City of Lacey
Hybrid Form-Based Code

Urban Economics and Development Feasibility

April, 2014

Elliot Weiss, Community Attributes Inc.

cai community attributes inc

1. ANALYSIS

A. Prospects for Growth

B. Market Data

   i. Retail
   ii. Office
   iii. Industrial
   iv. Flex
   v. Multifamily

C. Stakeholder Perspectives

D. Pro Forma Modeling (forthcoming)

2. RECOMMENDATIONS (forthcoming)

A. Application to Master Planning

B. Application to Code-Writing

1. ANALYSIS

A. Prospects for Growth

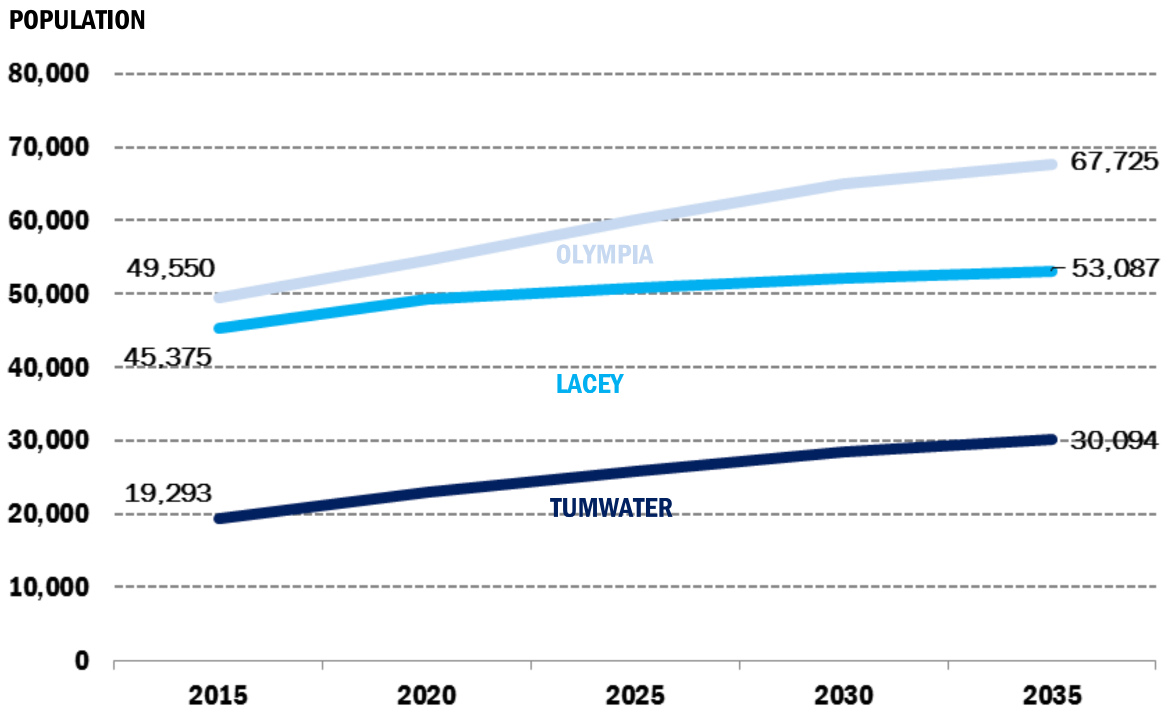
- **How much growth?**
- **What type of growth?**
- **Where will growth occur?**

Exhibit 1. Population and Housing Growth Forecast, City of Lacey, 2015-2035

	2015	2035	Net New
Dwelling Units			
Single Family Housing Units	12,161	14,244	2,083
Multifamily Housing Units	6,644	8,235	1,592
Townhouse			0
Low-Rise			0
Mid-Rise			0
High-Rise			0
Group Quarters	991	991	0
Total New Housing Units	19,796	23,470	3,675
Employment			
Resource	74	74	0
Commercial	17,760	26,125	8,365
Retail	N/A	N/A	
Industrial	2,814	4,753	1,939
Government	5,274	6,761	1,487

Source: TRPC, 2012

Exhibit 2. Population Growth Forecast, Cities of Lacey, Olympia and Tumwater, 2015-2035



Source: TRPC, 2012

Net Change in Population

Olympia: 18,175

Lacey: 7,712

Tumwater: 10,801

These figures exclude population growth within each city's UGA.

