NOTICE OF SPECIAL MEETING
Joint City Council Meeting
City of Pacific and City of Sumner

October 12, 2017

NOTICE IS HEREBY GIVEN that on MONDAY, OCTOBER 16, 2017, at 6:00 p.m.,
the City Council will hold a JOINT CITY COUNCIL MEETING at Sumner City Hall,
1104 Maple Street, Sumner, WA, 98390.

The Councils will discuss plans for the joint Manufacturing Industrial Center to provide
an overview of the overall planning process, present findings from outreach and
market analysis, and review and confirm the vision for the area.

For further information regarding this joint meeting, you may contact the Community
Development Manager at 253-929-1107 or by email at jdodge@ci.pacific.wa.us.

Amy Stevenson-Ness
City Clerk
City of Pacific
Sumner-Pacific MIC Subarea Plan

Joint Council Meeting

October 16, 2017 | 6:00-6:45 pm | Sumner City Hall

Agenda

6:00-6:05 pm    Introduction to Subarea Plan    Ryan Windish, City of Sumner
                 Jack Dodge, City of Pacific

6:05-6:30 pm    Subarea Planning Process Update Presentation    Radhika Nair, BERK Consulting

  ▪ Introduction to MIC Subarea Planning
  ▪ Overall Timeline
  ▪ Summary of market analysis
  ▪ Engagement Findings and next steps
    ▪ Online Survey
    ▪ Interviews
    ▪ Advisory Committee
  ▪ Concept and vision for the MIC

6:30-6:45 pm    Discussion and Comments    All
MEMORANDUM

DATE: October 12, 2017

TO: Sumner City Council and Pacific City Council

FROM: Radhika Nair, Senior Associate

RE: MIC Subarea Plan Update

Introduction

PSRC has recognized the unique needs of industrial businesses and the regional importance of industrial subareas through its manufacturing and industrial centers (M/ICs) framework. This framework has been in place for over twenty years as a mechanism to focus growth, prioritize transportation investments, and create vibrant urban neighborhoods. MICs are locations of intensive employment with large facilities for the production and assembly of goods and areas suitable for outdoor storage. In April 2016, PSRC approved a provisional designation for the Sumner-Pacific Regional Manufacturing/Industrial Center, the ninth such center in the region. Designation procedures require the cities of Sumner and Pacific to adopt a center subarea plan as part of their comprehensive plans no later than two years after designation.

In addition to meeting PSRC’s regional designation requirements, a collaborative subarea planning process is an opportunity for the cities of Sumner and Pacific to explore and flesh out strategies to enhance its vibrant and successful industrial center. These may include strategies to accommodate employment growth, preserve industrial land and infrastructure resources, address environmental restoration and focus local investments to improve the mobility of people and goods.

SUBAREA PLANNING PROCESS

BERK has been working closely with the cities on the subarea plan since July 2017. Topics addressed so far in the planning process include the following:

- Engagement with MIC businesses and employees
- Online Survey
- Interviews
- Advisory Committee
- Summary of market analysis of development potential for the center
- Concept and vision for the MIC
PURPOSE OF THIS MEETING

The purpose of this meeting is to provide an overview of the overall planning process, present findings from outreach and market analysis, clarify if any additional outreach is needed, as well as review and confirm the vision for the area.
TO: Mayor Guier and City Council Members
FROM: Jack Dodge, Community Development Manager
MEETING DATE: October 16, 2017
SUBJECT: Joint Meeting with Sumner City Council – MIC Sub-Area Plan Update
Sumner City Hall

ATTACHMENTS: 1. Sumner-Pacific Manufacturing-Industrial Center Market Assessment – Community Attributes Inc. - CAI

Planning Commission: None
Council: None

Summary:

Background

The cities of Pacific and Sumner receive provisional approval of the Sumner-Pacific Manufacturing Industrial Center (MIC) from the Puget Sound Regional Council (PSRC) in April of 2016. As part of the approval, the PSRC required Sumner and Pacific to update the Sumner-Pacific MIC Sub-Area Plan by April of 2018.

The cities of Pacific and Sumner hired BERK Consultants and Community Attributes Inc. (CAI) to update the Sub-Area Plan. CAI was hired specifically to provide the MIC Market Assessment. The draft assessment by CAI is attached (Attachment 1) for your review.

October 16, 2017 Joint Meeting with Sumner Council.

The joint meeting with the Sumner City Council will begin a 6:00 pm at the Sumner City Hall Council Chambers. The meeting will last approximately 45 minutes to one (1) hour. Staff and consultants will provide a summary of the progress to date on the Sub-Area Plan and a summary of the key market assessment points as provided by CAI. A question and answer session will follow the presentation.
Sumner-Pacific
Manufacturing-Industrial
Center Market Assessment

September 13, 2017
DISCUSSION DRAFT

Submitted to:

Submitted by:

community attributes inc
Community Attributes Inc. tells data-rich stories about communities that are important to decision makers.

President and CEO
Chris Mefford

Analysis
Bryan Lobel
Spencer Cohen
Mark Goodman
Kristina Gallant

Community Attributes Inc.
1411 4th Ave., Suite 1401
Seattle, Washington 98101

www.communityattributes.com
INTRODUCTION

Background and Purpose

The cities of Pacific and Sumner commissioned a market analysis and cost-benefit assessment of the designation of 2,100 acres of industrial lands in south Pacific (Pierce County) and northern Sumner as a Regional Manufacturing / Industrial Center (MIC) in 2008. In April of 2016, the Puget Sound Regional Council (PSRC) provisionally designated the Sumner-Pacific Regional MIC (SPMIC), pending completion of a required Subarea Plan to be completed within two years. Today, with support from the PSRC, the cities are preparing a market study for the SPMIC.

This market study provides regional economic context to inform SPMIC strategic decision-making with a greater understanding of demand and opportunities. The study assesses emerging opportunities and challenges in transportation, distribution, and logistics (TDL), including automation and small-scale industrial trends, as well as opportunities in other industry sectors with a presence in the MIC.

The market analysis provides grounding for the feasibility of development types and opportunity sites. The analysis frames SPMIC’s comparative advantages within the region with both near-term and long-term horizons.

Methods

This report relies on analysis of existing and published data sources, supplemented by custom data queries of economic data by local government officials, and supplemented by interviews with expert stakeholders in industrial land for Pierce County and the region.
Organization of Report

The report is divided into three parts. Part 1, Findings and Opportunities, presents the qualitative assessment of the opportunities and challenges of industrial development of the SPMIC. Part 2, Technical Analysis, provides the data and analysis that support the findings. The analysis examines regional trends and forecasts in the context of regional economic strategies to understand where regional priorities may shape industry growth in the long-term. Near-term analysis assesses real estate market conditions and localized land, infrastructure, and other conditions. Part 3 presents employment absorption scenarios that link findings from near-term and long-term analysis. The report is organized as follows:

Part 1. Findings and Opportunities

- Trends & Opportunities Affecting SPMIC
- Comparative Advantages
- Employment Scenarios

Part 2. Technical Analysis

- Existing Conditions Overview
- Regional Employment Trends
- Development Feasibility Factors

Part 3. Absorption Scenarios

- Scenario 1.
- Scenario 2.
PART 1. FINDINGS AND OPPORTUNITIES
Trends & Opportunities Affecting SPMC

While established local and regional industry strengths are reflected in the Sumner-Pacific MIC, key trends will increasingly influence and shape the development and composition of the area in the years to come.

• Local & Regional Strengths. Local and regional industrial strengths center around the warehousing, transportation and utility (WTU) sector, as well as population-driven industrial sectors, such as residential, commercial, and civil construction. Food & beverage processing and wholesaling, wood product and furniture manufacturing, and aerospace manufacturing are also prominent in the MIC.

• Automation in Manufacturing & TDL. Profound productivity increases in recent decades in manufacturing and distribution related to automation are changing the playing field for firms in the region and SPMC. Employment density may decline, but resultant productivity increases may grow the sector, off-setting reduced densities. Hiring has already begun shifting toward higher-skilled, tech-savvy workers and may give this region an edge over other industrial regions. Distribution and some manufacturing are moving closer to markets – including the large consumer markets of the central Puget Sound.

• Small-Scale Industrial Opportunities. A major trend in domestic manufacturing is involves increasingly small-scale production models, including “craft” or artisanal production, and local production, distribution and services. These typically employment-dense activities are critically dependent on industrial centers for diverse, affordable space; industrial services and peers; and access to local and regional markets.

