 jobs by 2028. An MIC target level of 20,000 jobs is contained in the PSRC Designation Criteria, however no specific timeframe is specified in that Criteria for achieving this specific target. The Higher Density Scenario, which achieves the MIC jobs target of 20,000 by 2028, would require both absorption of vacant land in the study area and an increase in job or development densities. Increased job densities across the entire study area similar to those in the North Tukwila MIC, for example, would achieve this target. However, if vacant land alone is to be developed to achieve these densities, then development densities closer to Kent would be required to achieve the 20,000 job target given the size of the study area. The Higher Density scenario would also be expected to require assertive economic development efforts, perhaps including market incentives, to attract approximately 5,000 more jobs than the Baseline Scenario.

The use of the Higher Density scenario is important because it provides a picture of what could happen if the predicted rate of growth increased by any number of factors, including designation of the area as an MIC and additional targeting for growth by the Cities of Sumner and Pacific. It is important to realize, however that the actual speed and type of development is primarily dependent on larger economic systems and trends. The actual number of jobs created could be higher or lower than the scenarios presented in this memo and can be

influenced by local actions and investments, the decision-making criteria of industrial users, and the state of the broader economy, as well as other factors. Even the Baseline Scenario growth projections assume some level of continued investment in infrastructure to maintain current levels of services and possibly expand to serve new users. Nonetheless, the use of the two scenarios allows us to better understand and compare the relative costs and benefits associated with different levels of increased growth.

Cost / Benefit Analysis

Costs and benefits related to the two scenarios in this study fall into three basic categories:

- **Easily quantifiable and modeled** – items such as jobs, wages and fiscal revenues are detailed in this analysis for both Scenarios. Additional information is contained in the October 29, 2008 memo from Community Attributes entitled Sumner & Pacific Manufacturing/Industrial Center Economic Analysis.
- **Limited quantitative and qualitative, including order of magnitude considerations** – items such as the timing and magnitude of required transportation funding investments, access to transportation funding, transportation needs and impacts to City services and infrastructure. Due to the scope and timeframe of this study, some items contained in this analysis are discussed in broader, less precise ways, with the focus on identifying major potential problems. Certain items, like transportation impacts and related investments, should be revisited at a finer scale during the next comprehensive plan and/or transportation plan update.
- **Subjective, qualitative considerations** - such as quality of life and the impact of designation on the market position of the study area. The subjective and qualitative evaluations contained in this memo in particular may merit additional stakeholder and consultant analysis, if decision makers feel more information is needed.

Above all, the analysis provided in this memo is intended to provide a framework for rational decision making, rather than a definitive analysis of a future that is difficult to predict. Based on additional input from the Planning Commission, staff and the City Council, this analysis can be clarified, modified and/or expanded as determined necessary.

Overview

Costs and Benefits associated with five key areas are highlighted in greater detail below:

- **Direct Economic and Fiscal,**
- **Infrastructure Funding and Required Investments,**
- **Administration and Regulation,**
- **Market Position, and**
- **Quality of Life.**

These five areas were considered by the consultant team to be the most important factors for the Planning Commission to consider at this juncture, and in the case of the first two, varied more significantly between the two scenarios than other factors. More specific components of these larger categories, as well as other potential costs and benefits, are described in the Summary Table at the end of this document. Based on input from the Planning Commission and staff, additional or different focus areas can be analyzed further as needed.

Economic and Fiscal Benefits

This section describes the differences in economic and fiscal benefits that would occur under the two scenarios. Additional details and methodology related to the analysis of direct economic benefits is contained in the October 29, 2008 memo from Community Attributes entitled *Sumner & Pacific Manufacturing/Industrial Center Economic Analysis*.

New development would be expected to bring significantly more municipal revenues in the form of property taxes, sales tax (including from new construction and on-going commercial operations) and utilities taxes. **Exhibit 1** and **Exhibit 2** below summarize the increase in municipal benefits expected to accrue to the cities during the next six years and twenty years.

Exhibit 1 Projected Economic and Fiscal Benefits at 6 Years (2014, Current Year Dollars)

Scenario	New Jobs	New Wages (Annually)	New Sales Tax Revenue (Annually)	Net New Property Tax Revenue (Annually)	New Utility Tax Revenue (Annually)	Total New Municipal Revenues (Annually)
MIC Baseline Growth	1,500	\$35,132,000	\$166,000	\$83,000	\$218,000	\$467,000
Higher Density	2,900	\$68,574,000	\$321,000	\$83,000	\$421,000	\$825,000

Source: Community Attributes 2008.

As you can see in the Exhibit 1, the Higher Density Scenario would result in nearly double the jobs, annual wages, sales tax and utility tax revenue of the Baseline Scenario in the first six years. Property tax revenue would be the identical in this comparison because any change in property tax in this analysis is based on the construction of new improvements, which would be limited under either scenario in the first 6 years because of the absorption of existing vacant industrial space. The Higher Density Scenario would result in approximately \$358,000 in increased municipal revenue for Sumner and Pacific combined, compared to the Baseline Scenario.