Exhibit 3. Employment Growth Forecast, Thurston County, 2015-2035

NAICS	Industry	2015	2035	Net New Jobs	Employment Growth (CAGR)
High Growth					
54-56	Professional and Business Services	15,300	23,900	8,600	2.3%
71	Arts, Entertainment and Recreation	2,960	4,600	1,640	2.2%
81	Other Services, Except Public Administration	9,070	12,880	3,810	1.8%
23	Construction	8,380	11,810	3,430	1.7%
Low Growth					
11	Agriculture, Forestry, Fishing & Related	2,480	2,670	190	0.4%
321, 327-339	Durable Goods	1,830	1,990	160	0.4%
31-33	Manufacturing	3,200	3,540	340	0.5%
311-316, 322-326	Nondurable Goods	1,370	1,550	180	0.6%

Source: TRPC, 2012

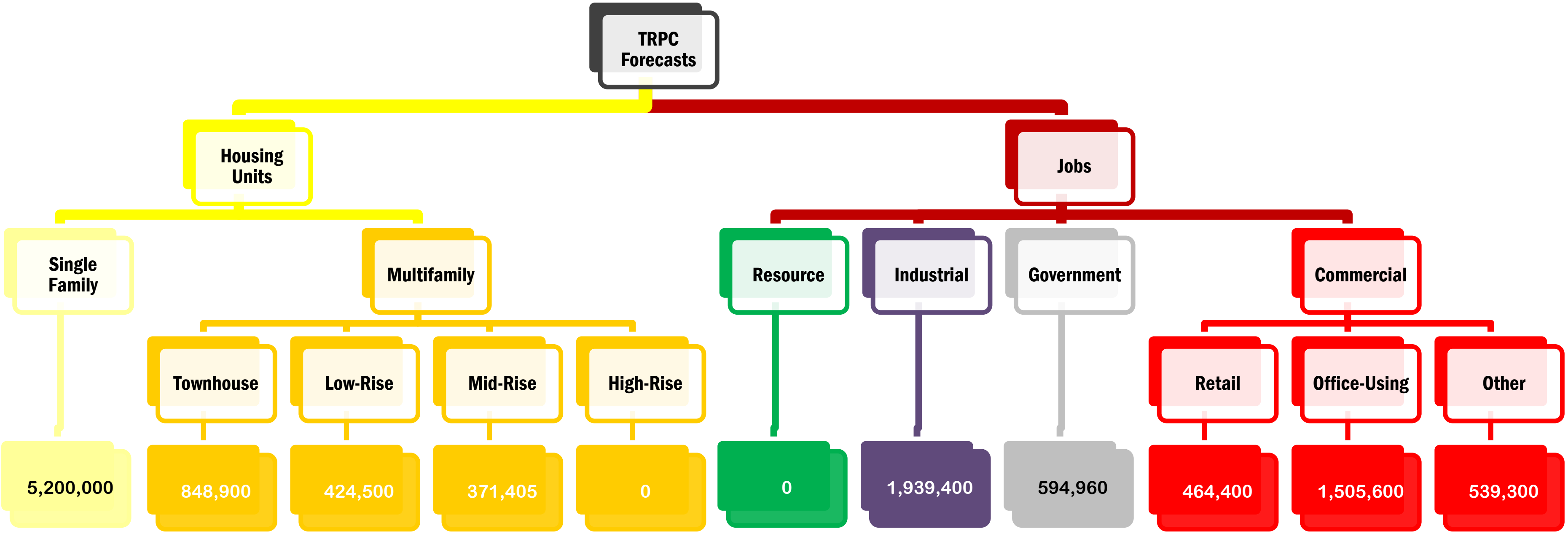
PROSPECTS FOR GROWTH

- High-Growth Industries Across Thurston County:
  - Professional and Business Services (NAICS 54-56)
    - Includes law, accounting, computer programming, architecture and engineering, marketing and graphic design, management professionals and administrative support, among other occupations.
  - Arts, Entertainment and Recreation (NAICS 71)
    - Includes actors, musicians and singers, fitness trainers, gaming supervisors and amusement and recreation attendants, among other occupations
  - Other Services, Except Public Administration (NAICS 81)
    - Includes Automotive Repair, Consumer Electronics Repair, Commercial and Industrial Machinery Repair, Home and Garden Equipment Repair, Reupholstery and Furniture Repair, Footwear and Leather Goods Repair
  - Construction (NAICS 23)

- Low-Growth Industries Across Thurston County:
  - Agriculture, Forestry, Fishing and Related (NAICS 11)
  - Manufacturing (NAICS 31-33)
  - Durable and Non-Durable Goods (NAICS 32)

How many square feet could be developed in Lacey between 2015 and 2035?