Local & Regional Strengths

Local and regional industrial strengths include established industries and emerging clusters that are growing in regional prominence, shown in Exhibit 1. Industries with location quotients greater than 1.0 (vertical axis) are industries that have a greater concentration in Pierce County than elsewhere in the region – most notably Warehousing, Transportation and Utilities (WTU), and Construction / Resource sectors. The WTU sector, associated with major SPMC employers such as REI, Costco, and Amazon, is significantly concentrated in the County with a location quotient of 1.19. This equates to approximately 1.19 WTU jobs in Pierce County for every WTU job in the region. On top of the relative concentration advantage, this sector has also shown strong growth in Pierce County from 2000-2015, at 3.0% year over year. Construction and resource sector employment – including such SPMC civil and commercial construction firms as Parsons RCI, and Potelco, are even
more concentrated in Pierce County, with a location quotient of 1.23. This sector has grown at 1.1% year over year.

Exhibit 1
Pierce County Competitive Sectors, 2015

![Diagram of Concentration and Growth Rates]

Note: FIRE refers to Finance, Insurance, and Real Estate; WTU is Warehouse, Transportation, and Utilities; Const/Res is Construction and Natural Resources.

While manufacturing has declined at a rate of 1.6% from 2000-2015, and is significantly less concentrated in Pierce County than in the region, it nonetheless represents significant employment in the MIC (Exhibit 2). Manufacturing industries thriving in the area include food and beverage processing and wholesaling firms, with McDonald’s suppliers Golden State Foods and Pacific NW Baking, as well as Shining Ocean Seafood, Marine View Beverage (a large regional beer and wine distributor) and others. Wood product and furniture manufacturing employs over 500 people at companies such as Manke lumber, Sonoco paper, and The Truss Company. Aerospace manufacturing firms employ over 300 people in the MIC at AIM Aerospace, Composite Solutions, and Norfil.
Exhibit 2
Select Sumner-Pacific Industry Sectors & Industries

<table>
<thead>
<tr>
<th>Manufacturing &amp; WTU</th>
<th>Establishments</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation, Distribution, Logistics (TDL)</td>
<td>71</td>
<td>3,404</td>
</tr>
<tr>
<td>Food &amp; Beverage Processing &amp; Wholesaling</td>
<td>14</td>
<td>644</td>
</tr>
<tr>
<td>Wood Product &amp; Furniture Manufacturing</td>
<td>8</td>
<td>538</td>
</tr>
<tr>
<td>Aerospace Manufacturing</td>
<td>6</td>
<td>337</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Construction &amp; Resource</th>
<th>Establishments</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil &amp; Infrastructure Construction</td>
<td>12</td>
<td>887</td>
</tr>
<tr>
<td>Comm'l &amp; Res'l Construction &amp; Contractors</td>
<td>22</td>
<td>552</td>
</tr>
</tbody>
</table>


Automation in Manufacturing & TDL
Since 2000, the U.S. has lost more than 5 million factory jobs. At the same time, U.S. production has been growing steadily (though unevenly across individual sub-sectors) since nearly the founding of the country. From 2006 to 2013, “manufacturing grew by 17.6%, or at roughly 2.2% per year,”¹ according to a recent report from Ball State University. There is a widespread assumption that the decline in industrial employment is a result of the “off-shoring” of manufacturing jobs to overseas locations (though, more recently, rising labor and transportation costs in Asia and fears of intellectual property theft are bringing work back to the West).

In fact, the greatest single factor behind the stagnation and decline of U.S. manufacturing employment in recent decades is automation and increased productivity. The study reports that while trade accounted for 13% of lost U.S. factory jobs, **88% of the jobs were taken by robots and other factors at home.** While initial gains in productivity were driven by information technology, the changes in recent decades related to automation have been profound: researchers calculated that if 2000-levels of productivity are applied to 2010-levels of production, the U.S. would have required 20.9 million manufacturing workers instead of the 12.1 million actually employed².

“Video cameras guide robot arms with yoga-like flexibility through feats well beyond the capability of the most dexterous human… so fast that they must be enclosed in glass cages to prevent the people

¹ Michael J. Hicks and Srikant Devaraj, The Myth and the Reality of Manufacturing in America (Muncie, Ball State University, 2015 & 2017), 3.
² Hicks and Devaraj, The Myth and the Reality of Manufacturing in America, 5.
supervising them from being injured. And they do it all without a coffee break – three shifts 365 days a year.” – NY Times.

Current automation in manufacturing and distribution takes many forms, from internet-connected devices to machine learning and robotics. Well known examples in the Puget Sound region include Amazon’s advance robotics in its 8th generation fulfillment center in DuPont, and Boeing’s robot riveters – the Fuselage Automated Upright Build system – at its 777 factory in Everett.

While the robots in auto factories typically perform only one function, in the new Tesla factory in Fremont, California, robots do up to four: welding, riveting, bonding, and installing a component. Source: Paul Sakuma, Associated Press.

Profound changes in distribution include super-fast robots that can store, retrieve and pack goods for shipment far more efficiently than people – and even (coming soon) autonomous vehicle startups targeting the trucking industry.

The implications of all this for manufacturing and distribution – and public-sector efforts to augment their impact on local economies – are numerous and, often, contradictory. If a robotic manufacturing system initially cost $250,000 and replaced two machine operators, each earning $50,000 a year – over the 15-year life of the system, the machines would yield $3.5 million in labor and productivity savings. This savings translates to increased competitiveness, and growth – leading to more hiring and off-setting some of the reduced employment related to automation in the first place. Yet the kind of hiring taking place has changed – skilled labor is now at a premium. Tech savvy workers able to design, operate, and service assembly lines, robots, and industrial processes are now in great demand as programming and automation talent is replacing low-cost
labor as key drivers of manufacturing competitiveness. This has even led to chronic labor shortages in many industries as workers’ skills are increasingly mis-matched to industry needs.

At the same time, robots will help companies and brands move manufacturing and distribution closer to markets. This proximity, plus nimble, agile manufacturing environments designed to satisfy niche, quick-turnaround demand will increasingly decelerate the global search for cheap labor. Direct store distribution will continue to decline in favor of centralized distribution and real-time inventory management as companies increasingly compete with e-commerce retailers in consumer goods and food. And some jobs will still remain beyond the reach of automation – including construction jobs that require workers to move in unpredictable settings and perform different, non-repetitive tasks; assembly work that requires tactile feedback; and small-batch assembly or where numerous different versions of product are made concurrently.

Small-Scale Industrial Opportunities
While large-scale manufacturing of complex and commodity products will continue, especially in more automated forms and overseas, a growing share of manufacturing is shifting toward various types of small-scale production. One trend in manufacturing is focused on urban areas with niche markets and is comprised of small-batch “craft” production of specialized or custom products. Such artisanal production, including the so-called “maker movement,” takes place inside city limits where access to urban markets, creative and tech entrepreneurs, and industry peers is paramount. Breweries, specialty furniture, interior fixtures, boutique apparel and jewelry, and outdoor recreation equipment are some local examples of small-scale craft production.

There are other small-scale industrial activities that locate in urban or metropolitan industrial areas primarily to serve other up- or down-stream industrial producers – including industrial services and repair, metal fabricators and machine shops – or non-specialty regional markets where proximity is required – including local food processors, bottlers and wholesalers, and commercial, residential and civil construction contractors and builders.

Industrial areas play an important role as locations for both kinds of small-scale production. While commercial land is increasingly able to absorb cleaner, lower-impact forms of production, some processes such as metal fabrication are inherently higher-impact and require buffering from residential zones. The movement of heavy equipment and materials in and out of construction yards is another example. Co-location with industrial services, repair, and fabrication – as well as other producers in like or related industries – is a major advantage to small-scale producers.
Finally, affordable land and fabrication spaces are usually concentrated in these areas – an absolute necessity for most small-scale producers.

Industrial areas also serve as de facto incubator spaces for small scale producers. The SPMIC and other industrial centers typically concentrate a variety of market-rate small space configurations within industrial condos (such as SPMIC’s 24th Street Business Park) and sub-divided buildings (such as the ProLogis facilities on 142nd Ave.). Small producers and entrepreneurs will often utilize such facilities at the beginning and during growth stages along the way to “graduating” to larger companies (Theo Chocolates in the Fremont area is one example). Small-scale industrial users also tend to make far denser use of space within such buildings from an employment standpoint. In the 24th Street Business Park, for example, average employment density approaches nearly 30 jobs per acre - a far greater rate than the average for the SPMIC of around 5 jobs per acre.

![Image of Sumner-Pacific MIC’s 24th Street Business Park South, Building B.]