Exhibit 2 Projected Economic and Fiscal Benefits at 20 Years (2028, Current Year Dollars)

Scenario	New Jobs	New Wages (Annually)	New Sales Tax Revenue (Annually)	Net New Property Tax Revenue (Annually)	New Utility Tax Revenue (Annually)	Total New Municipal Revenues (Annually)
MIC Baseline Growth	5,470	\$143,370,000	\$860,000	\$211,000	\$794,000	\$1,865,000
Higher Density	10,530	\$278,552,000	\$1,586,209	\$337,000	\$1,529,000	\$3,452,209

Source: Community Attributes 2008.

As you can see in Exhibit 2 above, the Higher Density Scenario would also result in nearly double the jobs, annual wages, sales tax and utility tax revenue of the Baseline Scenario over the 20 year timeframe. Property tax revenue would increase by almost 60% under the high density scenario because additional property improvements would be needed to accommodate

the increased growth. The Higher Density Scenario would result in approximately \$1,587,000 in increased municipal revenue for Sumner and Pacific combined when compared to the Baseline Scenario.

Exhibit 3 below breaks out the increase in revenue by each City and it is evident that the increase in fiscal and economic benefits is roughly an order of magnitude larger for Sumner than Pacific, due to Sumner occupying a much larger portion of the project area and having more vacant land. This analysis did not address other factors such as location, cost or perceived desirability in determining where growth would occur.

Exhibit 3
Pacific & Sumner Total Increase Annual Revenue (Estimated), 2014 & 2018

Source: Community Attributes 2008.

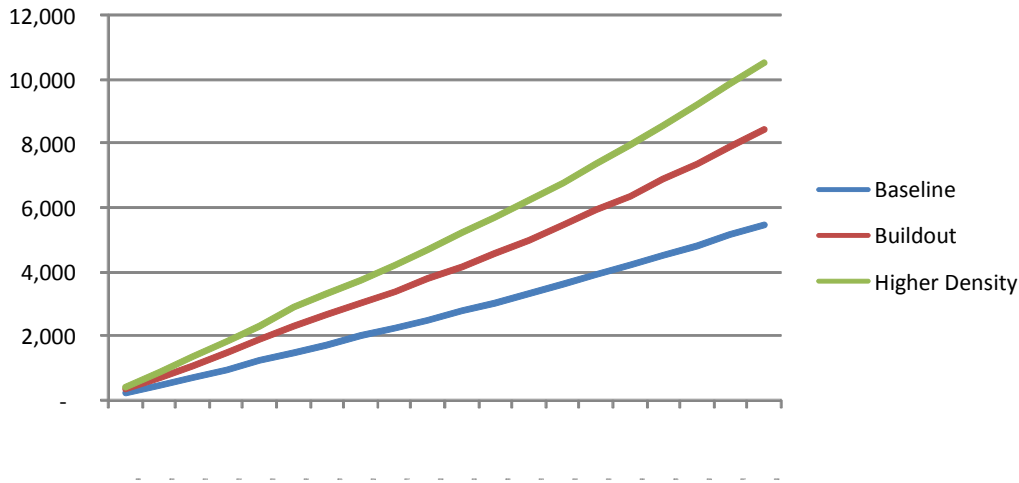
MIC Study Area	2014	2028
Baseline MIC Growth	\$466,761	\$1,864,985
Higher Density	\$824,725	\$3,451,572
Pacific Total Increased Revenue		
Baseline MIC Growth	\$53,501	\$197,822
Higher Density	\$92,296	\$366,517
Sumner Total Increased Revenue		
Baseline MIC Growth	\$413,260	\$1,667,164
Higher Density	\$732,428	\$3,085,055

Job Growth and Wages

Job growth in the MIC sector in Sumner and Pacific is expected to continue to grow at a significantly higher rate than other areas of the region, due to the momentum established in the past several years, location and available land. **Exhibit 4** on the following page summarizes the job growth projections under each growth scenario. Buildout, or the jobs that could be accommodated within the existing MIC study area under existing employment densities, is also included in this exhibit for comparison to show what would happen if all of the existing vacant land in the study area was developed to current job and development densities. As discussed in the Potential Market Forecast Memo, the number of new jobs in the industrial area is not expected to be dependent directly on designation as an MIC. Achieving the 20,000 jobs target under the Higher Density Scenario may require city actions. However, designation as an MIC is likely to at least support an increase and does represent a potential tangible City action towards that goal.

Exhibit 4
Job Growth Projections by Scenario

Source: Community Attributes 2008.



Wages estimated in **Exhibit 2** are derived from countywide annual wages in 2007, presented in **Exhibit 5** below along with a breakdown of jobs by sector. Our forecasts of jobs resulted in a similar mix of jobs by sector. Please see Exhibit 6 in the *Sumner & Pacific Manufacturing/Industrial Center Economic Analysis* memo for an exact breakdown of forecast jobs by sector and additional details and assumptions.

Exhibit 5
Average Annual Wages, Pierce County, 2007

	Average Annual Wage 2007	Proportion of Total Jobs 2008
Constr./Res.	\$46,900	37%
Manufacturing	\$53,100	15%
WTU	\$39,500	39%
Retail	\$22,500	2%
FIRE	\$54,700	1%
Services	\$26,300	5%
Average	\$43,498	100%

Source: Community Attributes 2008.