The truth is nobody knows exactly how much development will occur in the future. However, economic forecasts allow us to create ballpark estimates that can be useful for planning exercises. According to forecasts produced by TRPC and analytics completed by Community Attributes, Lacey could see up to 6.8 million square feet of residential development and 5 million square feet of new commercial development by 2035.



How much of that will the Woodland District capture?

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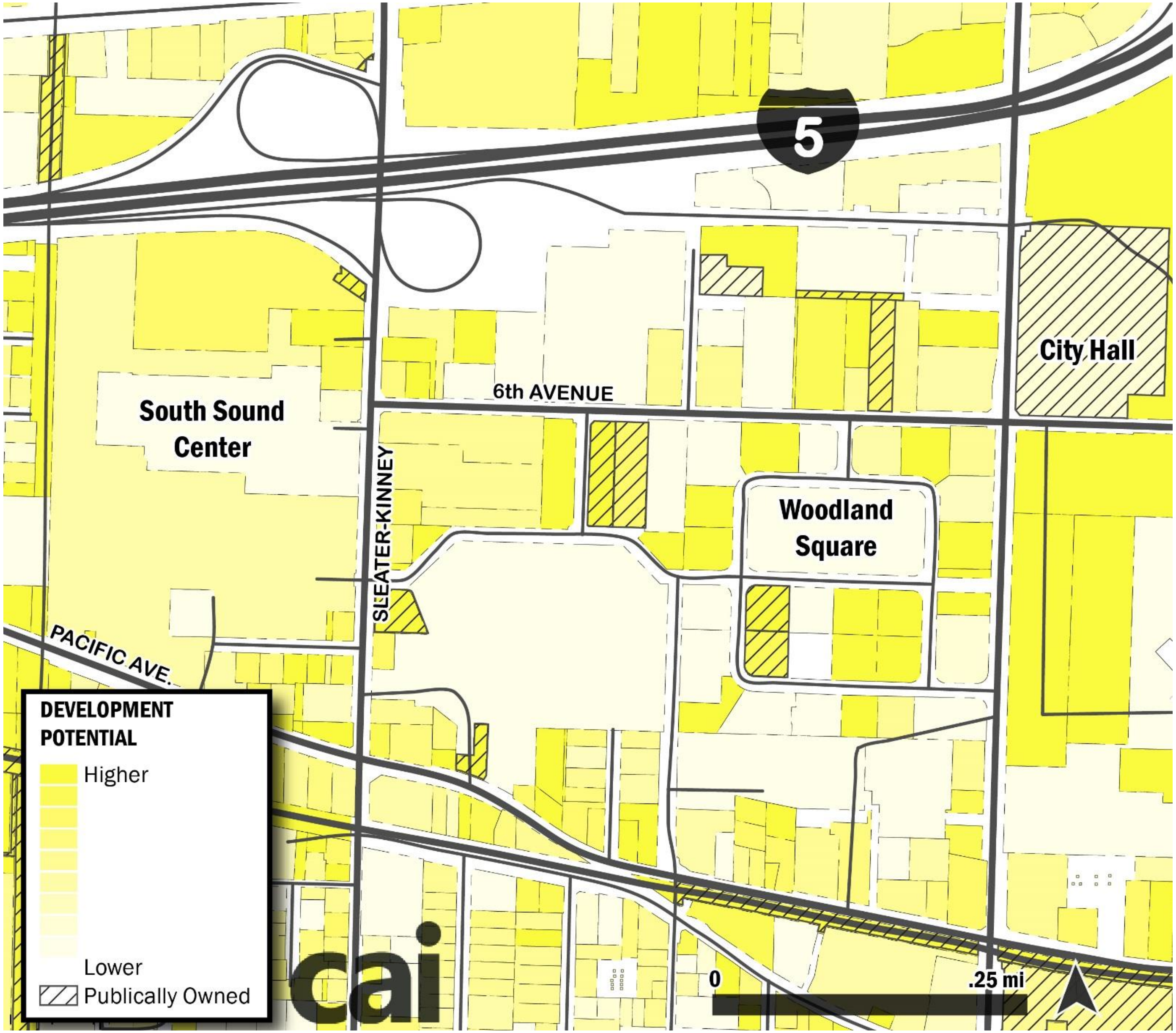