### Sumner-Pacific MIC Comparative Advantages

SPMIC’s location within regional economic centers, and its proximity to Interstate 5 and I-90 is a significant comparative advantage. State Routes 167, and 512 connect the MIC directly to I-5 – the west coast’s principal interstate freeway - via three interchanges within a half mile of the MIC, connecting the area to British Columbia in the north and to the Seattle metro, Oregon and California in the south. SR 167 also connects the MIC directly to I-90 via SR 18, and eastern Washington via SR 410 over Chinook Pass.

The SPMIC is traversed and served by two Class I freight mainlines – the Union Pacific, and BNSF. The Union Pacific connects to the Port of Tacoma’s TacSim intermodal yard, while BNSF connects to the Port’s
East Yard, as well as the short-line Tacoma Rail system to the south. These connections represent a potential advantage to transportation, distribution, and logistics firms locating in the area. In addition, SPMIC’s greatest comparative advantages include the following:

- Presence of land available that is well-buffered from residential uses.
- Access to a large, diverse labor pool.
- Strong multimodal transportation access.
- Diverse, newer, high-quality building stock.
- A regulatory environment with certainty of regulations established.
- Vibrant industry agglomerations in the area.

**Sumner-Pacific MIC Absorption Scenarios**

- **Scenario 1. Growth Target Absorption.** This scenario models how and where the MIC might absorb the minimum share of Pacific and Sumner’s twenty-year employment growth targets necessary for total MIC employment to exceed 20,000. Targeting future development with higher developed employment densities in limited areas could reasonably accommodate 8,385 new jobs in the next twenty years.

- **Scenario 2. Continued Share of County Growth.** This slightly higher-growth scenario is based on SPMIC’s strong share of Pierce County employment growth for the period 2010-2015. If the MIC continued along this trajectory, it could add 9,329 jobs by 2040, for a total of 20,944. It is likely that new development in select areas will occur at a higher built intensity than legacy uses, enabling the MIC to absorb greater employment levels.
PART 2. TECHNICAL ANALYSIS
Existing Conditions Overview

Definition and Location
The Sumner-Pacific Manufacturing Industrial Center (SPMIC) consists of 2,160 acres located predominantly within the valley of the White River, along the northern border of central Pierce County in Washington state (Exhibit 3). SPMIC includes 209 acres (10%) within the Pierce County portion of the City of Pacific, and 1,950 acres (90%) within the City of Sumner. This study will also examine the recently-added 164-acre former Sumner Meadows Golf Course property within the northeastern zone of the MIC within the City of Sumner.

Exhibit 3
Sumner-Pacific Manufacturing / Industrial Center, 2017
Manufacturing Industrial Center Designation

SPMIC was provisionally designated as a regional Manufacturing / Industrial Center in April, 2016. Prior to this, SPMIC was a designated countywide Manufacturing Industrial Center, a regional planning classification for the Puget Sound Regional Council. Countywide MICs are recognized first in comprehensive plans and then in countywide planning policies. When countywide MICs meet minimum thresholds and have done significant planning they may apply to receive a regional designation. Prior to SPMIC’s provisional regional designation, PSRC had designated three MICs at the countywide level, including South Tacoma Valley (Tacoma), Sumner-Pacific (Sumner and Pacific) and Arlington-Marysville (Arlington and Marysville).

Regional MICs receive funding priority for infrastructure and economic development. There are now nine regional MICs in the Puget Sound region, including the provisionally-designated SPMIC. The other eight regional MICs as designated by PSRC include: Ballard-Interbay (Seattle), Duwamish (Seattle), Frederickson (Unincorporated Pierce County), Kent (Kent), North Tukwila (Tukwila), Paine Field/Boeing Everett (Everett, Unincorporated Snohomish County), Port of Tacoma (Tacoma) and PSIC-Bremerton (formerly South Kitsap Industrial Area). (Exhibit 4)
SPMIC Jobs

In 2015, the latest year for which detailed employment estimates exist, employment in the SPMIC totaled 11,615 jobs. *(Exhibit 5)* Industrial sectors employed 9,099 in the SPMIC (78% of all SPMIC jobs). Industrial sectors include Construction and Resources, Manufacturing, and Warehousing, Transportation and Utilities (WTU). Employment grew significantly from 2014 to 2015, with an increase of 1,326 jobs in total – a growth rate of 12.9% over the previous year. More than half this growth
occurred in non-industrial retail and food services employment (831 new employees), with the other portion occurring in manufacturing and WTU (633 new employees). Construction and resource industry employment actually fell by 146 in this period.

### Exhibit 5
**Sumner-Pacific MIC**

**Employment by Sector, 2015**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Const/Res</td>
<td>2,375</td>
</tr>
<tr>
<td>Manufacturing &amp; WTU</td>
<td>6,724</td>
</tr>
<tr>
<td>Retail &amp; Food Services</td>
<td>1,948</td>
</tr>
<tr>
<td>FIRE / Services</td>
<td>482</td>
</tr>
<tr>
<td>Government &amp; Higher Ed</td>
<td>86</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,615</strong></td>
</tr>
</tbody>
</table>

*Source: Puget Sound Regional Council, 2017*

### Size and Capacity

In comparison to acreage of the eight other regional MICs in the region, the SPMIC lies about in the middle of the range. At approximately 2,100 acres, it is smaller than the Frederickson MIC also in Pierce County (~2,650 acres), and the Puget Sound Industrial Center – Bremerton in Kitsap (~3,250 acres) and slightly larger than the Kent MIC in King County (~1,970 acres) It is more than double the size of the smallest RMICs, Ballard-Interbay (~970 acres) and North Tukwila (~960 acres), both in King County.

Nearly 490 acres or approximately 23% of the land area in the SPMIC consists of lands with capacity for additional development, including partially-used or other underutilized sites, and vacant sites, according to the 2014 Pierce County Buildable Lands analysis and custom analyses by the City of Sumner and partners.

### Subareas & Employment Density

Within the greater Sumner-Pacific MIC, there are four distinct subareas based upon parcel size, employment density and land use. These subareas are useful for internal comparison within this analysis and can be further segmented based on employment absorption capacity scenarios in the MIC *(see Part 3).*
**Pacific Subarea** – The City of Pacific’s portion of the SPMIC is characterized by the smallest average parcel sizes in the MIC and the second greatest employment density. *(Exhibit 6)* Vacancy in this busy zone is minimal, but a large percentage of underutilized land exists. Very low building square footage and floor-area ratio (FAR) exists in this area, with outdoor yards and storage lots the dominant physical characteristic. With approximately 20% of the MIC’s jobs, the area is marked by a predominance of distribution-support and construction related establishments and employment. Distribution support activities include truck and trailer repair and storage, related fabrication, empty container yards (also known as drop yards), trucking and truck moving companies,
3PLs (third-party logistics services), and towing and transfer companies. Construction firm activities include concrete cutting, flooring, gutters, pipe and steel, builders and civil and commercial construction contractors, equipment rental, and excavation services. The largest employers in the Pacific Subarea are Gordon Trucking (trucking firms often engage drivers as 1099 contractors) and a UPS service center. Building stock in this zone varies greatly with light industrial facilities and yards predominant.

Northeast Sumner Subarea – Crossing into Northeast Sumner, the character of the MIC changes dramatically. This subarea is adjacent to the White River and stretches down the East Valley Highway, and contains the greatest concentration of vacant and potentially redevelopable lands in the MIC and large parcel sizes. Much of this land is constrained in terms of development by the presence of critical environmental areas, such as wetlands. This area also includes the 164-acre former Sumner Meadows Golf Course site, a major opportunity area for habitat restoration and floodway enhancement integrated with environmentally sensitive industrial development. Northeast Sumner has the lowest employment density found in the MIC, with a predominance of construction employment based in large, low-density yards between 8th and 16th streets, and along the East Valley Highway. It should be noted that some of this construction employment, while reported at these physical addresses, actually occurs elsewhere on construction sites throughout the region. This type of decentralized industrial employment – of which trucking is another example – is nonetheless dependent on physical locations (often industrially-zoned) for storage, fabrication, equipment parking, and other activities. Large employers here include Parsons RCI, Inc., a global infrastructure and civil engineering and construction firm, as well as Potelco (electrical...
engineering and contractor), Petersen Brothers, and the large Manke sawmill and lumber yard. There is also a large new Helly Hansen distribution center located in this zone, with potential for others on large vacant parcels present in the Subarea.