Opportunity Costs

Foregoing the sales tax revenue and other municipal revenues that would come with retail activity, along with property tax benefits that are comparable to those modeled for the industrial area, are an opportunity cost, to the extent that maintaining and strengthening industrial zoning deters such uses. These costs could be significant, depending on market conditions and other comparable locations. Retail uses in particular generate higher rates of sales tax. The large amount of available land in the study area, combined with the rapidly growing surrounding residential areas and high traffic volumes on SR 167 would appeal to retailers. For these reasons, we are recommending that additional restrictions on retail be targeted to the minimum necessary to meet MIC designation criteria and that the Cities consider the possible re-designation of a limited area (within MIC criteria limits) outside the industrial core for a broader range of uses, including retail.

Transportation Benefits

There are two major sources of outside funding for Transportation Freight Projects in the project area and the region: the Freight Mobility Strategic Investment Board (FMSIB) and Puget Sound Regional Council (PSRC) Surface Transportation Project (STP) Funding. These sources have different criteria for determining eligible projects.

Designation as an MIC is not required for FMSIB funding, however the available evidence suggests that designation as an MIC would tend to strengthen and support the ability of the Cities to receive funding through the FMSIB process. The correlation is primarily that MICs generate truck traffic and FMSIB funds freight projects.

Key points from the most recent round (2008) of FMSIB funding include:

- Total FMSIB in **King County** = \$194.28 million for 15 projects
- FMSIB funding = 10% of total project costs
- Ten FMSIB funded projects are in the MIC's of Duwamish, Kent, and North Tukwila
- These MICs received 40% of FMSIB funding

- Total FMSIB in **Pierce County** = \$45.15 million for 8 projects
- FMSIB funding = 7% of total project costs
- Three of the FMSIB funded projects are within the MIC of Port of Tacoma
- The Port of Tacoma MIC received 67% of FMSIB funding
- Smallest FMSIB grant was \$2.0 million, largest was \$50.0 million

For the STP/Congestion Mitigation Air Quality (CMAQ) transportation funds granted by PSRC, currently 50% goes to designated centers and connecting corridors through the regional competition. The connecting corridor designation only applies to rural areas. Formal designation as a center (e.g. MIC) by the PSRC is required for the Cities of Pacific and Sumner to be eligible for this portion of the funding, which amounted to \$52.03 million in 2006. The other 50% of the dollars available through this process is distributed by formula to the four counties. There is a similar policy focus for the county funds, but a broader definition of centers than in the regional competition. Centers can include a "local center" designated through the local comprehensive plan.

Key findings from the 2006 STP/CMAQ funding cycle include:

- Total PSRC STP funding = \$88.97 million
- Total project funding within MICs = \$29.4, or 33% of STP funds
- Four FMSIB funded projects also received PSRC STP funds
- Smallest was \$2.3 million, largest was \$5.0 million

The PSRC Boards will soon be forming a task force to review the grant application criteria for the next funding cycle. The total amount available will change based on federal appropriations and it is widely anticipated that the criteria will include some aspect of climate change.

However, it is still expected that MIC designation will benefit Sumner and Pacific significantly in terms of increased access to transportation dollars in future STP funding rounds.

Transportation Costs

As stated in the introduction, Transportation Costs, or expected improvements needed to serve anticipated growth under each scenario, were analyzed at a high level based on the scope of this project. Our analysis of the employment growth assumptions contained in the *City of Sumner Transportation Plan* supports a conclusion that both the Baseline and High density scenarios are in line with the assumptions contained City’s existing Plan. No major unanticipated transportation needs are expected based on either the Baseline or Higher Density Scenario. Transportation needs for both the Baseline and Higher Density Scenarios are expected to be similar to those projected in the Sumner Transportation Plan.

Exhibit 6 - Comparison of Employment Figures

Year	City of Sumner Actual Employment	2004 Transportation Plan	MIC Baseline Scenario*	MIC High Density Scenario*
2000	5,965	6,069		
2006	9,826	7,654	8,987	8,987
2007	10,525	7,956	9,225	9,225
2008		8,270	9,470	9,470
2014		10,430	10,970	12,370
2020		14,150	12,523	15,198
2022		14,212	13,088	16,278
2028		17,924	14,940	20,000

***Figures include Pacific employment as well as Sumner employment**

Note: Covered employment in the 2004 Transportation Plan and City of Sumner Employment was adjusted to total employment using 2004 Composite Pierce County Conversion Factor.

We were not able by press time to determine what specific growth assumptions were used by Pacific to assess future transportation demand.

Additional analysis, if necessary, could break out Sumner and Pacific jobs for clearer alignment with the plan. Given the range of assumptions that go into this analysis, however, we do not think that is necessary at this point. The additional increase predicted under the High Density Scenario is not expected to trigger major new public infrastructure investments beyond those included in the existing Transportation Plan. It is important to note that while transportation improvements beyond those included in the current Transportation Plan are not expected within the 6 year timeframe under either the Baseline or High Density Scenario, additional analysis will occur when the Transportation Plan is updated and job growth forecasts should be updated to reflect current estimates and adopted policy goals. Likewise, the analysis of needed improvements will also be updated at that time. The update should specifically include and articulate assumptions for truck traffic and analysis of the related impacts. In particular, pavement condition and the potential impacts of truck traffic on adjacent neighborhoods should be analyzed in detail.