Exhibit 4. Ratio of Assessed Improvement Value to Assessed Land Value, City of Lacey, 2009

Source: Thurston County

This map uses data from the Thurston County Assessor's Office to evaluate certain barriers to redevelopment. Where assessed improvement values (the value of the buildings on a parcel) are high relative to assessed land values, the existing structures are a disincentive to redevelop the property (darker yellow). Conversely, where assessed improvement values are low relative to land values, the current develop may not represent the highest and best use of the property, indicating an incentive to redevelop.

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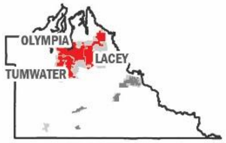
MARKET DATA

EXHIBIT X. RETAIL USES



TRANSACTIONS (2014 LEASES, BY SIZE):

ADDRESS	CITY	SIZE (SF)	PRICE/SF
5110 Yelm Highway SE	Lacey	45,000	n/a
1210 Franz St.	Lacey	5,750	$7.48
1520-1540 Cooper Point Rd. SW	Olympia	5,500	$24.00
213 Sussex Ave.	Tenino	5,400	$4.44

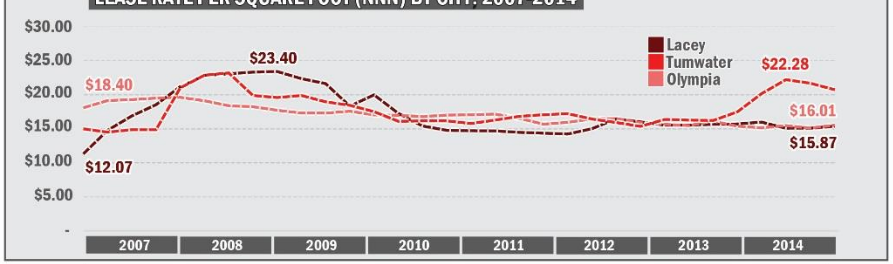
THURSTON COUNTY VITALS:

Rentable Building Area:	13,696,000
Available Building Area:	999,800
Lease Rate per Square Foot:	$16.37
Total Deliveries (2014):	79,700
Net Absorption (2014):	69,100
Average Cap. Rate (2014):	7.3%

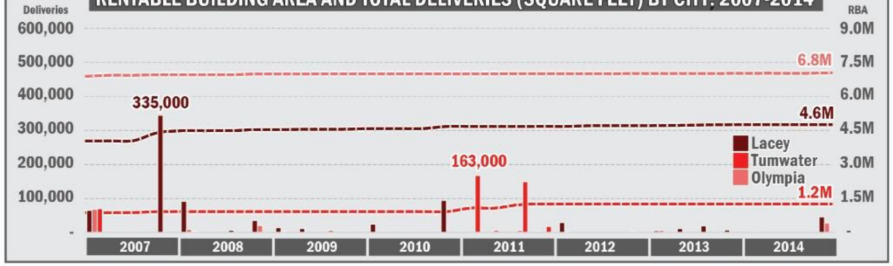
PIPELINE:

ADDRESS	CITY	BLDG. SIZE	STATUS
SW Kingswood Dr.	Tumwater	90,000	proposed
2524 Marvin Rd.	Lacey	40,000	proposed
0 College St. SE	Lacey	39,800	proposed
2500 Marvin Rd. NE Bldg. 1	Lacey	30,000	proposed