Central Valley Subarea – The expansive Central Valley Subarea of the MIC is dominated by large-footprint distribution centers, warehouses, drop yards, and both owner-occupied built-to-suit, and multi-tenant spec manufacturing buildings. This major distribution node contains over half of the land in the MIC and nearly 40% of the employment, though the employment density is quite low. The bustling Subarea boasts newer building stock, many firms, and wide, well-paved streets. While employment density is low overall, several sites standout with higher density employment based in subdivided multitenant industrial spaces including the ProLogis centers in the middle section of 142nd Avenue, and the 24th Street Business Park. Large – and regionally significant – employers in this zone include an Amazon Fulfillment Center, Costco distribution center, Brooks distribution center, Simmons Bedding, Keurig Green Mountain, Inc., and Lululemon.

South MIC Subarea – The South MIC Subarea of SPMIC, located south of the White River and just north of downtown Sumner, is an area with a split personality. Overall, the Subarea boasts the greatest employment density of the entire MIC, with small parcel sizes and about 30% of the MIC’s employment. However, while the northern and eastern portions of the Subarea are marked by new facilities, many firms, and low vacancy,
the southern half contains older facilities and a great deal more vacancy and potential for redevelopment. The character of employment is different as well with a significant food and beverage processing and wholesale agglomeration in the northern half along 45th and Puyallup Streets, including McDonald’s suppliers Golden State Foods and Pacific NW Baking, as well as Shining Ocean Seafood, Marine View Beverage (a large regional beer and wine distributor), Dillano’s Coffee Roasters, and Duck Delivery Produce – as well as a number of construction-related manufacturing firms. The eastern portion of the Subarea contains large, modern distribution and manufacturing facilities including the REI Distribution Center, the Sumner Distribution Center, Medline Industries, Composite Solutions, J.M. McConkey (wholesale grower supplies), and GKN Aerospace. In older, lower density facilities and sites to the south along the BNSF mainline can be found many construction-related activities, including Western Wood Preserving, Twins Concrete, and AA Asphalting, as well as Fleishmann’s Vinegar, Pasquier Panel and a Sonoco paper mill.

Exhibit 7
SPMIC Subareas by Employment Density & Parcel Size, 2017

<table>
<thead>
<tr>
<th>Subarea</th>
<th>Mean Parcel Size (acres)</th>
<th>Floor-Area Ratio (FAR)**</th>
<th>Jobs*</th>
<th>Parcel Area (total acres)</th>
<th>Employment Density (jobs per parcel acre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Pacific</td>
<td>1.87</td>
<td>0.13</td>
<td>1,739</td>
<td>186.61</td>
<td>9.32</td>
</tr>
<tr>
<td>2 - Northeast Sumner</td>
<td>5.64</td>
<td>0.08</td>
<td>810</td>
<td>626.19</td>
<td>1.29</td>
</tr>
<tr>
<td>3 - Central Valley</td>
<td>6.53</td>
<td>0.80</td>
<td>3,113</td>
<td>1,070.15</td>
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<tr>
<td>4 - South MIC</td>
<td>2.36</td>
<td>0.32</td>
<td>2,525</td>
<td>250.33</td>
<td>10.09</td>
</tr>
</tbody>
</table>

Source: Hoovers, Community Attributes Inc., 2017. Note: The 164-acre former Sumner Meadows Golf Course property lies within the Northeast Sumner Subarea.
* Location-specific employment data for density calculation is based on Dun & Bradstreet Hoover’s data. Employment totals differ from PSRC / ESD current employment estimates.
** Average floor-area ratio calculated based on parcels with structures greater than 200 square feet.
Industrial Assets

Our work on industrial lands in the region has revealed the following physical and regulatory factors driving the selection process for potential locations for industrial purposes:

- Presence of land available that is well-buffered from residential uses.
- Access to a large, diverse labor pool.
- Strong multimodal transportation access.
- Diverse, newer, high-quality building stock.
- A regulatory environment with certainty of regulations established.
- Vibrant industry agglomerations in the area.

The SPMIC has several of these industrial assets that would immediately serve new businesses. These are summarized in Exhibit 8.

### Exhibit 8
Sumner-Pacific MIC Regional Access and Advantages, 2017

<table>
<thead>
<tr>
<th>Assets</th>
<th>Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separation of Land Uses</td>
<td>The Sumner-Pacific MIC is located in the valley of the White River and is well-buffered by surrounding residential areas by topography, including the river itself, and steep slopes bounding valley to the east and west.</td>
</tr>
<tr>
<td>North-South Access</td>
<td>State Routes 167 and 512 connect the MIC directly to I-5 – the west coast’s principle interstate freeway - via three interchanges within 1/2 mile of the MIC, connecting the area to British Columbia in the north and to the Seattle metro, Oregon and California in the south.</td>
</tr>
<tr>
<td>East-West Access</td>
<td>The SPMIC lies along SR 167 which connects to I-90 via SR 18. I-90, running from Seattle to Boston, is a critical regional and national transportation lifeline for freight and traffic.</td>
</tr>
<tr>
<td>Proximity to Workforce</td>
<td>Due to the presence of relatively affordable housing, a large proportion of the industrial workforce live in communities close to the SPMIC such as Tacoma, Federal Way, Puyallup, Sumner, Pacific, Algona, and Auburn.</td>
</tr>
<tr>
<td>Access to Freight &amp; Passenger Rail</td>
<td>The Sumner-Pacific MIC is located directly between Pierce County’s two Class I freight mainlines - the Union Pacific (to the west) and BNSF (to the east). The UP line connects SPMIC to the Tacoma South Intermodal Terminal (TacSim), a 40+ acre high-volume intermodal yard in the Port of Tacoma. The BNSF line also carries the area’s Amtrak and Sounder trains, with a Sounder station in nearby downtown Sumner.</td>
</tr>
</tbody>
</table>
Regional Employment Trends and Forecasts

This section presents employment trends for geographic areas and economic sectors in which job growth in the SPMIC would be expected to participate. The section includes the following sub-sections:

- **Regional Employment Overview**: An overview of local regional employment trends including jobs in SPMIC and the cities of Pacific and Sumner, Pierce County and the Puget Sound Region.

- **Employment Forecasts**: An overview of regional and county employment trends as well as forecasts.

**Regional Employment Overview**

SPMIC, PACIFIC, SUMNER, PIERCE COUNTY & PUGET SOUND REGION

Job growth throughout the Puget Sound region has averaged 3.0% annually from 2010 to 2015. Pierce County as a whole experienced slower growth than the region with a compound annual growth rate of 2.0%. In the Sumner-Pacific MIC, job growth reached 2.6% annually from 2010 to 2015. (Exhibit 9)

**Exhibit 9**

**Employment Trends by Area of Interest, 2015**

<table>
<thead>
<tr>
<th></th>
<th>Total Jobs</th>
<th>Job Change, 2010-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2015</td>
</tr>
<tr>
<td>Sumner-Pacific MIC</td>
<td>10,200</td>
<td>11,615</td>
</tr>
<tr>
<td>Pierce County</td>
<td>258,277</td>
<td>284,586</td>
</tr>
<tr>
<td>Puget Sound Region</td>
<td>1,673,354</td>
<td>1,937,357</td>
</tr>
</tbody>
</table>


The SPMIC is home to a variety of firms that employed 11,615 in 2015. Industrial jobs in manufacturing and warehousing, transportation, and utilities (WTU), and construction and natural resources dominate employment in the MIC, accounting for 58% and 20% of total employment, respectively. Non-industrial retail and food services jobs also comprise a major proportion of MIC employment, accounting for nearly 17% of the total in the MIC.

**COUNTYWIDE AND REGIONAL TRENDS BY SECTOR**

Jobs in Pierce County grew 10.2% between 2000 and 2014, which was well below the employment growth in the four-county Puget Sound Region during the same time period.
Industrial sectors including manufacturing, WTU, and construction/resources account for a significant portion (22%) of County employment, however service and retail sectors have largely driven growth since 2000. \textbf{(Exhibit 10)} Countywide service and retail jobs grew by 35,000 during the 15-year period while industrial jobs only experience a net increase of 7,500. Industrial sectors did not all experience job growth in Pierce County. Manufacturing employment in the County actually decreased by 4,800 jobs between 2000 and 2015 when regional manufacturing jobs decreased by 26,500. In 2015, the manufacturing sector in Pierce County employed nearly 17,400 individuals, representing only 6% of countywide employment.