Administrative and Regulatory Costs

Designation as an MIC requires modest additional expenditures by the Cities of Sumner and Pacific in the form of staff time. In addition to the resources required to complete this analysis and potentially the designation process (largely provided by grant funding), additional staff time and coordination at the PCRC and PSRC level will be required. MIC designation will require participation in regional forums and likely a greater commitment to data gathering, growth tracking and planning. Given the current level of Sumner staff involvement and visibility at the regional level, these administration costs are not expected to be particularly significant. However, for a smaller jurisdiction, such as Pacific, with fewer staff and presumably smaller current regional responsibilities, the staff time commitment could be a burden and continued partnership with Sumner should be considered in addressing the minor administrative burden of MIC designation.

Increased development associated with the increased jobs target under the High Density Scenario could result in greater demands on planning and permitting staff. These costs would be partially offset by the permit fees generated, depending on the current model of fee recovery. While we could attempt to quantify based on current permit and financial data from the City or the before/after experience of other Cities that have designated MICs, we do not believe this cost is a significant barrier or merits detailed further analysis. Permit activity cycles, including particularly active permitting periods, have occurred in the recent past and are an expected element of municipal management. A severe and prolonged increase in permit activity could result in the hiring of additional development review staff, and based on observation and experience, potentially permit fee increases to cover the added expense.

As noted in the Existing Conditions Memo, some limited changes to MIC regulations, such as additional zoning restrictions on office and retail uses, will also be necessary to comply with the PSRC and PCRC designation criteria and meet regional goals for the protection of an industrial land base. It is our opinion that these should be targeted to be the minimum necessary to meet the PCRC and PSRC criteria. One approach would be to allow retail and non-accessory office under a condition use permit, with criteria designed to ensure that this use does not absorb a significant area needed to meet industrial job goals and does not negatively impact

current and future industrial operations. Allowing such uses by Conditional Use Permit, as well as zoning a relatively small (less than 20%) of the area to allow unlimited office and retail uses as discussed at the end of this memo, would appear to mitigate potential opportunity costs associated with the potential loss of retail and office uses from the required MIC zoning restrictions. These restrictions will be analyzed further and discussed with the Planning Commission, Staff and City Council.

Our analysis indicates that the limited regulatory changes necessary to comply with MIC designation criteria we anticipate are not expected to have significant costs or benefits if they are properly targeted. Costs associated with analysis and administration of zoning amendments are largely included as part of the scope of work for this project. Additional analysis, including input by City staff on permitting and administration costs, could provide additional information, however, we do not believe these factors are significant enough to merit additional analysis at this time.

Market Position

As stated earlier, factors such as market position and quality of life are probably the most subjective and hardest to measure in the context of this cost benefit analysis. The analysis provided here is therefore inherently qualitative in nature and nearly impossible to verify. It is also preliminary in nature and additional analysis could be provided as needed to support decision making. The Consultant Team intends to interview industrial users to determine current perceptions about market conditions and the needs of industrial users in the study area. Additional analysis of these factors should also occur following Planning Commission, staff and City Council input. Additional analysis will be presented following the collection of this information.

At this time, the Consultant Team has the professional hypothesis that MIC would tend to support and enhance the market position of the area for industrial users. In addition to interviews with stakeholders, a case study or comparative approach could yield additional insights. However, other MICs were designated en masse relatively some time ago, prior to the adoption of formal designation criteria, and after many of them had already reached a greater level of development than currently exists in the study area. Therefore other MICs may not be particularly valid as predictors of what will happen if the Sumner-Pacific area is designated as an MIC.

The City of Sumner had more than 1,850 jobs in Wholesale and Transportation jobs in 2007, representing 20% of all jobs locally. As a percentage share, that is more than twice the share of regional jobs in those sectors, and is certainly more concentrated than in most other cities its size. The City of Pacific, with many fewer jobs overall (2,300 in 2007, versus 9,400 for Sumner), had 62% of its jobs in wholesale and Transportation. The two cities combined have 3,200 jobs out of 11,600, for 28% of total jobs devoted to these sectors.

The concentration of jobs in Wholesale and Transportation show a major regional specialty, but it also shows a local economic vulnerability. During economic downturns that affect shipping, the two cities' job bases would be affected most significantly. To that end both cities would be well served with a thorough understanding of the degree to which volatility in these sectors affects local fiscal concerns and quality of life impacts. Future growth, at least in the short and

medium term, is likely to be more of the same – including a large number of Wholesale and Transportation jobs. Diversification, particularly in Pacific, is an important objective.

Increased industrial development would provide some level of support to service businesses and other businesses in the immediate area, but precise statement regarding the extent and specific nature of this support would require further analysis. Increased job growth will also provide increased local employment opportunities. Indirect costs and benefits would stem from business-to-business spending that occurs in Sumner and Pacific. Induced benefits, which include spending by local employees and residents that would be drawn to the area with the new jobs, could be broken out as well. These have not been analyzed, but would certainly bring benefits to both Sumner and Pacific beyond those identified in the analysis above.