LEASE RATE PER SQUARE FOOT (NNN) BY CITY, 2007-2014



RENTABLE BUILDING AREA AND TOTAL DELIVERIES (SQUARE FEET) BY CITY, 2007-2014



QUARTERLY ABSORPTION (SQUARE FEET) AND VACANCY RATE (%) BY CITY, 2007-2014

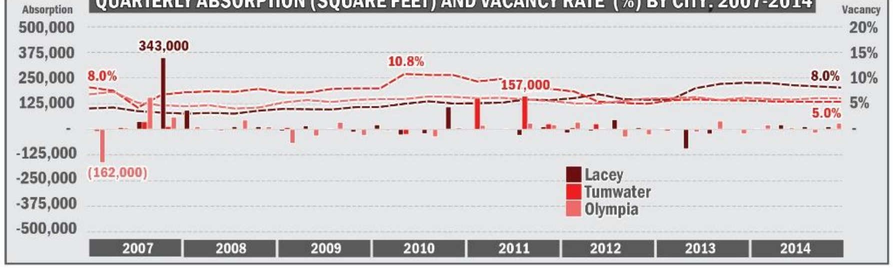
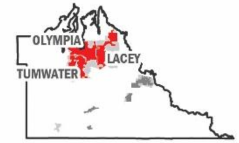


EXHIBIT X. OFFICE USES



TRANSACTIONS (2014 LEASES, BY SIZE):

ADDRESS	CITY	SIZE (SF)	PRICE/SF
1835 Black Lake Blvd. SW	Olympia	38,434	n/a
400 Union Ave. SE	Olympia	11,617	$16.00
6135 Martin Way E	Lacey	9,800	$12.00
612 Woodland Square Loop	Lacey	8,296	$17.50

THURSTON COUNTY VITALS:

Rentable Building Area:	9,252,000
Available Building Area:	1,151,200
Lease Rate per Square Foot:	$16.20
Total Deliveries (2014):	0
Net Absorption (2014):	55,909
Average Cap. Rate (2014):	7.4%

PIPELINE:

ADDRESS	CITY	BLDG. SIZE	STATUS
7153 Cleanwater Ln. SW	Olympia	73,952	proposed
209 Lilly Rd. NE	Olympia	32,000	proposed
8288 28th Ct. NE Bldg. 5	Lacey	9,150	proposed
4508 Intelco Loop SE Bldg. 2	Lacey	7,000	proposed

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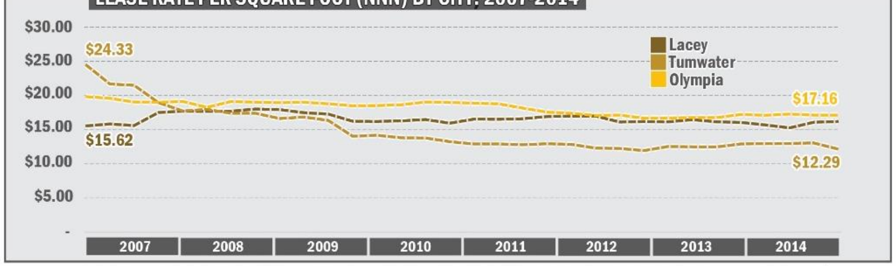

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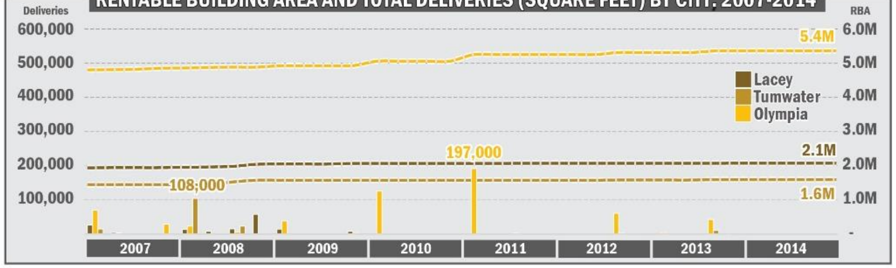

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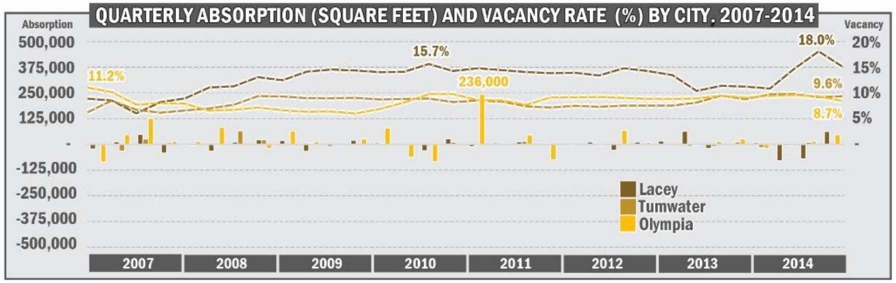
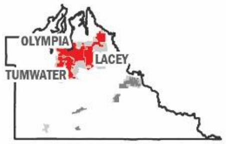


