



# PRESENTATIONS

THURSTON REGIONAL PLANNING COUNCIL  
PRESENTATION TO THE URBAN CORRIDORS TASK FORCE

# Commercial Market Study

# WHAT OUR STUDY IS ABOUT

## STUDY PURPOSE

- Support the long-range Regional Plan for Sustainable Development, inform local area employment distributions, and help policymakers understand what can and can't be done to promote dense commercial development.

## THE STUDY FOCUSES ON THREE KEY QUESTIONS

### What is the current situation in Thurston County?

- Underlying drivers of commercial development
- Location and trends of commercial development
- Examples of recent successful commercial developments

### What can be learned from experiences elsewhere?

- We will look at examples from other areas in the Puget Sound region that experienced transitions to denser commercial development.

### What can the public sector do to influence future development?

- We will explore ways the public sector can promote denser commercial development in urban corridors and centers.

## THIS IS NOT A TYPICAL MARKET STUDY

- Typical market studies are a snapshot in time with a short shelf life.
- We are taking a longer-term perspective looking at underlying economic drivers and factors affecting commercial development patterns and density.

# WHAT DRIVES COMMERCIAL DEVELOPMENT?

## LOCAL ECONOMIC STRENGTHS

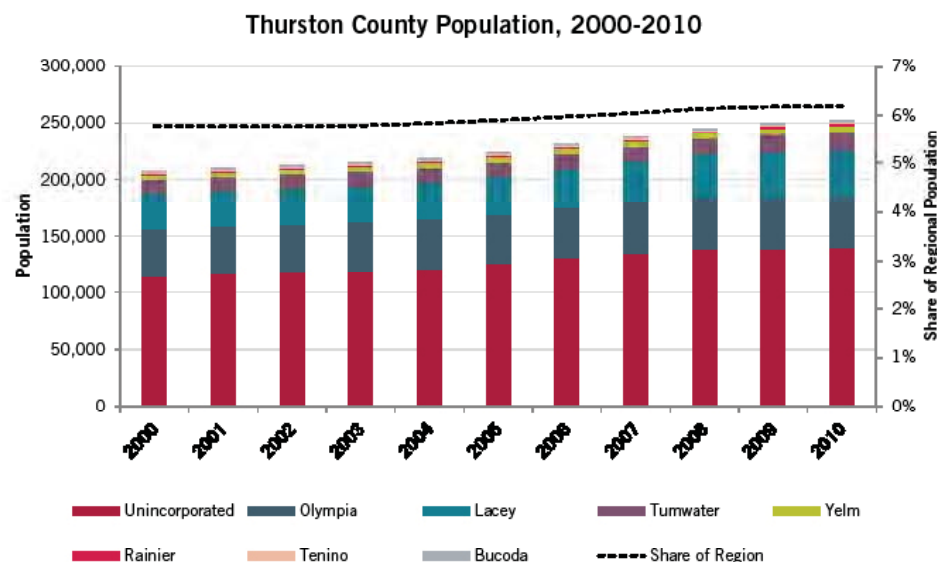
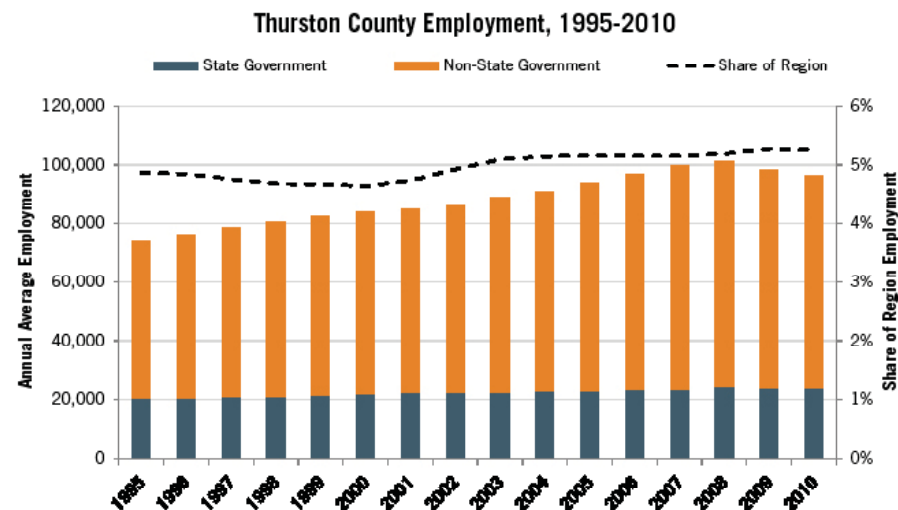
- State government provides a relatively stable employment base for the County.

## POPULATION-SERVING EMPLOYMENT

- Retail and office sectors that primarily serve local populations (e.g. grocery stores, doctors offices) are driven by population growth.

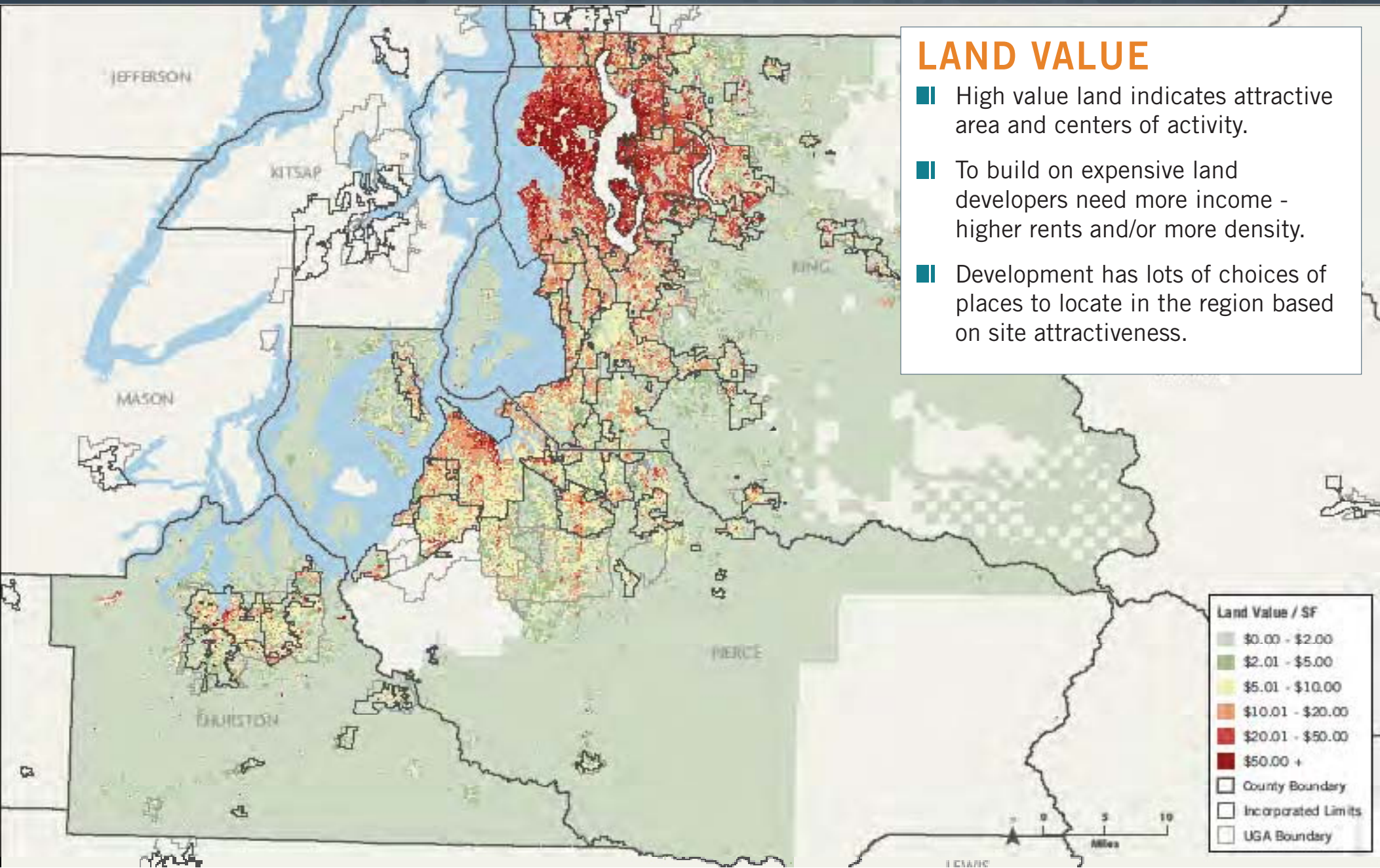
## REGIONAL ECONOMIC GROWTH (TENTPOLE EFFECT)

- Jobs and activity filter down to Thurston County from the Central Puget Sound as the region grows.
- Thurston County is on the periphery of the state's economic center and benefits from growth in the regional economy.