Warehousing, transportation, and utilities are another story for Pierce County. While only comprising 9% of countywide employment in 2015, WTU growth from 2000-2015 was second only to services in the County with an increase of 9,500 jobs. This growth accounted for more than the net regional increase in WTU jobs of 9,100. Employment in construction and resource sectors, representing 7% of Pierce’s total, also grew significantly in the County as compared to the region, with 2,900 more jobs versus region’s net 5,037 increase from 2000-2015.

\textbf{Exhibit 10}

\textbf{Pierce County and Regional Employment and Job Change by Sector}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Exhibit10}
\caption{Pierce County and Regional Employment and Job Change by Sector}
\end{figure}

PIERCE COUNTY EMPLOYMENT CENTERS

Employment growth in Pierce County during the past decade has not been geographically even: some areas have grown significantly faster than the countywide average and others have grown slower or even contracted. From 2002 to 2015, the fastest-growing jurisdiction fully located in the County was the City of Sumner, which increased from 5,093 to 14,303 jobs, a compound annual growth rate (CAGR) of 8.3% - more than five times the County year over year growth rate. This is due in large part to industrial development occurring in the area of the MIC over this time period (Exhibit 11). Other fast-growing cities in the County in terms of employment include Gig Harbor (3.9% CAGR) and Puyallup (2.5% CAGR). The other largest cities in terms of population in the County, Tacoma and Lakewood, saw only modest job growth in this period. At the same time, four smaller cities experienced a decline in total jobs during the same period: Buckley (-0.3% CAGR), Carbonado (-5.1 CAGR), Roy (-1.1 CAGR), South Prairie (-2.6 CAGR), and Wilkeson (-1.0% CAGR).

Exhibit 11

Sumner-Pacific Industrial Development Over Time, 2002-2017

Source: Google Earth, 2002-2017

Employment Forecasts

PIERCE COUNTY

Overall, the County’s employment is forecasted to grow at a CAGR of 1.5% from 2010 to 2040. The fastest growth is forecasted to occur in the decade between 2030 and 2040, with rapid expansion in finance, insurance, real estate (FIRE) and services. Government and higher education, historically a stable base of 25% of County employment, is projected to decline as a share of total employment to only 16% by 2040. Construction and resource employment is projected to grow at a compound annual growth rate of 1.1% from 2010 to 2040, and
manufacturing and WTU is forecasted to add 16,600 jobs from 2010 to 2040. Both sectors are forecasted to continue to represent nearly the same proportion of overall Pierce County employment by 2040. (Exhibit 12)

**Exhibit 12**
Pierce County Employment
Historic 2010 and Forecasted 2025-2040

![Pierce County Employment Chart]

Sources: Puget Sound Regional Council, Community Attributes Inc., 2017. 2025-2040 projections have been refined from PSRC estimates to account for growth in 2014-2015 actual employment. 2014-2040 CAGRS have been applied to 2015 actuals for updated growth projections for this period.

SPMIC
Flatter growth is forecasted in the SPMIC (Exhibit 13). From 2015 to 2040, total employment is slated to increase at a CAGR of .19%, only 12% as fast as the County’s rate of 1.54%. Manufacturing, warehousing, transportation, and utilities (WTU) are expected to remain a stable base of area employment, with growth forecasted at .26% year over year. Non-industrial sectors in finance, insurance, real estate (FIRE) and services are forecasted to increase the fastest at 1.01% annually, while government employment is expected to decline slightly. Decline is also projected for the sizeable construction and resource sector in the MIC of -.13%.

According to the forecast, the SPMIC is expected to represent a significantly higher concentration in manufacturing / WTU than in the County as a whole in 2040, with 50% of employment in manufacturing, warehousing, transportation, and utilities employment in the area.
compared to 18% in the County as a whole. (Exhibit 12) The forecasts also reveal that the countywide trend of industrial jobs—those in manufacturing, WTU, construction, and natural resources—remaining relatively stable as a share of total employment is present in the SPMIC as well. From 2010 to 2040, the share of industrial employment in Pierce County is slated to drop by just one percent, mirroring the MIC trend (plus one percent) very closely. While, at the County level, employment in manufacturing / WTU and construction/resource industries is forecast to grow by 43% and 37% by 2040, respectively, they remain stable as a share of employment overall largely because FIRE and services employment is forecast to outperform them significantly, growing by 105% by 2040. This is a sub-regional forecast of employment demand and land use that represents one scenario that may occur under existing conditions, assuming that important conditions like local land use, market trends, and transportation trends remain constant.

Exhibit 13
Sumner-Pacific MIC Employment Historic 2015 and Forecasted 2025-2040

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacturing &amp; WTU</th>
<th>Retail &amp; Food Services</th>
<th>FIRE &amp; Services</th>
<th>Construction &amp; Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>11,615</td>
<td>11,840</td>
<td>11,956</td>
<td>12,198</td>
</tr>
<tr>
<td></td>
<td>49%</td>
<td>17%</td>
<td>4%</td>
<td>16%</td>
</tr>
<tr>
<td>2025</td>
<td>11,840</td>
<td>11,956</td>
<td>12,198</td>
<td></td>
</tr>
<tr>
<td></td>
<td>50%</td>
<td>17%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td>11,956</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2040</td>
<td>12,198</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Government and Higher Education represents less than 1% of total employment during selected years. The forecast above represents PSRC’s Land Use Vision 2 Forecast. Land Use Vision is a policy-directed forecast, representing the future the region is planning for by using local and regional adopted policy to disaggregate PSRC’s macroeconomic regional forecast.
Development Feasibility Factors

SPMIC Development Capacity & Constraints

The SPMIC lies about in the middle of the size range of existing regional MICs, encompassing over 2,100 acres. Within the MIC, there is ample development capacity for future growth in terms of vacant and underutilized land – but also in terms of latent employment density in already developed areas. Much of the White River Valley-adjacent developable land capacity is encumbered by critical areas, including wetlands, floodways, and steep slopes. And, a portion of the MIC lands lying within 1,300 feet of the White River is being considered for a phased de-industrialization aimed at enhancing critical local ecosystem functions including migratory salmon habitat and stormwater filtration and retention (Exhibit 15).

Exhibit 15
SPMIC Development Capacity, 2017 (DRAFT)
In analyzing land capacity in the MIC, the Cities of Sumner and Pacific, and Community Attributes reviewed and adapted the methodology of the **Pierce County 2014 Buildable Lands Report** to generate an updated land capacity analysis for the SPMIC reflecting current critical lands constraints, new development since 2014, and the addition of new industrial lands such as the former Sumner Meadows Golf Course site.

This method begins with vacant and underutilized parcels then deducts critical lands and a percentage of “land unavailable for development” – also known as a “market factor” – to account for parcels that may not be developed for a variety of reasons – including “personal use, economic/investment, constraints associated with properties on private roads, or sentimental relationship with their surrounding environment”.

In its analysis of the City of Pacific’s industrial lands (Light Industrial-zoned parcels located entirely within the MIC), the 2014 BLR found that **103.4 total acres** were available for development after a 25% market factor deduction for underutilized lands. In the City of Sumner, a total of **552 acres** were available for development on the city’s Light Industrial (M1) and Heavy Industrial (M2) parcels (located almost entirely within the MIC) after a market factor deduction of 10% and 50% for vacant and underutilized lands, respectively.

Our updated analysis found that, despite strong recent growth as well as critical lands and other constraints, the SPMIC still retains considerable capacity for growth of high-quality, employment dense, and environmentally sustainable industrial activity (Exhibit 14). Currently, nearly **490 acres** – or 23% of the MIC’s land area – of vacant or underutilized lands remain when the critical areas and lands unavailable for development noted above are set aside. Of these developable lands, nearly 89% are vacant. Nearly 81% of the MIC’s development capacity in terms of acreage lies within the Northeast Sumner subarea (44%), and the Central Valley subarea (37%). A large percentage of the MIC’s potentially underutilized acreage lies in the Pacific and Central Valley subareas.