MARKET DATA

EXHIBIT X. INDUSTRIAL USES



TRANSACTIONS (2014 LEASES, BY SIZE):

ADDRESS	CITY	SIZE (SF)	PRICE/SF
2660 Willamette Dr. NE	Lacey	48,600	$6.00
9225 Polaris Ln. NE	Lacey	40,000	$4.08
2830 Willamette Dr. NE	Lacey	33,000	$5.28
8109 River Dr. SE	Olympia	29,025	$4.56

THURSTON COUNTY VITALS:

Rentable Building Area:	11,155,000
Available Building Area:	882,100
Lease Rate per Square Foot:	$5.24
Total Deliveries (2014):	0
Net Absorption (2014):	21,900
Average Cap. Rate (2014):	n/a

PIPELINE:

ADDRESS	CITY	BLDG. SIZE	STATUS
2901-3111 93rd Ave. SW	Tumwater	1,318,500	proposed
2311 93rd Ave.	Tumwater	608,500	proposed
Hogum Bay Rd. Bldg. K-Lot 16	Lacey	500,000	proposed
Hogum Bay Rd. Bldg. H-Lot 12	Lacey	500,000	proposed

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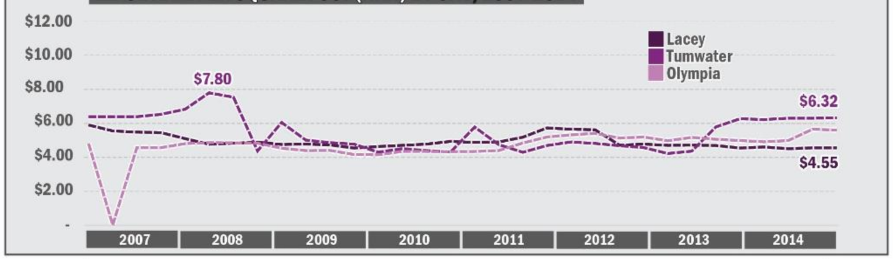

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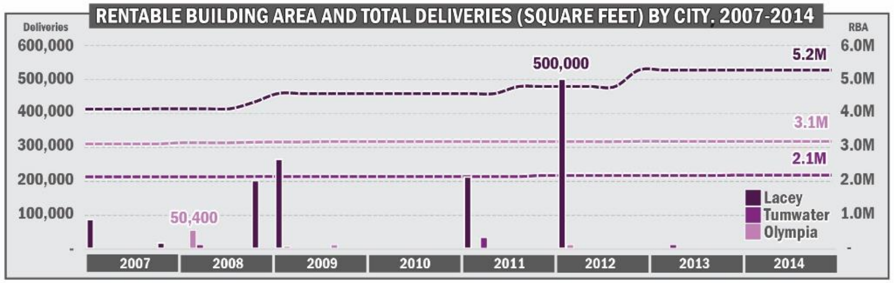

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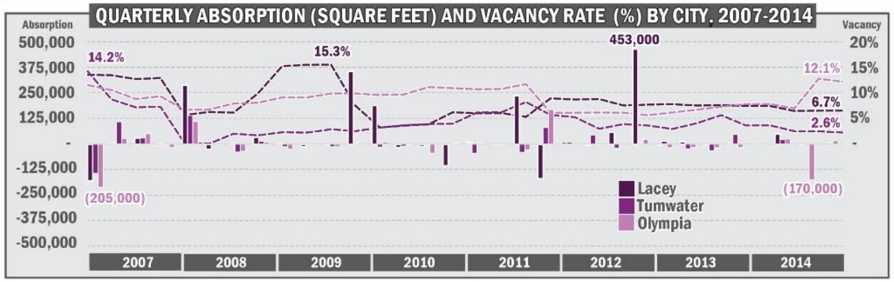
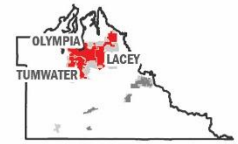