Quality of Life Impacts

Determining quality of life impacts resulting from the designation of the area as an MIC is inherently subjective. Quality of life impacts include both direct and indirect impacts on area residents, commuters and businesses. As noted in the Transportation discussion, increased industrial growth under the Higher Density option will result in an increase in truck traffic that will add to local congestion and deterioration of local roads. Mitigation measures such as the prioritization of transportation improvements designed to minimize truck traffic on adjacent non-industrial areas and strategies to share and address the cost of fixing streets impacted by truck traffic are important for maintaining and improving the quality of life of area residents. Maintaining and enhancing landscape buffers, particularly between industrial and non-industrial areas and important community corridors and gateways is also important to mitigate the impacts of industrial uses on the adjacent community.

Quality of life impacts also include the larger perception of this area as a desirable place to reside and do business in. Here again a non-scientific, comparative approach may give limited insights. Clearly the size of a community has an impact on its ability to be seen as a desirable for a wider range of uses. Communities such as Redmond, Seattle and Tacoma are examples of larger communities with vibrant industrial, residential and retail environments, often with dissimilar uses in close proximity. In certain areas, such as the SODO area of Seattle, the mix of uses in particular, contributes to a vibrant community.

Comparing more similar communities such as Kent, Tukwila and Auburn with the study area could provide some better indications as to the extent and the ways in which industrial development impacts the perception of a community and how that translates into changes in the viability and desirability of that community for other uses. Of note, Tukwila has demonstrated an ability to maintain and grow a healthy retail sector, while simultaneously increasing its industrial and residential uses. While there is a perception and some evidence that retail is not as healthy in some communities associated with industrial activity, such as Auburn, Kent provides an example of a community that has attempted to establish an identity as not only as an industrial center, but recently as an emerging retail and residential center. Addition analysis and information could be provided regarding these examples.

Sumner in particular benefits from an established older downtown area. A historic center is a substantial asset upon which to maintain and build a complex identity that emphasizes stable, attractive housing stock, a historic and attractive downtown and a growing industrial environment. The Sumner downtown is also physically separated from the industrial area. Future freight improvements designed to limit truck traffic in non-industrial area could further distinguish and separate the downtown area from the adjacent industrial growth.

Given its size in particular, it could potentially be harder for the City of Pacific to maintain or build a more diverse identity beyond its current mix of uses, but this requires additional study. Industrial activity in Pacific appears to occur in closer proximity to existing residential uses and future industrial growth will likely displace those uses to a greater extent than in Sumner where displacement of agricultural and rural residential uses has largely already occurred within the study area. Continued proactive efforts to promote a broader identity may be needed if there are local concerns about increased industrial activity dominating daily life and the image of Pacific. While it is clear that the communities of Sumner and Pacific have become increasingly identified with industrial activity, additional analysis could help determine more specifically the impact of this growth on the perception and viability of retail and residential uses in the area.

Summary and Next Steps Discussion

The differences in impacts to Sumner, Pacific and its residents and taxpayers between the Baseline and Higher Density Scenario are relatively limited. Industrial growth has and will continue to come to the area, and the costs of that growth can be expected to be very similar either with or without MIC designation. The benefits associated with the two scenarios analyzed in this memo are similar, but there are key differences, including significant increases in municipal revenue under the Higher Density Scenario. Of particular note, the cities would also benefit from increased access to competitive grant funding sources for transportation improvements if they obtained MIC designation for the area from the PSRC. Designation as an MIC could result in an improvement in the market position of the study area because it will likely bring increased visibility and funding for industrial activities and infrastructure in the area.

From the *Potential Market Assessment* it is clear that the Sumner/Pacific MIC is very close to the 10,000 job threshold established by the Puget Sound Regional Council for designation as an MIC and that no significant action is needed to meet this basic requirement. Modest partial absorption of existing vacant developed sites would allow the area to meet this key threshold in two years based on current employment densities and the baseline growth forecast. The area will also meet the 20,000 job target established by the PSRC at some point in the longer term, although most conservative estimates indicate that this may not occur for more than 20 years.

To the extent that the City may want to accelerate industrial growth and job density to generate increase economic and fiscal benefits or meet the 20,000 job target, these increases can be expected to result in other more limited costs and benefits of the two scenarios that should also be considered. A Higher Density scenario that achieves the MIC jobs target of 20,000 by 2028 would require both absorption of vacant land and redevelopment of low-density sites in the study area. The combination of the two would create increased job densities similar to those in the North Tukwila MIC, thus achieving the job target. However, if vacant land alone is to be developed to achieve these densities, then development densities closer to Kent would be required. The Higher Density scenario may require assertive economic development efforts, perhaps including market incentives, outreach efforts, tax incentives, or infrastructure investments other efforts beyond those which might be needed to accommodate the otherwise expected growth to attract roughly 5,000 more jobs than shown in the Baseline Scenario.

Our initial discussions with PSRC indicate that Sumner and Pacific are not required to demonstrate that the study area will achieve the 20,000 job target by 2028 based on the current PSRC forecast. If PSRC requires that the target be reached within a typical GMA long range planning timeframe (e.g. 20 years), then additional actions beyond what has been

planned (with associated costs & benefits) may be needed on the part of the Cities to demonstrate an ability and willingness to meet the target. However we feel this is unlikely and that planning for a target within the range of Scenario #1 and Scenario #2 probably represents reasonable planning assumptions that are consistent with MIC designation criteria. Above all, designation as an MIC will bring increased access to transportation funding, which remains the single best reason to pursue this designation.