### Exhibit 14

**SPMIC Development Capacity by Subarea, 2017**

<table>
<thead>
<tr>
<th>Subarea</th>
<th>Parcel Area (Acres)</th>
<th>Critical Area (Acres)</th>
<th>Built (Acres)</th>
<th>Vacant (Acres)</th>
<th>Market Factor Deduction (Ac)</th>
<th>Underutilized (Acres)</th>
<th>Market Factor Deduction (Ac)</th>
<th>Total Developable Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Pacific</td>
<td>186</td>
<td>43</td>
<td>41</td>
<td>37</td>
<td>65</td>
<td>(16)</td>
<td></td>
<td>86</td>
</tr>
<tr>
<td>2 - Northeast Sumner</td>
<td>626</td>
<td>310</td>
<td>66</td>
<td>208</td>
<td>(21)</td>
<td>41</td>
<td>(21)</td>
<td>208</td>
</tr>
<tr>
<td>3 - Central Valley</td>
<td>1,075</td>
<td>245</td>
<td>604</td>
<td>152</td>
<td>(15)</td>
<td>74</td>
<td>(37)</td>
<td>174</td>
</tr>
<tr>
<td>4 - South MIC</td>
<td>274</td>
<td>140</td>
<td>107</td>
<td>18</td>
<td>(2)</td>
<td>9</td>
<td>(4)</td>
<td>21</td>
</tr>
<tr>
<td><strong>MIC Total</strong></td>
<td><strong>2,162</strong></td>
<td><strong>738</strong></td>
<td><strong>818</strong></td>
<td><strong>416</strong></td>
<td><strong>(38)</strong></td>
<td><strong>189</strong></td>
<td><strong>(78)</strong></td>
<td><strong>489</strong></td>
</tr>
</tbody>
</table>

*Source: City of Sumner, Pierce County Assessor, Community Attributes, 2017. Market factor deductions: Pacific underutilized = 25%; Sumner vacant = 10%; Sumner underutilized = 50%.*
Role of SPMIC in the Region

The Sumner-Pacific MIC encompasses a wide variety of parcel sizes, with lower-density development than comparable manufacturing-oriented MICs such as Kent and the Duwamish, but greater density than Pierce County’s other MICs (Port of Tacoma and Frederickson).

The MIC averages a floor-to-area ratio of 0.18. Industrial and flex building square footage in SPMIC totals more than 16,100,000 square feet according to CoStar. The average building size is approximately 35,000 square feet and the average assessed value (building and land) is $14.31 per square foot of land according to Pierce County assessor’s records.

**Exhibit 16**

MIC Employment Density, 2013

<table>
<thead>
<tr>
<th>Manufacturing / Industrial Center (MIC)</th>
<th>County</th>
<th>Total Employment</th>
<th>Total Land (Acres)</th>
<th>Employment Density (Jobs per Acre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port of Tacoma</td>
<td>Pierce</td>
<td>9,250</td>
<td>5,160</td>
<td>1.79</td>
</tr>
<tr>
<td>Duwamish</td>
<td>King</td>
<td>58,771</td>
<td>5,062</td>
<td>11.61</td>
</tr>
<tr>
<td>Paine Field / Boeing Everett</td>
<td>Snohomish</td>
<td>42,413</td>
<td>4,241</td>
<td>10.00</td>
</tr>
<tr>
<td>Puget Sound Industrial Center - Bremerton</td>
<td>Kitsap</td>
<td>876</td>
<td>3,565</td>
<td>0.25</td>
</tr>
<tr>
<td>Frederickson</td>
<td>Pierce</td>
<td>3,330</td>
<td>2,837</td>
<td>1.17</td>
</tr>
<tr>
<td>Sumner-Pacific*</td>
<td>Pierce</td>
<td><strong>10,200</strong></td>
<td><strong>2,160</strong></td>
<td><strong>4.72</strong></td>
</tr>
<tr>
<td>Kent</td>
<td>King</td>
<td>15,046</td>
<td>1,970</td>
<td>7.64</td>
</tr>
<tr>
<td>Ballard-Interbay</td>
<td>King</td>
<td>14,237</td>
<td>971</td>
<td>14.66</td>
</tr>
<tr>
<td>North Tukwila</td>
<td>King</td>
<td>13,499</td>
<td>961</td>
<td>14.05</td>
</tr>
</tbody>
</table>

*Source: PSRC, 2013-2014 (most recent published figures available). *Employment totals for all MICs but Sumner-Pacific are 2013; Sumner-Pacific is 2014.

Comparing employment density and vacancy levels with other MICs (Exhibits 14, 16) illustrates the significant amount of development capacity and latent employment capacity in SPMIC. There are 4.7 jobs per acre in SPMIC compared to an average of 6.2 jobs per acre across all MICs. Approximately 28% of SPMIC land is vacant or potentially redevelopable, totaling more than 600 acres. The following summarizes the size, location, and role of the SPMIC in the regional economy compared with the eight other regional MICs.

1. The Sumner-Pacific MIC (SPMIC) in the White River Valley of southern Pacific and northern Sumner is a mid-sized newly-designated regional MIC. Similar in many respects to the Kent MIC, Sumner-Pacific has a greater relative concentration of construction, and transportation, distribution, and logistics activities. As such activities generally use greater levels of space per employee, SPMIC’s employment density is slightly less than Kent’s. Manufacturing-oriented MIC’s with similar parcel sizes have more than twice the employment density, including
Duwamish and Paine Field. The growth of SPMIC as a distribution hub is rooted in numerous factors, including critical links to the Port of Tacoma and regional transportation networks, lease rates, and the cost and availability of land.

2. The **Ballard-Interbay MIC (BINMIC)** is located in the northwest part of the City of Seattle. It is among the smallest MICs in size, with a gross acreage of 971 acres. It includes the city’s working waterfronts, wharfs, shipyards, and railyards.

3. The **Duwamish MIC** is located in the southern part of the City of Seattle. It is among the largest MICs in size, with a gross acreage of 5,062 acres. The Duwamish MIC is the Port of Seattle’s primary marine shipping area, with deep water berths, wharfs, piers, shipyards, dry docks, container cranes, on-dock rail, container yards, cargo distribution and warehousing, oil and petroleum storage facilities and major railroad yards. At the southern end, it includes a large part of King County International Airport/Boeing Field. The MIC also contains a number of heavy industries such as Nucor Steel and three concrete plants.

4. The **Frederickson MIC** is located within urban unincorporated Pierce County, southeast of Tacoma. It has a gross acreage of 2,837 acres. The Boeing Company operates on land here, including manufacturing composite assemblies for its commercial aircraft.

5. The **Kent MIC** is located in the Kent Valley north of downtown Kent. The MIC comprises the eastern half of a larger industrial area called the Kent North Valley Industrial Area. The Kent MIC is a smaller regional MIC with a gross acreage of 1,685 acres.

6. The **North Tukwila MIC** extends from Seattle’s southern city limit to South 126th Street. It is among the smaller MICs in size, with a gross acreage of 961 acres. A portion of King County International Airport/Boeing Field is located within the MIC, at the north end.

7. The **Paine Field/Boeing Everett MIC** is located in the City of Everett and unincorporated Snohomish County. It is among the larger MICs in size, with a gross acreage of 4,241 acres. The MIC is home to Boeing’s aeronautical facilities and activity in the MIC is dominated by aviation; aircraft production, maintenance, testing, flight training, business and corporate aviation, and military aviation activities.

8. The **Port of Tacoma MIC** is located in the City of Tacoma, along the waterfront and on lands adjoining the waterways on Tacoma’s Commencement Bay. It is among the larger MICs in size, with a gross acreage of 5,160 acres. It is dominated by port and marine terminals, marine cargo, on-dock intermodal rail yards, container terminals, roll-on/roll-off facilities, non-containerized cargo facilities (moving grain, fruit, alumina, and wood chips), automobile import facilities, shipyards, boat building and drydocks.
9. The Puget Sound Industrial Center (PSIC)-Bremerton is located in Southwest Bremerton. It is among the larger MICs in size, with a gross acreage of 3,565 acres. Since it was designated in anticipation of development, this MIC includes a significant acreage of vacant parcels. It is home to Safe Boats International and other marine manufacturers.
Real Estate Market

REGIONAL LEASE RATES
Taken together, the six selected market areas of Bel-Red, Seattle, Everett, Paine Field, Pierce County, Puget Sound region, and Arlington-Marysville show largely similar overall trends. The Puget Sound region covers King, Pierce, Snohomish, and Kitsap Counties. These market areas experienced an increase in lease rates from 2007 through 2008 before experiencing a precipitous decline at the start of the Great Recession. From there, markets slowly recovered over the following 6-8 years. Yet, Pierce County industrial and flex space remains a bargain compared to other markets in the region, with only Arlington-Marysville with comparable rates of around $6.95 per square foot for flex and industrial space. While Pierce County’s lease rates have grown faster in the last two years, they have not kept pace with high-priced industrial areas in Bel-Red and Seattle, or with the region as a whole (Exhibit 17). Flex space refers to space that is designed to be versatile, and can be used for retail, industrial, office, medical, warehousing, or research and development purposes.