Region: Six-county area of King, Kitsap, Pierce, Snohomish, Skagit, and Thurston.

# REGIONAL ECONOMIC GROWTH

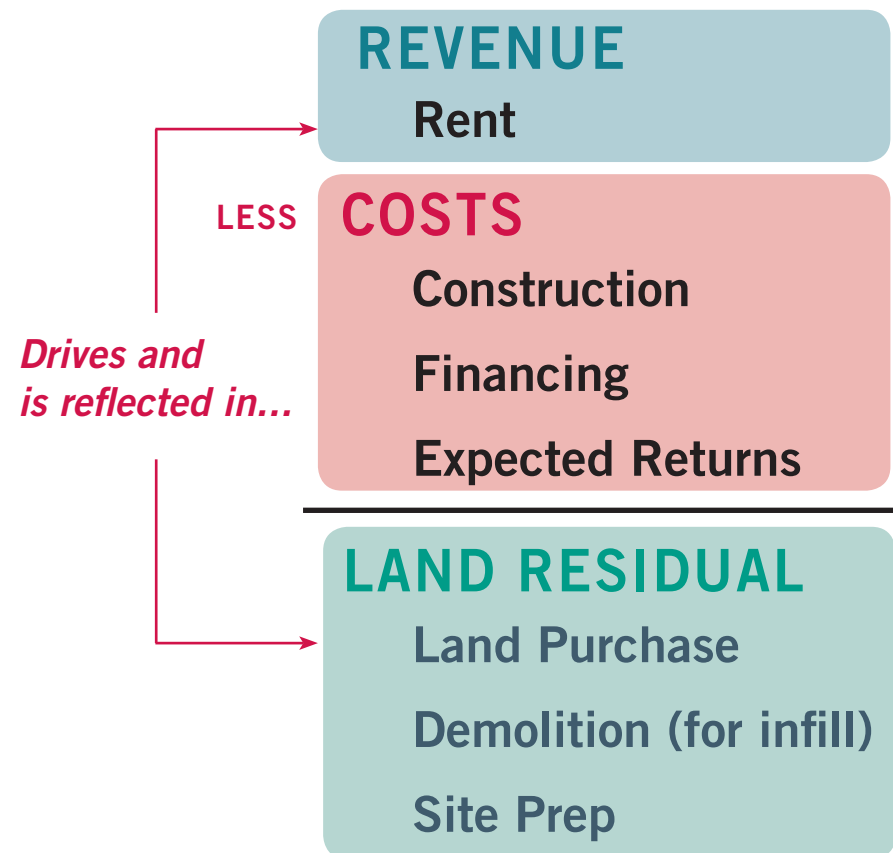


# DEVELOPMENT ECONOMICS AND LAND VALUE

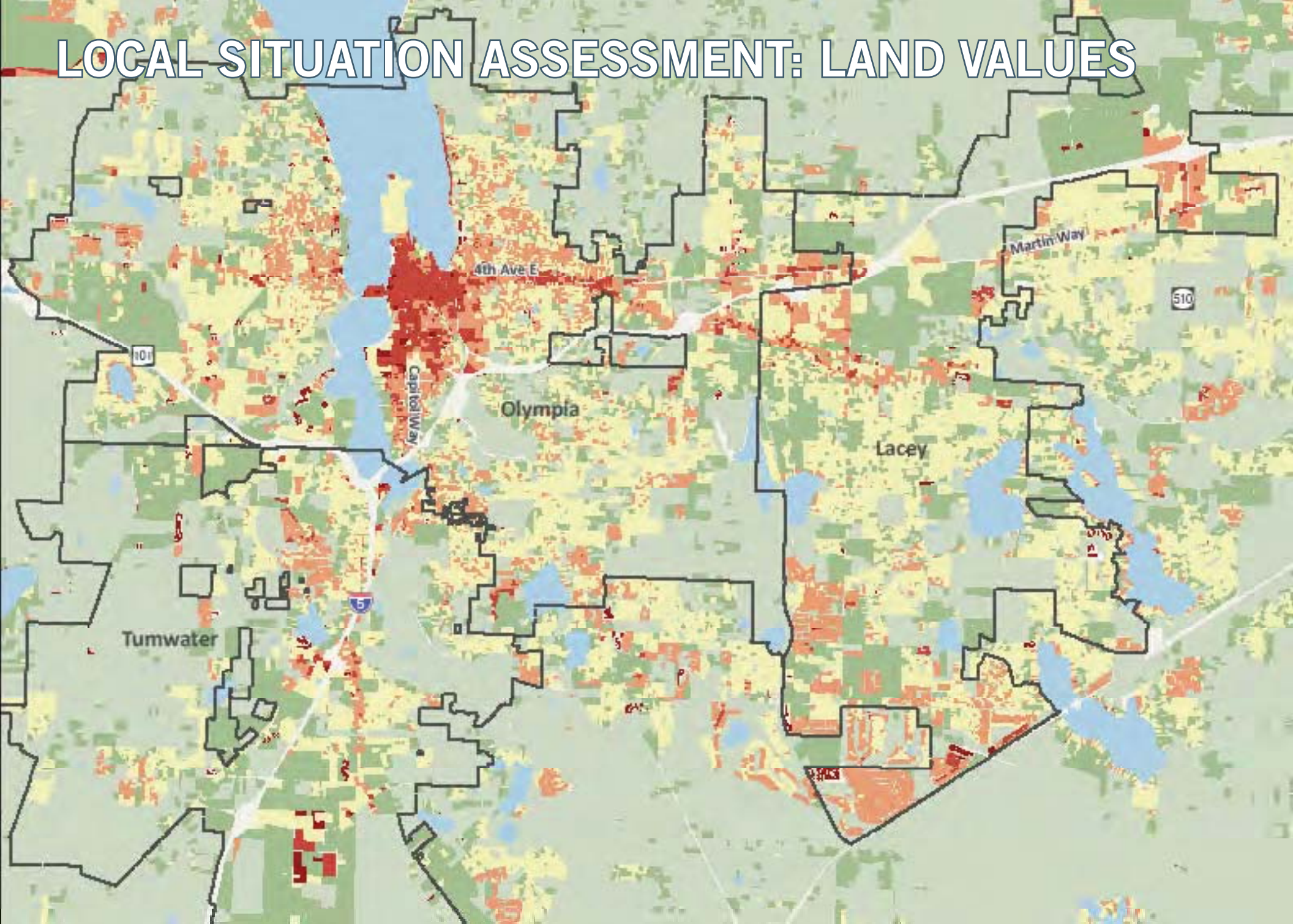
## WHY BUILD DENSE?

- Developers will not build dense if they don't need to
- Rents must be high enough to cover additional costs of vertical development
- Key features of site attractiveness:
  - Accessibility
  - Proximity to housing/jobs
  - Amenities
- Availability and size of suitably located parcels
  - Smaller parcels
  - Fewer options in desirable locations.
  - Shortage of good alternatives