Optimization of Benefits

As noted in the introduction of this memo, additional changes beyond those required for consistency with the PCRC and PSRC, could yield additional benefits for the Cities of Sumner and Pacific. Allowing a portion of the study area, no more than 20% as allowed under the PSRC criteria, to be designated, zoned and used primarily for non-industrial development, could increase municipal revenues associated with development within the study area. These uses could include retail and residential development. Retail development in particular would yield greater sales tax revenue than the industrial development currently existing in the study area. Based on our initial review, there appears to be a potential market for such uses. Vacant and underdeveloped lands in Pacific and Sumner that are located east of the Stewart Street interchange appear to be a possible and viable location for such uses. It appears that this area would offer a different type of retail opportunity than currently found in traditional downtown areas. Additional analysis should be conducted to determine how development in that location or other locations would impact the community, including existing retail and residential areas of Sumner and Pacific.

Next Steps and Questions for Discussion

The intent of this analysis is to present the preliminary findings of the consultant team and initiate additional discussion among members of the Planning Commission about the costs and benefits associated with additional industrial development and MIC designation. Additional outreach, including interviews with industrial users, will be conducted to examine some of the more qualitative factors presented in this analysis and potential new concerns for discussion.

Key questions for Planning Commission Discussion include:

1. What factors are missing from this cost/benefit analysis that should be considered?
2. Is additional analysis of an issue or factor necessary to inform sound decision making regarding the decision to pursue MIC designation? If so, which factors?
3. What questions or concerns are there about placing additional restrictions on office and retail uses within the core industrial area to satisfy MIC designation criteria?
4. What were the original goals of zoning the study area for manufacturing and industrial development? Have they been achieved?
5. If additional economic diversification, such as retail uses, would bring enhanced benefits such as sales tax revenue, should this be considered in limited areas outside the core industrial area?
6. What questions and concerns are there about adjusting the comprehensive plan designations and zoning in limited portions of the study area to encourage a broader range of uses?

The following table summarizes the costs and benefits analyzed in this study to date.



Benefit/Cost Summary Scorecard

The tables below summarize the various costs and benefits of two scenarios: 1) Baseline and 2) Higher Density (MIC with Accelerated Growth)

Cost or Benefit Item to be Analyzed	Baseline Scenario	High Density Scenario	Net difference and Key Notes
<i>Job growth and wages (Benefit)</i>	1,500 new jobs would be created by 2014 and 5,470 jobs by 2028. Job growth in MIC sector in Sumner/Pacific is expected to continue to grow at a significantly higher rate than other areas of the region, due to the momentum established in the past several years, vacant land and comparative market advantages.	2,900 jobs would be created by 2028 and 10,530 new jobs would be created by 2028 under this scenario.	The Higher Density Scenario would yield 2,400 more jobs by 2014 and 5,060 more jobs by 2028 than the Baseline forecast with an average annually wage of \$44,162. Job mix and wages are expected to be similar to existing, but higher employment densities could mean a greater percentage of office jobs which generally pay more.
<i>Property Tax Revenue (Benefit)</i>	Property tax revenue would increase by only a limited amount (approximately \$83,000) by 2014 because much of the growth during this period would be absorbed by existing vacancies and only limited new improvements would be constructed that would generate property tax revenue. The increase in property tax revenue would accelerate and would amount to approximately \$211,000 annually by 2028 as new improvements were constructed to accommodate demand.	The increase in property tax revenue would be very similar to the Base scenario in the first six years. It would increase by only a limited amount (approximately \$83,000) by 2014 because much of the growth during this period would be absorbed by existing vacancies and only limited new improvements would be constructed that would generate property tax revenue. The increase in property tax revenue would accelerate and would amount to approximately \$337,000 annually as new improvements were constructed to accommodate demand.	While the difference would be very limited during the first six years due to increases in job growth being accommodated through absorption of existing vacancies, by 2028, the Higher Density Scenario would amount to approximately \$126,000 in increased property tax revenue for Sumner and Pacific.

Cost or Benefit Item to be Analyzed	Baseline Scenario	High Density Scenario	Net difference and Key Notes
<i>Sales Tax Revenue (Benefit)</i>	Forecast growth under this scenario would result in an estimated increase of approximately \$166,000 by 2014 and \$860,000 by 2028.	Forecast growth under this scenario would result in an estimated increase of approximately \$321,000 by 2014 and \$1,586,000 by 2028.	Sumner and Pacific would each receive a portion of Washington State Sales Tax revenue from direct construction operations and from ongoing operations stemming from businesses in the study area. While retailers traditionally pay greater amounts of sales tax, all sectors pay sales tax in varying ways. The difference between the Scenarios in the amount of expected sales tax revenue is significant. It would amount to \$155,000 by 2014 and \$726,000 by 2028.
<i>Utility Tax Revenue (Benefit)</i>	Utility taxes are collected via a city tax on the income of utility companies serving customers in the city. Utility taxes are expected to increase by approximately \$218,000 by 2014 and \$794,000 by 2028 under the base forecast.	Utility taxes are expected to increase by approximately \$421,000 by 2014 and \$1,529,000 by 2028 based on the High Density Scenario.	Utility tax revenue estimates are based on job growth and the higher job density scenario produces a higher level of utility taxes than the baseline development scenario. The difference is expected to be significant, with an additional \$203,000 expected by 2014 and \$735,000 by 2028 if growth is consistent with the High Density scenario.
<i>Transportation Infrastructure Funding (Benefit)</i>	The study area is currently not eligible or not competitive for 50% of the PSRC STP category of grant funding. Cities can still apply for some grants and current competitiveness would not be affected. Pacific and Sumner have had limited success with obtaining grants for infrastructure.	Net benefit expected. MIC designation can be expected to make Sumner and Pacific more competitive for infrastructure grant funding to support the area.	This difference is significant. This is thought to be the largest single factor and may be the largest net benefit for designation.