Exhibit 17
Historical Industrial & Flex Lease Rates by Selected Area 2007 Q4-2017 QTD

Source: CoStar Group, 2007-2017
VACANCY
The SPMIC has not come close to the high vacancy rates prevalent during and immediately after the great recession where they peaked at over 22%. In fact, vacancy plummeted from Q3 2011 to Q3 2012 from 16.3% to 4.9% when two large lease deals absorbed over 1.2 million square feet in the MIC.

Since that time, supply has outpaced demand somewhat (buildings under construction peaked at 6 in late 2014) with vacancy levels climbing back to over 16% before increased demand and absorption caught up with deliveries and vacancy fell steadily to its current level of 4.4% - the lowest rate in over a decade (Exhibit 18).

Exhibit 18
SPMIC Historical Industrial & Flex Vacancy Rates, 2007 Q4-2017 Q2

SALES & LEASE RATES
In Q2 of 2017, industrial and flex property types combined include a total of 16.1 million square feet of space in 195 buildings, with industrial properties outnumbering flex properties by a great margin. The five-year average for deliveries (completed projects) for both property types has been over 867,000 square feet per year.
The five-year average sale price per square foot for both types was $86, while the past year average has topped $132, with over $26 million dollars in total sales of both types of properties in the past year.

While historical industrial and flex lease rates for these properties in the SPMIC show some understandable volatility over the period of and following the Great Recession, they have since stabilized into a steady growth trajectory. While rates have not yet recovered to their immediate pre-recession peak of $5.09 / square foot, they are currently higher than they have been since 2011, at $4.83 / square foot (Exhibit 19).

**Exhibit 19**

SPMIC Historical Industrial & Flex Lease Rates, 2007 Q4-2017 Q2

Source: CoStar Group, 2007-2017

**ABSORPTION**

Absorption is the amount of space or units leased within a market or submarket over a given period of time (usually one year). Absorption considers both construction of new space and demolition or removal from the market of existing space. It represents the demand over a specified period, contrasted with supply. When supply is less than demand, vacancy decreases and absorption is positive. When supply is greater than demand, vacancy increases and absorption is negative. A negative absorption can reflect changes in the marketplace, such as a
sudden lack of jobs due to a company closing. (*Source: Institute of Real Estate Management*)

In the SPMIC, strong demand since the Great Recession has resulted in consistent gains made from 2012 through the present (2017 numbers are only through Q2 so are likely to surpass 2016) (*Exhibit 20*). Demand has outpaced supply and vacancy has declined precipitously since a spike in 2014-15 with steadily increasing lease rates during the same five-year period from 2012-2017.

**Exhibit 20**

*SPMIC Industrial & Flex Total Net Absorption, 2007 Q4-2017 Q2*

*Source: CoStar Group, 2007-2017*
PART 3. SPMIC ABSORPTION SCENARIOS

This section examines supply and demand factors that will influence growth and development in the Sumner-Pacific MIC over the next twenty to twenty-five years in order to test the following question: how much of Pacific and Sumner’s employment growth targets could reasonably be absorbed in the MIC, and how?

Recently, the City of Sumner adopted a resolution accepting the transfer of a portion of the City of Pacific’s GMA-mandated employment growth target. A 2016 study by BERK found that while Pacific likely had more capacity to absorb its growth target than was previously estimated, it could not accommodate all of it. Sumner, however, was found to have excess capacity for growth. As a result, the City of Sumner has adopted a resolution adding 1,819 jobs to its twenty-year employment targets city-wide. The employment growth targets for each City are now:

<table>
<thead>
<tr>
<th>Pacific (Pierce County portion)</th>
<th>2,720</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumner</td>
<td>12,871</td>
</tr>
</tbody>
</table>

PSRC Regional Manufacturing / Industrial Center criteria require a minimum targeted employment level of 20,000 jobs over a twenty-year time horizon. Given estimated (2015) employment in the MIC of 11,615, this means that at least 8,385 jobs, or approximately 54 percent of the combined growth target for the Pierce County portion of Pacific and the City of Sumner (15,591), should occur within the Sumner-Pacific MIC in the next twenty years. The following scenarios test absorption levels for the MIC based on the land capacity analysis presented in Part 2. (Exhibit 14)

- **Scenario 1. Growth Target Absorption.** This scenario models how and where the MIC might absorb the minimum share of Pacific and Sumner’s twenty-year employment growth targets necessary for total MIC employment to exceed 20,000. Targeting future development with higher developed employment densities in limited areas could reasonably accommodate 8,385 new jobs in the next twenty years.

- **Scenario 2. Continued Share of County Growth.** This slightly higher-growth scenario is based on SPMIC’s strong share of Pierce County employment growth for the period 2010-2015. If the MIC continued along this trajectory, it could add 9,329 jobs by 2040, for a total of 20,944. It is likely that new development in select areas will occur at a higher built intensity than legacy uses, enabling the MIC to absorb greater employment levels.
Scenario 1: Growth Target Absorption

In this scenario, developed employment densities are employed to test how the MIC might absorb the minimum share of each city’s total employment growth target required to fulfill twenty-year growth targets for regional MICs. As outlined above, given current employment of 11,615 in the MIC, a twenty-year target of 20,000 employees would yield an MIC-only growth target of 8,385 jobs.

Developed employment densities – a measure of jobs per developed acre excluding vacant parcels – can account for factors driving development intensity including parcel size, configuration, access, and industry agglomeration, that have led to current development patterns. In the SPMIC, the greatest developed densities are found in the Pacific and South MIC subareas. (Exhibit 21)

Exhibit 21. Absorption by Existing Developed Employment Density, SPMIC, 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific</td>
<td>2,441</td>
<td>137</td>
<td>17.82</td>
<td>86</td>
<td>1,533</td>
<td>(114)</td>
<td>1,419</td>
</tr>
<tr>
<td>Northeast Sumner</td>
<td>1,186</td>
<td>175</td>
<td>6.78</td>
<td>208</td>
<td>1,408</td>
<td>(82)</td>
<td>1,326</td>
</tr>
<tr>
<td>Central Valley</td>
<td>4,267</td>
<td>774</td>
<td>5.52</td>
<td>174</td>
<td>961</td>
<td>(37)</td>
<td>924</td>
</tr>
<tr>
<td>South MIC</td>
<td>3,721</td>
<td>240</td>
<td>15.49</td>
<td>21</td>
<td>322</td>
<td>(40)</td>
<td>283</td>
</tr>
<tr>
<td>Total</td>
<td>11,615</td>
<td>1,326</td>
<td>489</td>
<td>4,224</td>
<td>(272)</td>
<td>3,952</td>
<td></td>
</tr>
</tbody>
</table>

Source: Community Attributes, PSRC, Pierce County Assessor, Hoover’s, 2017.

* PSRC 2015 employment estimates (actual) apportioned by subarea using Hoover’s.

** See Scenario 2 for an explanation of Displaced Jobs methodology.

Both of these areas have greater levels of employment relative to total and average developed parcel area than the distribution-dominated Central Valley and the underdeveloped Northeast Sumner subareas. “Developed” land also looks very different in these two areas. In the Light Industrial-zoned Pacific subarea, buildings and floor-area ratios (FARs) are small as construction, trucking and equipment storage yards dominate the area. This contrasts with the newer, higher-FAR manufacturing and distribution facilities of the South MIC subarea.

The character of employment in Pacific is different as well. Much employment based in this zone, while counted here administratively, actually occurs off-site, at construction sites and on the region’s roads and highway. Nonetheless, as the higher employment densities reveal, these typologies are a necessary anchor for significant employment – and do so at a greater intensity relative to other manufacturing and distribution typologies.
If the remaining development capacity in each subarea were absorbed by new development at current developed employment densities, the total jobs absorbed – 3,952 – would be insufficient to achieve target growth in the MIC (Exhibit 21). One possibility in achieving this growth lies in new development at higher densities in certain areas, particularly in the Northeast Sumner and Central Valley subareas. As noted earlier, many warehousing and distribution-sector activities are becoming highly automated, and will likely continue to trend to lower and lower employment densities. However, certain activities – especially manufacturing, processing, and the diversity of industrial production, service, and business-to-business activities found in the MIC’s industrial condos and business parks – continue to employ large numbers of people relative to developed space. (Exhibit 22) The cities of Sumner and Pacific have the ability to leverage public investment, incentives, and other tools to attract more employment-dense activities to the remaining development sites available in an increasingly competitive area.