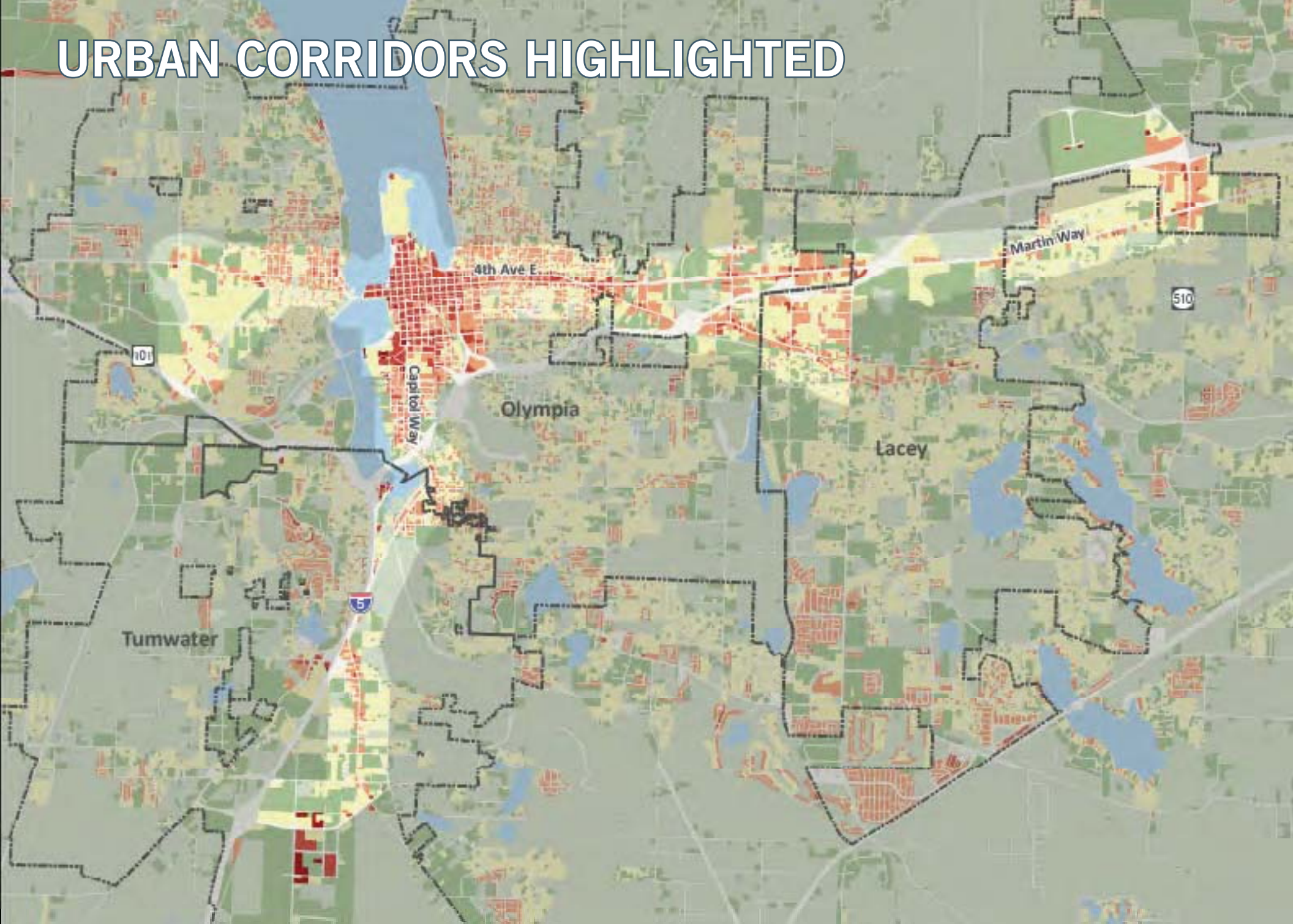
Value of land is a function of demand for a particular use and availability of suitable properties.



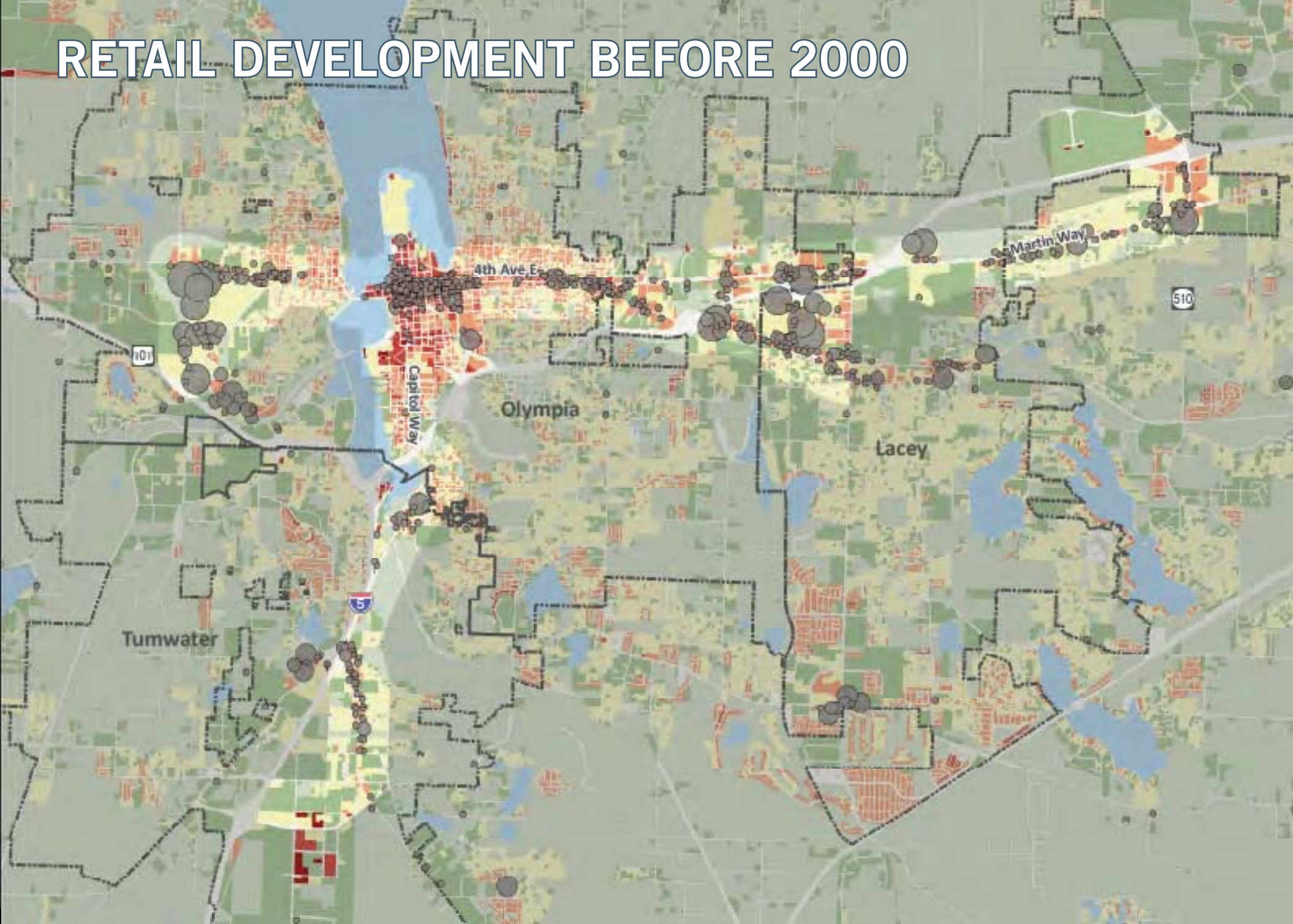
# LOCAL SITUATION ASSESSMENT: LAND VALUES