Cost or Benefit Item to be Analyzed	Baseline Scenario	High Density Scenario	Net difference and Key Notes
<p><i>Economic Diversity and Position (Benefit and Cost)</i></p>	<p>Employment is expected to grow based primarily on market factors. The area will continue to grow and possibly diversify its industrial job base as a result of available land and location near transportation routes, major markets and importantly, The Port of Tacoma.</p> <p>This area is likely to see its growth accelerated by increased traffic and expansion at the Port of Tacoma because of its strategic location and the availability of large tracts of flat serviced land.</p> <p>Diversification of industrial and manufacturing uses should be encouraged. This may be difficult given market conditions favoring warehousing and transloading in this area. In particular, a transition towards more flex-tech development which includes a manufacturing and office component would be desirable.</p>	<p>MIC designation is expected to increase the awareness of the study area. MIC designation will give this area some increased measure of regional significance and over time can be expected to give Sumner and Pacific a larger perceived place in the region. Although difficult to measure, it can be expected that this would be expected to modestly enhance the position and attractiveness of this location for industrial and manufacturing uses.</p> <p>Rapidly increased industrial growth could possibly impact perceptions about the desirability of surrounding areas for other uses, such as the growth of retail and housing. Alternatively, an increase in jobs could support neighboring retail and housing growth. The project team will conduct interviews with local businesses and real estate professionals to explore this further.</p>	<p>The High Density Scenario within increase job growth and additional development would enhance the position of the study area as a desirable location for the current types of industrial activities. However the net impact of designation in and of itself is expected to be relatively modest and likely impossible to measure. Anecdotal information from the experience of other MICs offers limited useful information.</p>

Cost or Benefit Item to be Analyzed	Baseline Scenario	High Density Scenario	Net difference and Key Notes
<p><i>Transportation Needs (Costs)</i></p>	<p>Our analysis of the employment growth assumptions contained in the City of Sumner Transportation Plan supports a conclusion that both the Baseline and High density scenarios are in line with the City’s existing transportation plan. No major unanticipated transportation needs are expected based on either the Baseline or Higher Density Scenario. Transportation needs for both the Baseline and Higher Density Scenarios are expected to be similar to those projected in the Transportation Plan.</p> <p>We were not able by press time to determine what specific growth assumptions were used by Pacific to assess future transportation demand in their Transportation Plan. We will work with the City of Pacific to verify our understanding of the methodology and findings contained in their Transportation Plan.</p>	<p>The City of Sumner has forecast expected job growth and expected infrastructure needs. MIC designation in itself is not expected to significantly increase infrastructure needs beyond planned capacity, but this should be analyzed further during comprehensive plan updates. Analysis of employment targets in the existing Transportation Plan has determined that the planning targets are generally consistent with those used in the Baseline scenario. Since the Transportation Plan timelines do not coincide perfectly with MIC planning, any changes to Transportation Plans would likely occur conveniently with the cities’ next update of the Plans.</p>	<p>Our analysis confirms that the City of Sumner’s Transportation Plans substantially accounts for expected growth so infrastructure costs under either scenario are expected to be similar.</p> <p>We were not able by press time to determine what specific growth assumptions were used by Pacific to assess future transportation demand in their Transportation Plan. We will work with the City of Pacific to verify our understanding of the methodology and findings contained in their Transportation Plan.</p>