EXHIBIT X. FLEX USES



TRANSACTIONS (2014 LEASES, BY SIZE):

ADDRESS	CITY	SIZE (SF)	PRICE/SF
8294 28th Ct. NE	Lacey	3,630	$7.80
715 78th Ave. SW	Tumwater	2,810	$4.80

THURSTON COUNTY VITALS:

Rentable Building Area:	513,600
Available Building Area:	37,200
Lease Rate per Square Foot:	$7.20
Total Deliveries (2014):	0
Net Absorption (2014):	4,200
Average Cap. Rate (2014):	n/a

PIPELINE:

ADDRESS	CITY	BLDG. SIZE	STATUS
2310 Mottman Rd. SE Bldg. 2	Olympia	8,000	proposed
2310 Mottman Rd. SE Pad Site	Olympia	4,200	proposed
2310 Mottman Rd. SE Pad Site	Olympia	7,300	proposed

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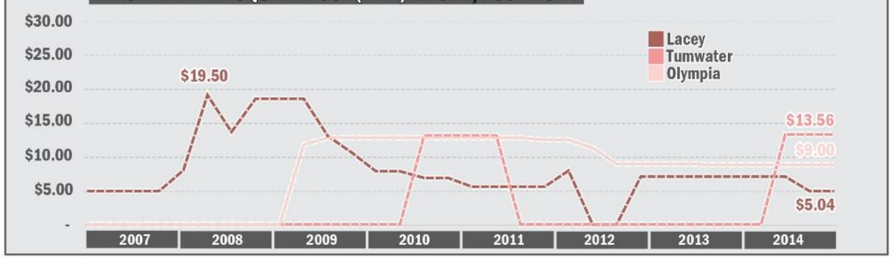

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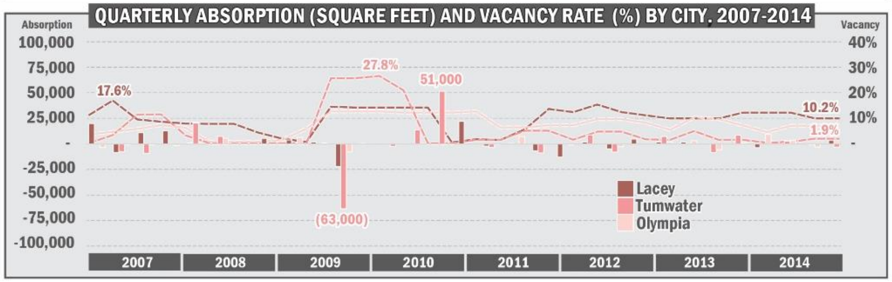
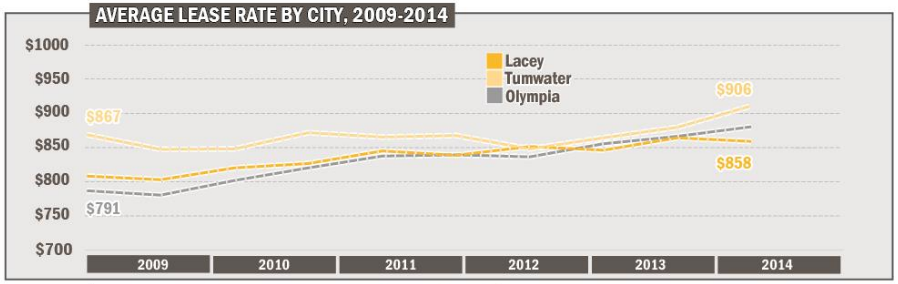
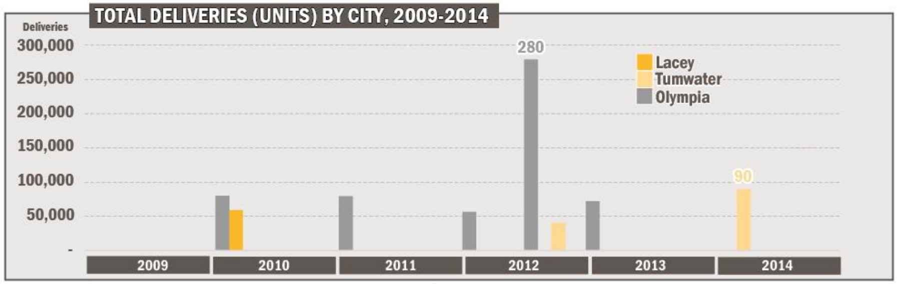
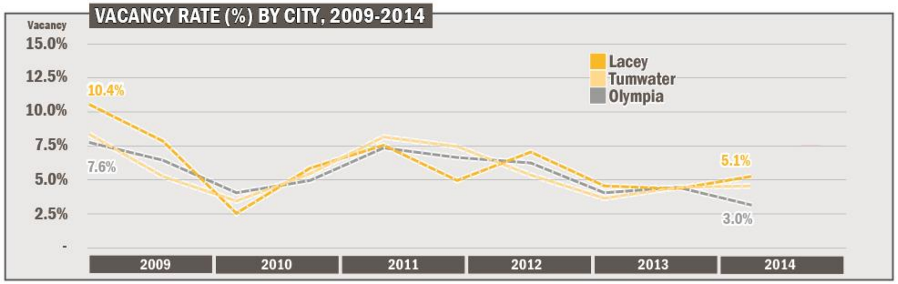