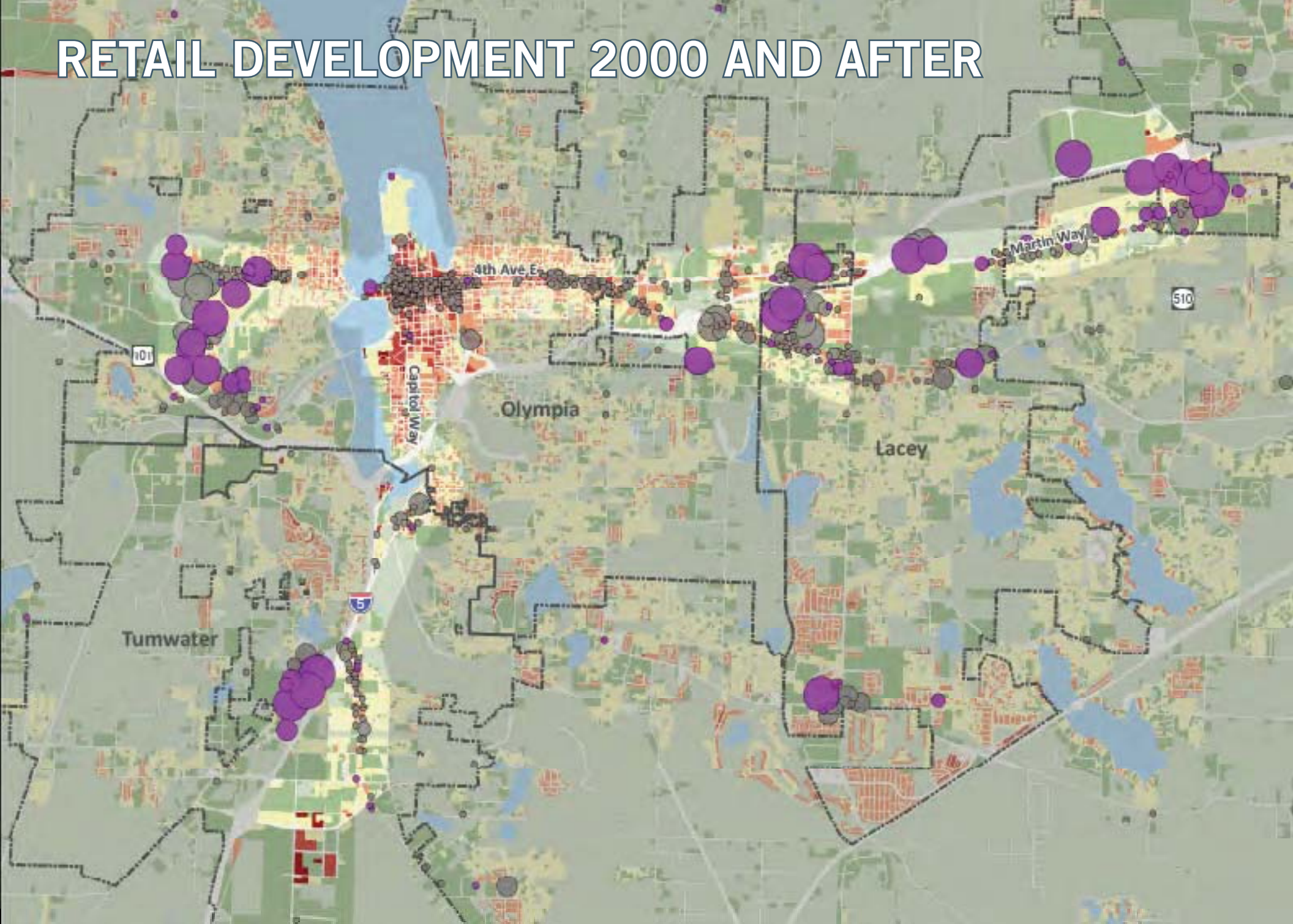
# URBAN CORRIDORS HIGHLIGHTED



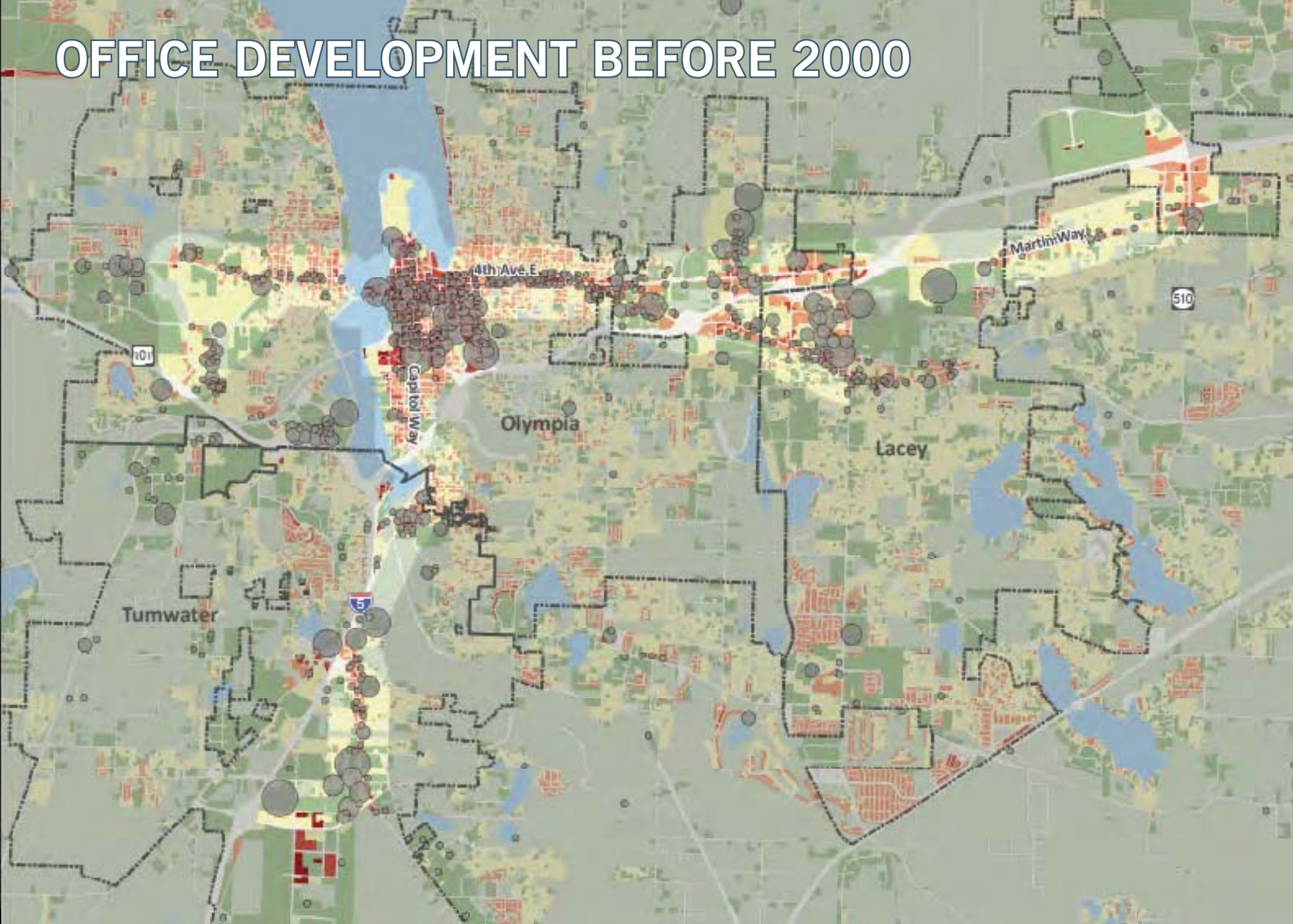
# RETAIL DEVELOPMENT BEFORE 2000



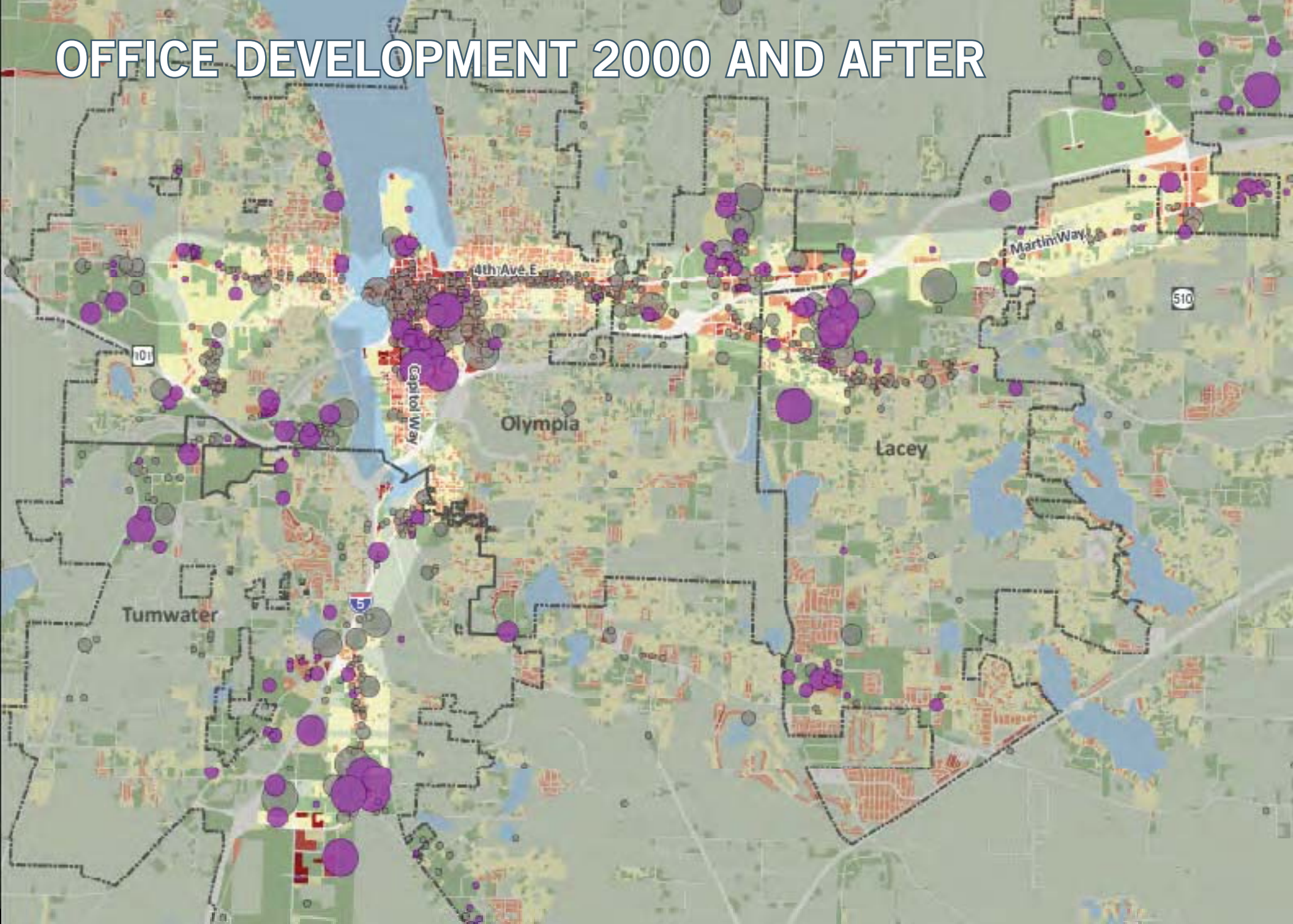
# RETAIL DEVELOPMENT 2000 AND AFTER



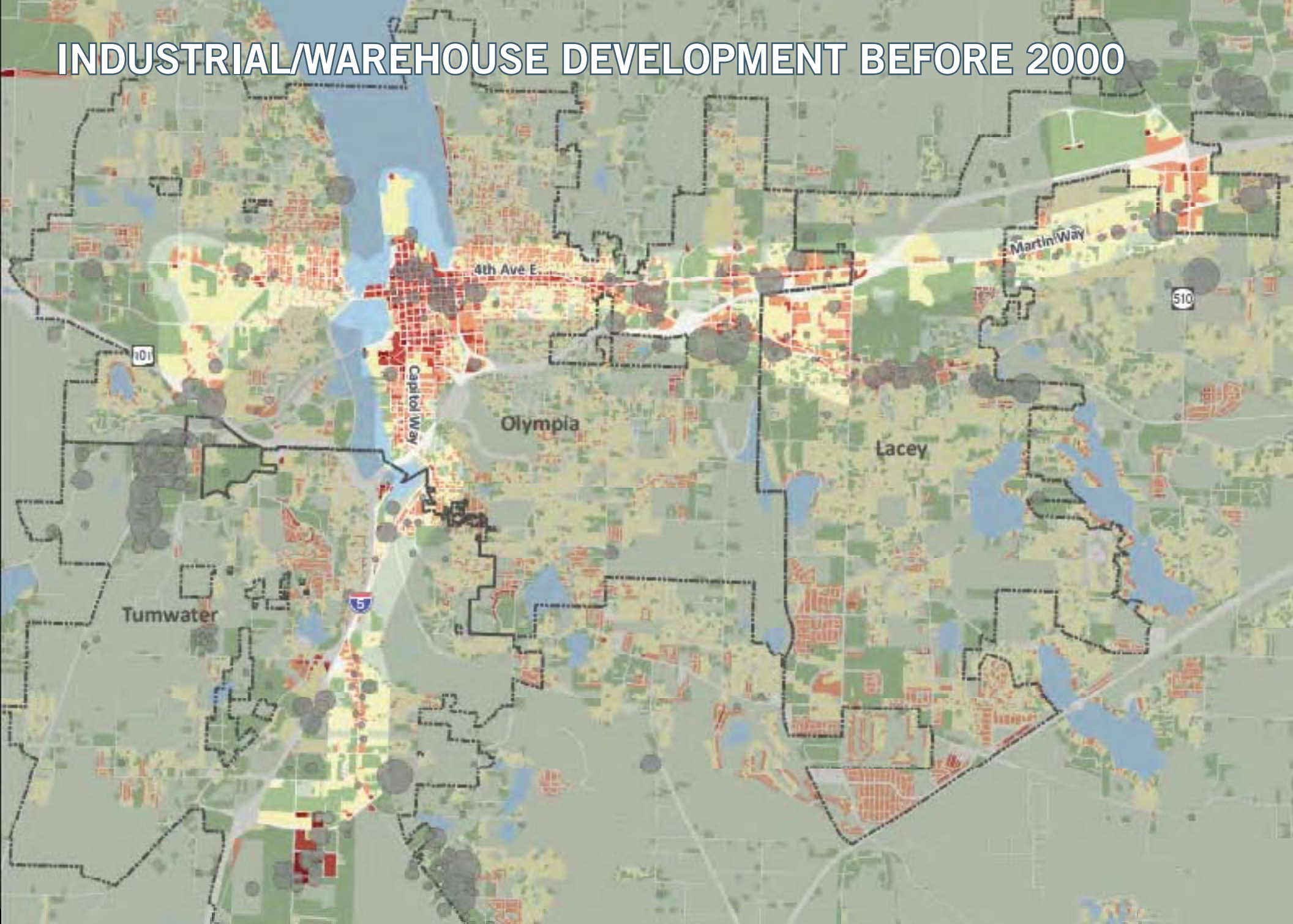
# OFFICE DEVELOPMENT BEFORE 2000



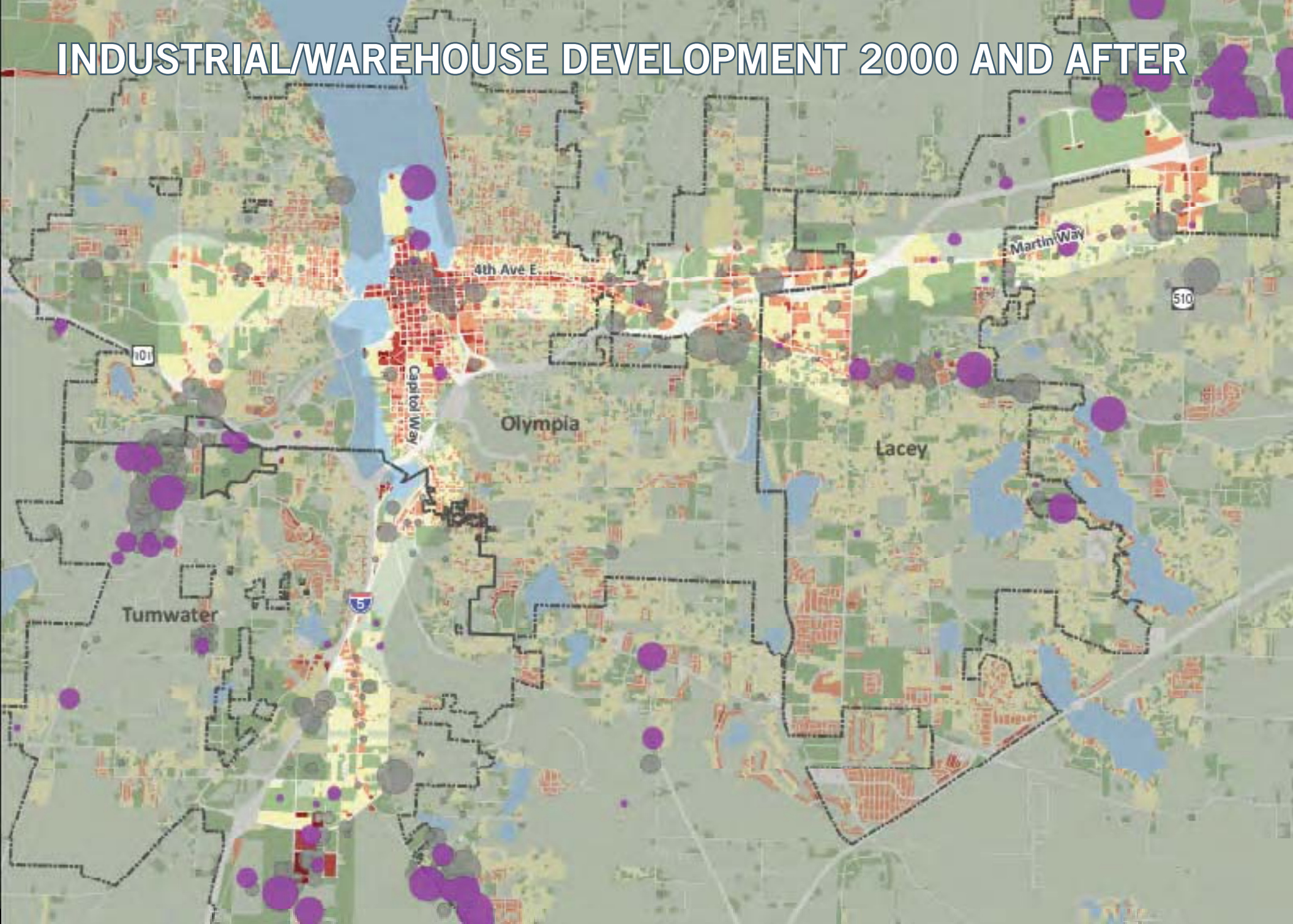
# OFFICE DEVELOPMENT 2000 AND AFTER



# INDUSTRIAL/WAREHOUSE DEVELOPMENT BEFORE 2000



# INDUSTRIAL/WAREHOUSE DEVELOPMENT 2000 AND AFTER



# NEXT STEPS AND QUESTIONS

## LOCAL SITUATION ASSESSMENT

- Assess capacity of existing commercial buildings in Thurston County
- Gather examples of dense commercial development in Thurston County

## WHAT HAS HAPPENED ELSEWHERE

- Gather examples from other communities in the region that have experienced a transition to a more dense commercial development pattern.
- Potential list of communities includes:
  - Renton - public investment in catalyst projects
  - Lynnwood - corridor-based economic development issues
  - Shoreline - corridor-based economic development issues
  - Bellingham - similar distance from the Seattle/King County center
- Understand the market conditions in these areas that allowed for the transition
- Identify other important factors – leadership, public investment, regulatory change, major business opening

## WHAT THE PUBLIC SECTOR CAN DO

- Examine what this group and the planning process can do to promote denser development in desired corridors – actions that either constrain supply or accelerate demand.
- Identify tools available to the public sector and which ones make sense for Thurston County's current situation.