**Exhibit 22. Local Employment Densities, Select Establishments, SPMIC, 2017**

<table>
<thead>
<tr>
<th>Establishment</th>
<th>Acres</th>
<th>Jobs</th>
<th>Empl. Density</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>24th Ave. Business Park (All)</td>
<td>13.6</td>
<td>408</td>
<td>30.00</td>
<td>Business Park</td>
</tr>
<tr>
<td>29th St. Business Center (All)</td>
<td>3.4</td>
<td>122</td>
<td>35.88</td>
<td>Business Park</td>
</tr>
<tr>
<td>Golden State Foods</td>
<td>6.2</td>
<td>150</td>
<td>24.19</td>
<td>Food Processing</td>
</tr>
<tr>
<td>Norfill Mfg</td>
<td>1.1</td>
<td>35</td>
<td>31.82</td>
<td>Aerospace Manufacturing</td>
</tr>
<tr>
<td>J.M. McConkey &amp; Co.</td>
<td>2.0</td>
<td>65</td>
<td>32.50</td>
<td>Horticulture goods Mfg/Dist</td>
</tr>
<tr>
<td><strong>Manufacturing &amp; Business Park</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Warehousing, Transportation, Utilities (WTU)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costco Sumner Depot</td>
<td>92.5</td>
<td>300</td>
<td>3.24</td>
<td>Distribution Center</td>
</tr>
<tr>
<td>Primespurce Building Products</td>
<td>22.1</td>
<td>60</td>
<td>2.71</td>
<td>Lumber Wholesalers</td>
</tr>
<tr>
<td>Swift Transportation Co.</td>
<td>28.3</td>
<td>56</td>
<td>1.98</td>
<td>Trucking</td>
</tr>
<tr>
<td>CTE Warehousing</td>
<td>4.8</td>
<td>11</td>
<td>2.29</td>
<td>Warehousing</td>
</tr>
<tr>
<td>Pacific Transportation Services</td>
<td>15.6</td>
<td>120</td>
<td>7.69</td>
<td>Warehousing</td>
</tr>
</tbody>
</table>

*Source: Community Attributes, Hoover’s, 2017.*

In addition to increased density, limited opportunities may exist for potential MIC boundary expansion. In particular, two modest expansion zones in the Northeast Sumner and Central Valley subareas could add up to 35 acres to the developable land supply in the MIC. At developed densities of 16.5 jobs per acre (Northeast Sumner) and 16 jobs per developed acre (Central Valley) – even with all future development occurring at existing densities in Pacific and the South MIC – the MIC overall could absorb more than 8,400 jobs given its current inventory of developable land. (Exhibit 23)
Scenario 2: Continued Share of County Growth

During the period 2010 - 2015, when local recovery from the Great Recession had begun to stabilize, Pierce County added 28,940 jobs, while the SPMIC added 1,415. The MIC’s growth during this period represented a 4.89% share of Pierce County’s overall employment growth. This growth scenario envisions that the MIC will continue along this trajectory in terms of its share of overall Pierce County employment growth through 2040.

Forecasts for Pierce suggest that County employment will grow by approximately 190,397 jobs by 2040. If the SPMIC maintains its current share of County employment, the resulting growth would total 9,329 new jobs added to the SPMIC between 2015 and 2040. (Exhibit 24).

Exhibit 24. SPMIC Job Growth at Current Share of Pierce County Employment, 2015-2040

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>313,045</td>
<td>313,045</td>
<td>4.9%</td>
<td>11,615</td>
<td>11,615</td>
</tr>
<tr>
<td>2025</td>
<td>385,773</td>
<td>72,728</td>
<td>4.9%</td>
<td>15,179</td>
<td>12,564</td>
</tr>
<tr>
<td>2030</td>
<td>404,436</td>
<td>18,663</td>
<td>4.9%</td>
<td>16,093</td>
<td>914</td>
</tr>
<tr>
<td>2035</td>
<td>445,864</td>
<td>41,428</td>
<td>4.9%</td>
<td>18,123</td>
<td>2,030</td>
</tr>
<tr>
<td>2040</td>
<td>503,442</td>
<td>57,578</td>
<td>4.9%</td>
<td>20,944</td>
<td>2,821</td>
</tr>
<tr>
<td>Total</td>
<td>190,397</td>
<td>9,329</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CAI, Puget Sound Regional Council.

Absorption at existing development intensities would not accommodate this level of growth (Exhibit 25). However, existing floor-area ratios (FARs) and building square footage per employee levels in the Pacific and Northeast Sumner subareas of the MIC may not be representative of future development in these zones. As described previously, both zones contain
large proportions of construction and resource sector activity utilizing atypical low-density industrial site types with small buildings and large storage lots.

The Northeast Sumner zone remains largely undeveloped, and the few sites representative of local FAR and space utilization (including expansive lumber, equipment storage, and construction yards) are extremely low density. Given the recent development of the Helly Hansen distribution center and other developments in this zone, it is likely that future development in this area will follow a similar trajectory with much higher FARs than currently exist.

In the Pacific subarea, many current uses are “legacy” firms that were founded or have been in the area for a long time – the average year of founding is 1996 whereas the average in the Central Valley is 2003. Over time, the residual land value of the area has climbed, and will likely continue to do so as greenfield industrial opportunities in the area dwindle. It is likely that new development in the Pacific subarea will also occur at higher improvement to land value ratios and FARs than legacy uses. As such, if we model these two zones with higher, but still modest, FARs for future development on vacant and underutilized lands, we find that the MIC could indeed accommodate the projected employment growth of 9,329 jobs by 2040. (Exhibit 26)

### Exhibit 25. SPMIC Continued Share of County Growth Absorption at Existing FAR & Space Per Employee, 2015-2040

<table>
<thead>
<tr>
<th>Subarea</th>
<th>Developable Land Capacity</th>
<th>FAR (Existing)</th>
<th>Square Feet / Empl. (Existing)</th>
<th>Gross Jobs Absorption</th>
<th>Displaced Jobs</th>
<th>Net Jobs Absorption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Pacific</td>
<td>86</td>
<td>0.13</td>
<td>1,079</td>
<td>451</td>
<td>(114)</td>
<td>338</td>
</tr>
<tr>
<td>2 - Northeast Sumner</td>
<td>208</td>
<td>0.08</td>
<td>1,237</td>
<td>585</td>
<td>(82)</td>
<td>503</td>
</tr>
<tr>
<td>3 - Central Valley</td>
<td>174</td>
<td>0.80</td>
<td>1,202</td>
<td>5,050</td>
<td>(37)</td>
<td>5,014</td>
</tr>
<tr>
<td>4 - South MIC</td>
<td>21</td>
<td>0.32</td>
<td>993</td>
<td>292</td>
<td>(40)</td>
<td>253</td>
</tr>
<tr>
<td>Total</td>
<td>489</td>
<td></td>
<td>6,380</td>
<td>6,108</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Community Attributes, Pierce County Assessor, Hoover’s.*
Exhibit 26. SPMIC Continued Share of County Growth Absorption at Target FAR & Space Per Employee, 2015-2040

<table>
<thead>
<tr>
<th>Subarea</th>
<th>Developable Land Capacity</th>
<th>FAR (Target)</th>
<th>Square Feet / Empl. (Target)</th>
<th>Gross Jobs Absorption</th>
<th>Displaced Jobs</th>
<th>Net Jobs Absorption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Pacific</td>
<td>86</td>
<td>0.30</td>
<td>900</td>
<td>1,249</td>
<td>(114)</td>
<td>1,136</td>
</tr>
<tr>
<td>2 - Northeast Sumner</td>
<td>208</td>
<td>0.30</td>
<td>900</td>
<td>3,017</td>
<td>(82)</td>
<td>2,935</td>
</tr>
<tr>
<td>3 - Central Valley</td>
<td>174</td>
<td>0.80</td>
<td>1,202</td>
<td>5,050</td>
<td>(37)</td>
<td>5,014</td>
</tr>
<tr>
<td>4 - South MIC</td>
<td>21</td>
<td>0.32</td>
<td>993</td>
<td>292</td>
<td>(40)</td>
<td>253</td>
</tr>
<tr>
<td>Total</td>
<td>489</td>
<td></td>
<td>9,609</td>
<td>9,337</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Community Attributes, Pierce County Assessor, Hoover’s.*

Both existing and target scenarios attempt to account for displaced employment, as modelled in Pierce County’s Buildable Lands Report. Displaced employment represents existing employment on underutilized lands that would be lost in the event of redevelopment. Displaced employment is calculated by applying locally observed densities (in this case, from 993 to 1,237 square feet per employee) to existing underutilized square footage per subarea. Since not all of the gross acreage is considered to be developable, the total number of displaced employees per zone is adjusted down to reflect the same “market factor” deduction that was used in the developable land capacity analysis in Part 2.