MARKET DATA

EXHIBIT 30. MULTIFAMILY RESIDENTIAL







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STAKEHOLDER PERSPECTIVES

The following section summarizes key findings from five interviews CAI conducted with real estate professionals familiar with Lacey and the Woodland District. The findings are grouped into major categories for legibility. Some findings may appear to be internally contradictory if stakeholders disagreed with each other or related contrasting opinions.

The consultant team will use the findings from the interviews to better inform assumptions about development feasibility.

STAKEHOLDER PERSPECTIVES

GENERAL COMMENTS

> The Woodland District represents the best opportunity in Lacey for large-scale mixed-use development; there is a significant opportunity to draw on existing assets (e.g. ample tree canopy, accessibility from the interstate, existing retail concentration, nearby student population) to create a “day and night” destination for residents and visitors.

> The Woodland District is suitable for many development types, but single- and mixed-use multifamily residential and office rehabilitation projects appear to be the most feasible based on current market interest.

> Low land and building prices over the last several years have allowed investors to purchase property at a price that allows significant investment in rehabilitation and upgrading, which are necessary for many of the properties in the Woodland District to compete.

> Incremental approaches to planning and development in the Woodland District will be most successful in creating a place that embodies the city’s vision.

RETAIL

> Increasing the day-time employment base is a critical component of attracting new retailers.

> Many of the existing retail centers need to be rejuvenated. Additional retail and restaurants may be feasible on a smaller scale.

OFFICE

> There will likely continue to be a mix of public and private sector tenants in the office buildings in the Woodland District, but each has a different set of needs relating to space and tenant improvement packages.

RESIDENTIAL

> Vertical mixed-use residential development may not be the best fit; single-use multifamily could complement existing commercial uses in the District. Product types need to be a good fit for families.

> Students from St. Martin's and SPSCC are an excellent target market for rental housing in the District.

PARKING

> Surface parking is the most feasible way to meet parking requirements at this time. While one development in the Woodland District currently has a mix of surface and underground parking, current rent levels appear to be too low to justify the cost of structured parking. Furthermore, land cost is currently low enough that it may be economically advantageous to purchase enough land to accommodate the breadth of a surface lot rather than to incur the cost of building multiple levels of parking.

> There is substantial street parking available in the Woodland District, such that some development projects may be able to accommodate some of the required parking on-street.

> There is an opportunity for developing at lower parking ratios (possibly below one space per dwelling unit) with shared daytime parking

STAKEHOLDER PERSPECTIVES

DEVELOPMENT CLIMATE

> Lacey has a development-friendly perception regionally that will help create momentum for the Woodland District. The continued perception (reality?) of lower fees is important.

CHALLENGES

> The district still suffers from “funky” access and a lack of direct visibility to Interstate 5. Hawk’s Prairie appears to be outcompeting the Woodland District, in part due to better freeway access.

> Tall trees along the freeway block view corridors, limiting visibility for District tenants.

> Some stakeholders are skeptical that the large-format (i.e. “big box”) retailers in the Woodland District will ever transition to more urban models with structured parking and multistory stores.

> Code revisions that limit parking, restrict lanes of travel and widen sidewalks could be perceived as challenges to the commercial vitality of the District.