THURSTON REGIONAL PLANNING COUNCIL  
PRESENTATION TO THE SUSTAINABLE THURSTON TASK FORCE

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### What can the public sector do to influence future development?

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## OUTCOMES AND PRODUCTS

- Thirteen district profiles throughout Thurston County
- Case study summaries
- Discussion of policy considerations

# WHAT DRIVES COMMERCIAL DEVELOPMENT?

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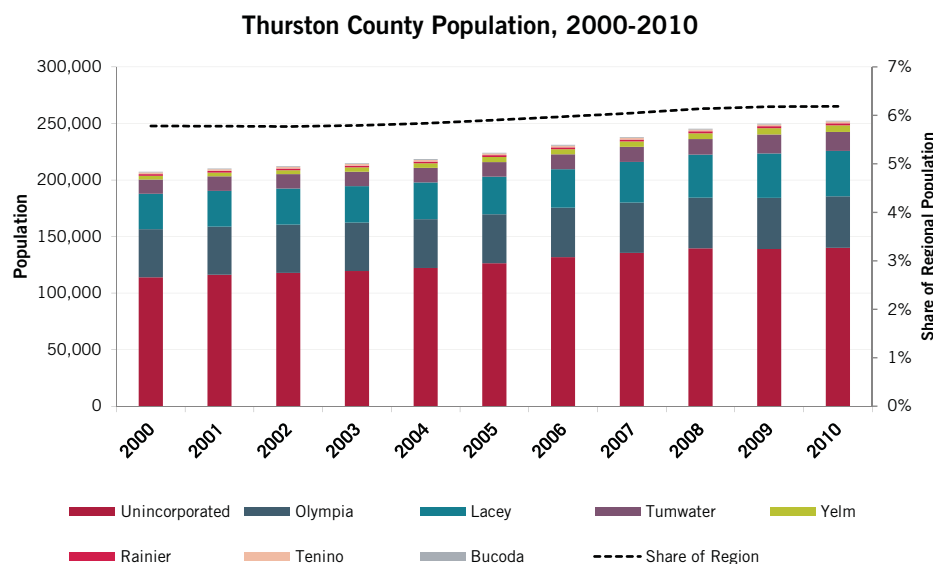
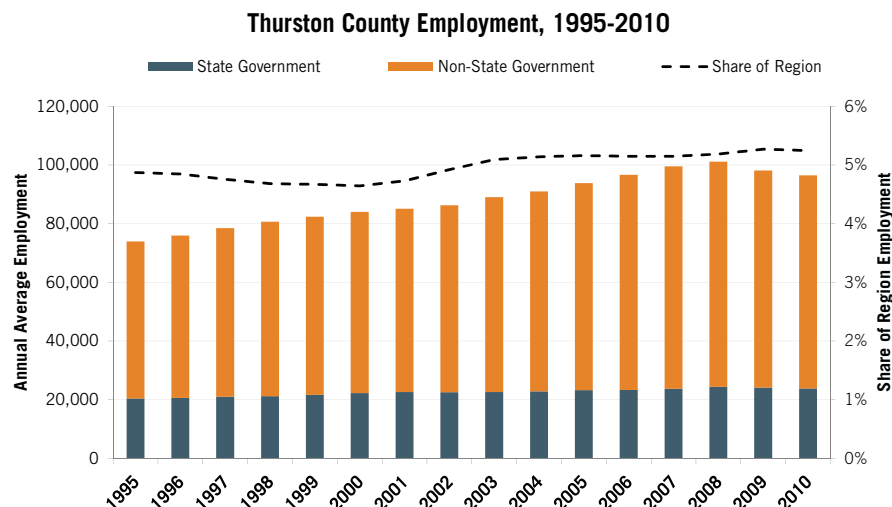
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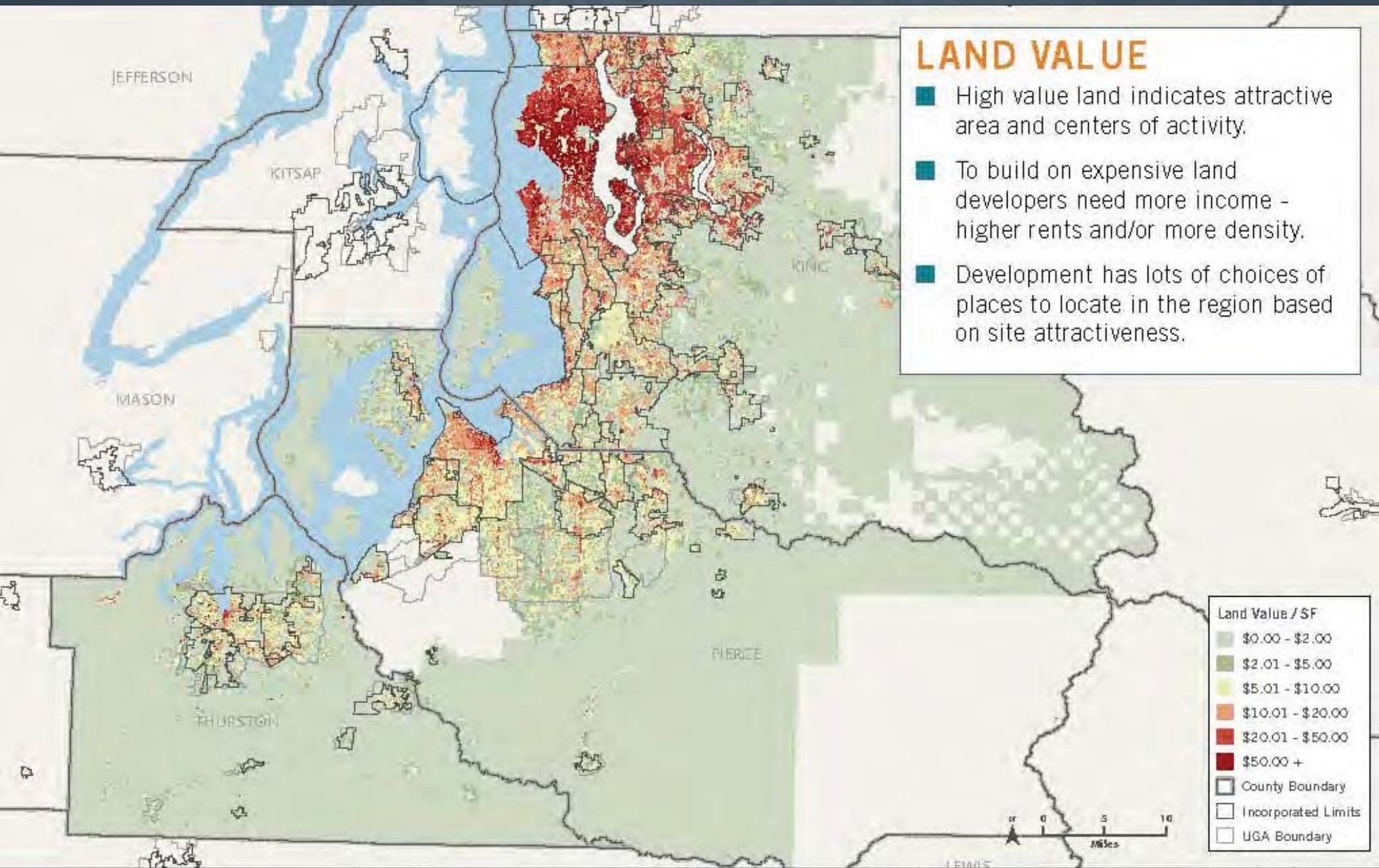
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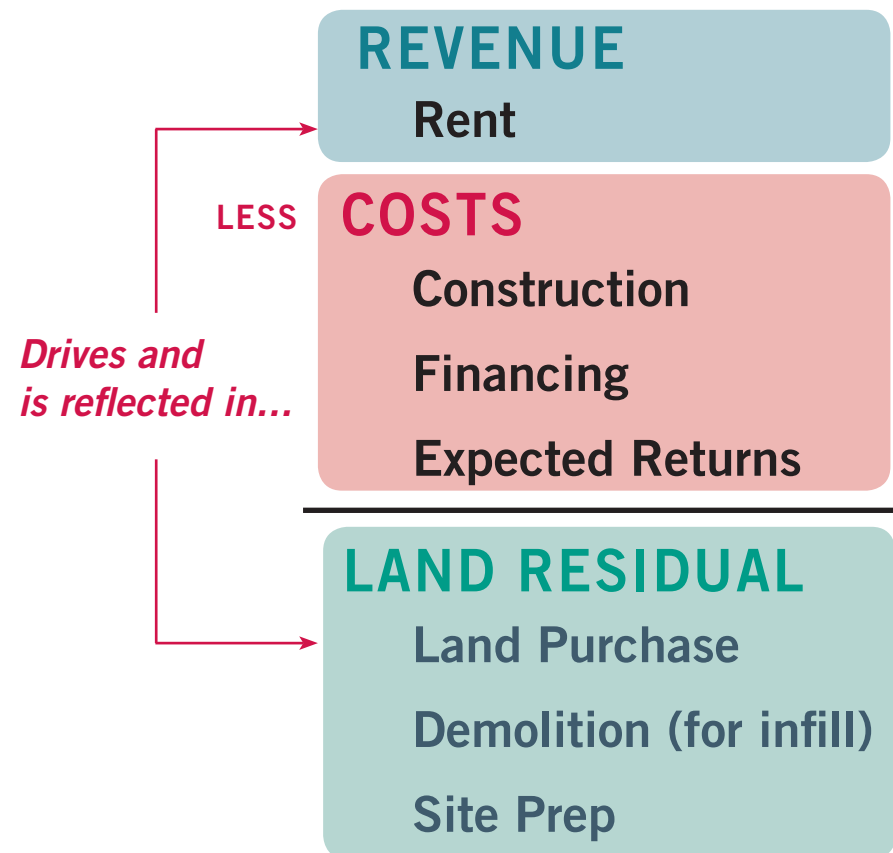