Cost or Benefit Item to be Analyzed	Baseline Scenario	High Density Scenario	Net difference and Key Notes
<p><i>Other Infrastructure Needs (Costs)</i></p>	<p>The City Sewer Plan assessed future demand for wastewater services based on two independent methods, one that looked at population and the “land use method” which calculates the total service area wastewater flows based on the type of land use and the “percent buildout of land within the Sumner UGA” - both came to the same conclusions about needed improvements.</p> <p>The City Water Plan also used two methodologies for calculating future water demand. One method assumed an annual increase of 3.5 percent per year and one assumed full buildout of the existing land use designations – both came to the same conclusions about needed improvements.</p> <p>Although the Cities assumptions regarding buildout have not been determined, our analysis of buildout is expected to result in approximately 17,900 jobs in the study area, which is higher than the jobs expected in the Baseline scenario. Therefore, development under the Baseline Scenario is not expected to exceed the planned capacity identified in the City Sewer or Water Plan.</p> <p>We were not able to determine what specific growth assumptions were used by Pacific to assess future water, sewer and stormwater demand. Existing deficiencies and current demand are noted.</p> <p>Stormwater impacts in Sumner are not expected to be more significant from the Baseline Scenario. Pacific appears to have a less developed stormwater infrastructure and greater existing deficiencies. This need could be assessed further.</p>	<p>Development under the Higher Density scenario is not expected to be significantly different than the growth projections used in the City Sewer and Water Plan. However, this should be confirmed during the next update of these plans.</p> <p>Stormwater impacts in Sumner are not expected to be significant from the Higher Density Scenario. Mitigation associated with development (improvements consistent with adopted stormwater manuals) can be expected to largely address increase stormwater demands.</p> <p>Pacific appears to have a less developed stormwater infrastructure and greater existing deficiencies. This need could be assessed further.</p> <p>We will work with both Cities to verify our understanding of the methodology contained in their Sewer and Water Plans.</p>	<p>The Higher Density Scenario can be expected to generate increased demands on infrastructure, such as water, sewer and stormwater. Based on our review of the Sumner Water and Sewer Plan, these are not expected to significantly exceed the growth estimates upon which these Plans are based. The most level of increased employment growth expected under the Higher Density Scenario when compared to buildout if an issue would not occur until the end of the 20 year planning horizon. In addition, system connection charges and other fees can be expected to mitigate some of the impacts of increase system demand. Project specific mitigation through SEPA can also be used to address deficiencies not addressed through system charges.</p> <p>We were not able to determine what specific growth assumptions were used by Pacific to assess future water, sewer and stormwater demand. Existing deficiencies and current demand are noted.</p>

Cost or Benefit Item to be Analyzed	Baseline Scenario	High Density Scenario	Net difference and Key Notes
<i>Administration (Cost)</i>	No change. Current costs for regulating and administering the planning and regulation for this area will continue and will fluctuate based on market factors and City initiatives.	<p>MIC designation will require participation in regional forums and a greater commitment to data gathering, growth tracking and planning.</p> <p>Increased development associated with increased jobs targets could result in greater demands on planning and permitting staff.</p>	Administration costs are not expected to be significant. Permit volume may be an issue, but there are established ways of dealing with it presumably and most permit models have some level of cost recovery or can be tweaked to have greater cost recovery. We may be able to quantify this based on permit projections or the before/after experience of other Cities that have designated MICs, but we do not believe that this factor is significant or merits further analysis.
<i>Office and Retail Employment (Opportunity Costs)</i>	Sumner and Pacific currently allow professional and business offices as permitted uses without size limits in their industrial and manufacturing zones. The limited presence of this use currently speaks to the limits of market demand. However, there is a potential that new restrictions necessary to comply with MIC criteria could limit future expansion of this use and associated benefits, particularly if the restrictions are not targeted to be the minimum necessary.	MIC designation criteria require that jurisdictions discourage office and retail uses and associated jobs that are not related to industrial activity and place limits on the size of them unless they are accessory to a manufacturing or industrial use. This has at least the potential to discourage office uses which often have high wages.	Low risk that the potential loss of future office employment is a significant opportunity cost of MIC designation. Based on our market analysis, current demand for non-related office uses is not strong in the project area. The potential opportunity cost of lost office employment and related benefits due to MIC designation could be mitigated by placing the minimum necessary restrictions on office and retail to comply with the criteria, e.g. conditional use permit , size and maximum % limits to allow limited additional growth while still complying with PSRC and PCRC requirements.

Cost or Benefit Item to be Analyzed	Baseline Scenario	High Density Scenario	Net difference and Key Notes
<p><i>Quality of Life (Costs and Benefits)</i></p>	<p>The study area is currently recognized regionally as an important industrial area. This is not expected to change and this perception is likely to increase. Both Sumner and Pacific appear to have stable and healthy residential populations. Sumner in particular is known for its attractive and vibrant historic downtown.</p> <p>It is likely that the perception of the area as an industrial center will increase. Unless increased truck traffic is mitigated through planned road and freeway interchange improvements, the increase in industrial activity is likely to be perceived by the community as a negative impact on the quality of life and the residential and retail environments. Sumner in particular benefits from a greater land area and a greater separation between industrial activity and other uses.</p>	<p>Perception as an industrial area is likely to increase to a greater extent with MIC designation and the increase job growth under the Higher Density Scenario. This may pose challenges for the cities, particularly for Pacific, to maintain and enhance a more diverse image and range of uses. However, given the location near major transportation routes, it is likely that these uses will also thrive over time to the extent that areas are available to meet this demand. The acceleration of industrial growth can support retail and residential uses in the community to some extent. However, it will be important to also maintain and enhance efforts to promote the traditional areas and uses in Sumner and Pacific.</p>	<p>No clear differences in quality of life between the two scenarios. This analysis is inherently very subjective. While industrial development to some extent supports and benefits other sectors of the community, it is likely that the perception of the area as an industrial center will increase. Unless increased truck traffic is mitigated through planned road and freeway interchange improvements, the increase in industrial activity is likely to be seen as a negative impact on the quality of life and the residential and retail environments. Sumner in particular benefits from a greater separation between industrial activity and other uses.</p>