# DEVELOPMENT ECONOMICS AND LAND VALUE

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# DISTRICT PROFILES

# DISTRICT PROFILES OVERVIEW

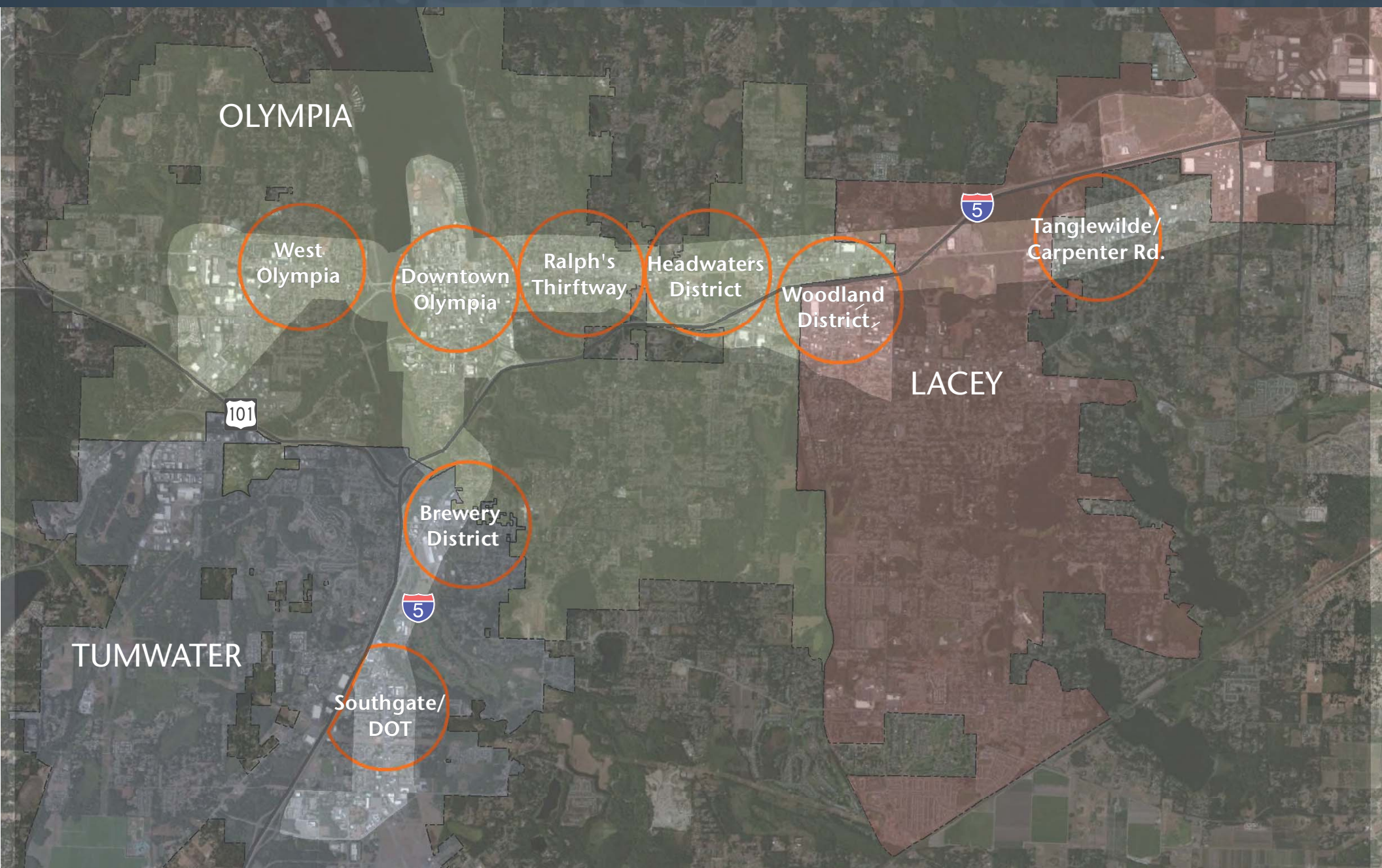
## WHY THIS APPROACH

- Corridors were very large with a number of urban centers. Differences between areas along the corridors not always significant.
- There was a need to break corridors into distinct districts, understand local conditions, and understand relative strengths and weaknesses.
- Helps to answer questions about which areas have the greatest potential and where to focus public resources.

## FOCUS OF PROFILES

- Assess the market for commercial development and additional density in urban districts in Thurston County.
- Use a data-driven market perspective to make meaningful comparisons.
- Identify the strengths, opportunities, and challenges in each district.
- Identify districts to potentially focus public resources on.

# 13 DISTRICTS - 8 IN CENTRAL THURSTON



# 13 DISTRICTS - 5 IN SOUTH AND EAST THURSTON



# A PROFILE FOR EACH DISTRICT

## COMPONENTS OF PROFILES

- Market Factors - Rents and Land Value
- Residential and Employment Density
- Age and Inventory of Commercial Space
- Developable Land Availability
- Transit Service and Vehicle Traffic
- Other Amenities - Parks, Shopping, Attractions

## SAMPLE PROFILE

**Southgate/DOT**

**SUSTAINABLE THURSTON**

**Overall Development Attractiveness**

**CITY**  
Tumwater

**CORRIDOR LOCATION**  
Southwest of the Tumwater Valley Golf Course along Capitol Blvd. with major intersections at Trospier Rd. SW and Dennis St. SE.

The Southgate/ DOT area is auto-oriented. The area initially developed as the route for Highway 99 in the early 1910s, and grew further with the parallel alignment of Interstate 5 and the resulting shift to auto-oriented commercial uses. This historic automobile orientation is reflected in the design and use of the buildings in the area today, which include several fast food restaurants and drive-up banks, as well as a number of structures along the old highway route that are primarily accessed via the automobile.

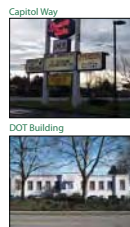
Transformation of the old Highway 99 corridor, which is today's Capitol Boulevard, is a key goal of the City of Tumwater. Development of attractive places along Capitol Boulevard is an important theme in the community's Economic Development Plan. "While Capitol Boulevard functions as a major arterial, carrying heavy traffic around and through the City, there are opportunities to improve its visual appeal and economic functioning through infrastructure enhancement and the development of attractive places in key nodes near residential concentrations." Amenities to support this "development of attractive places" include partial views of Mount Rainier, the Tumwater Valley Golf Course, 15-minute bus service, and a park/trail that will eventually connect with a bike trail along the Deschutes River and the regional trail system.

Southgate/DOT has a few strong characteristics that support future development and density, including a large employment base, a relatively high commercial development inventory, and relatively high redevelopment capacity. However, the district is below average in terms of land value and transit service, and average in terms of population base.

### AMENITIES

- Parks: Tumwater Valley Golf Course
- Shopping: Southgate Shopping Center
- Views: Mt. Rainier views
- Other: Restaurants, banks, and a bowling alley

Southgate/DOT includes the Southgate Shopping Center, as well the Tumwater Valley Golf Course. There are also a lot of restaurants, banks, and a bowling alley within the district. The District has good views of Mt. Rainier.



**Southgate/DOT**

**SUSTAINABLE THURSTON**

**MARKET FACTORS**

**Housing Units/Population**

Total Population: 2,506  
 • Commercial/Service: 1,798  
 • Government: 592  
 • Industrial: 125

**Employment**

Major Businesses:  
 • State Offices (DOT, DOR)  
 • Southgate Shopping Center  
 • Peter G. Schmidt Elementary School

Relative to other urban districts, Southgate/DOT is average in terms of housing units, with 1,225. Multi-family housing is most common, although there are also a significant number of single-family units.

Relative to other urban districts, Southgate/DOT has the fourth highest total number of jobs. The majority of jobs are in the commercial/service sector, although there are also a substantial number of jobs in the government sector, and some in the industrial sector.

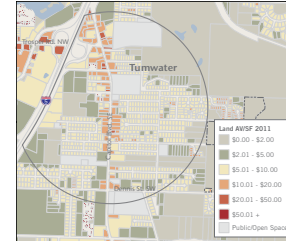
### Commercial Rents (per SF)

	Quoted Rates	Vacancy Rates
<b>Retail</b>		
General Retail	\$14.72	2.3%
General Retail (Avg.)	\$12.73	3.3%
Shopping Center	\$17.01	15.5%
Shopping Center (Avg.)	\$17.22	10.8%
<b>Office</b>		
All Classes	\$15.30	7.5%
All Classes (Avg.)	\$17.02	10.6%

Overall, rents within the broader Tumwater-South Olympia market, which the Southgate DOT District is within, are near the countywide market average. General retail rents are higher than the countywide average at \$14.72 per square foot, while rents at shopping centers are slightly below the countywide average at \$17.01 per square foot. At \$15.30 per square foot, office rents are lower than the countywide average.

Vacancy rates within the Tumwater-South Olympia market are lower than the countywide average for general retail and office uses. Shopping center vacancy is fairly high at 15.5%.

### Land Values



**Southgate/DOT**

**SUSTAINABLE THURSTON**

**DEVELOPMENT CHARACTER**

**Commercial Development Inventory**

Year Built: Before 2000, After 1999

**Age of Development**

Relative to other districts, Southgate/DOT has a higher than average amount of commercial development. Office use is most prevalent, with a substantial amount of retail and industrial use, as well as some lodging use.

The majority of the building inventory in Southgate was built before 2000, although nearly half of the office space was built after 1999. Average year built for lodging use is highest, at 1982, with industrial use at 1977, retail use at 1975, and office use at 1972.

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**POTENTIAL DEVELOPMENT**

**Map of Vacant and Redevelopable Sites**

**Vacant and Redevelopable Sites (Acres)**

	Use	Vacant	Verifed	Unverifed	Potential	Other
Commercial	11.3	7.8	14.8	17.3	0.0	
DOT site	0.0	0.0	0.0	0.0	18.6	
Mixed Use	0.4	0.0	0.0	0.0	0.0	

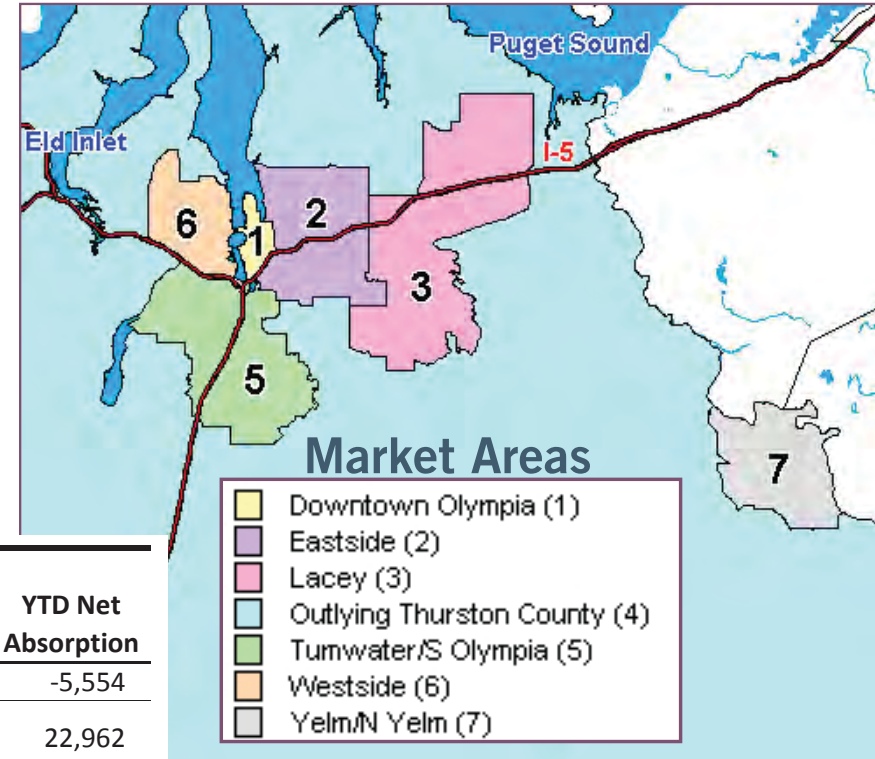
Southgate/DOT has the fourth highest redevelopment capacity of all the districts. Nearly all of the vacant and redevelopable lots are along Capitol Blvd. City leadership has identified the current DOT site as having the potential for a large-scale redevelopment project, due to the large lot size and central location within the district.

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# INVENTORY, RENTS, AND VACANCY RATES

## OFFICE MARKET

- Very little office construction in Thurston County since 2008.
- Office vacancy rates have risen from about 8% at the start of 2008 to over 10% in 2011. Rental rates over the same time period dropped from over \$19/sf to \$17/sf.



### Office Market Summary, 2011 Year-end

District	Market	Quoted Rates	Vacancy Rate	Total GLA (SF)	YTD Net Absorption
West olympia	Westside	\$18.67	11.40%	1,131,841	-5,554
Ralph's Thriftway Headwaters District	Eastside	\$18.52	7.50%	1,369,025	22,962
Woodland District Tanglewilde/Carpenter Rd.	Lacey	\$17.75	15.20%	2,026,002	-21,402
Yelm	Yelm/N Yelm	\$16.06	43.30%	57,500	-10,452
Downtown Olympia	Downtown Olympia	\$15.68	9.80%	2,185,796	33,871
Brewery District Southgate DOT	Tumwater/S Olympia	\$15.30	7.50%	1,764,964	9,628
Rainier Tenino Bucoda Grand Mound	Outlying Thurston County	\$8.99	2.90%	92,707	5,937
<b>Totals</b>		<b>\$17.02</b>	<b>10.60%</b>	<b>8,627,835</b>	<b>34,990</b>

- Market areas used for office and retail market statistics do not match district boundaries.
- Outlying Thurston County covers the entire county outside the central core - not an accurate representation of the market in our outlying districts.

Source: CoStar, 2011 Q4

Note: Rents are full-service equivalent rates

# INVENTORY, RENTS, AND VACANCY RATES

## RETAIL MARKET

- Overall retail vacancy rates have risen from about 6% at the start of 2008 to almost 11% in 2011. Rental rates over the same time period dropped from over \$20/sf to \$16/sf.
- In the General Retail category (single-tenant free-standing retail) vacancies and rents are lower and have stayed relatively steady since 2008.
- The Shopping Center category (community, neighborhood, and strip retail centers) has rents and vacancies that closely follow the overall retail market.

## General Retail

District	Market Area	Quoted Rates	Vacancy Rate	Total GLA (SF)	YTD Net Absorption
Ralph's Thriftway Headwaters District	Eastside	\$14.72	2.0%	701,866	21,852
Brewery District Southgate DOT	Tumwater/S Olympia	\$14.72	2.3%	681,757	16,918
Woodland District Tanglewilde/Carpenter Rd.	Lacey	\$13.46	3.0%	1,711,305	23,732
West Olympia	Westside	\$13.07	6.1%	956,401	-3,137
Yelm	Yelm/N Yelm	\$12.74	1.1%	394,716	-1,287
Downtown Olympia	Downtown Olympia	\$11.39	3.3%	1,502,062	20,467
Rainier Tenino Bucoda Grand Mound	Outlying Thurston County	\$7.40	5.1%	349,262	-4,067
<b>Totals</b>		<b>\$12.73</b>	<b>3.30%</b>	<b>6,297,369</b>	<b>74,478</b>

## Shopping Center

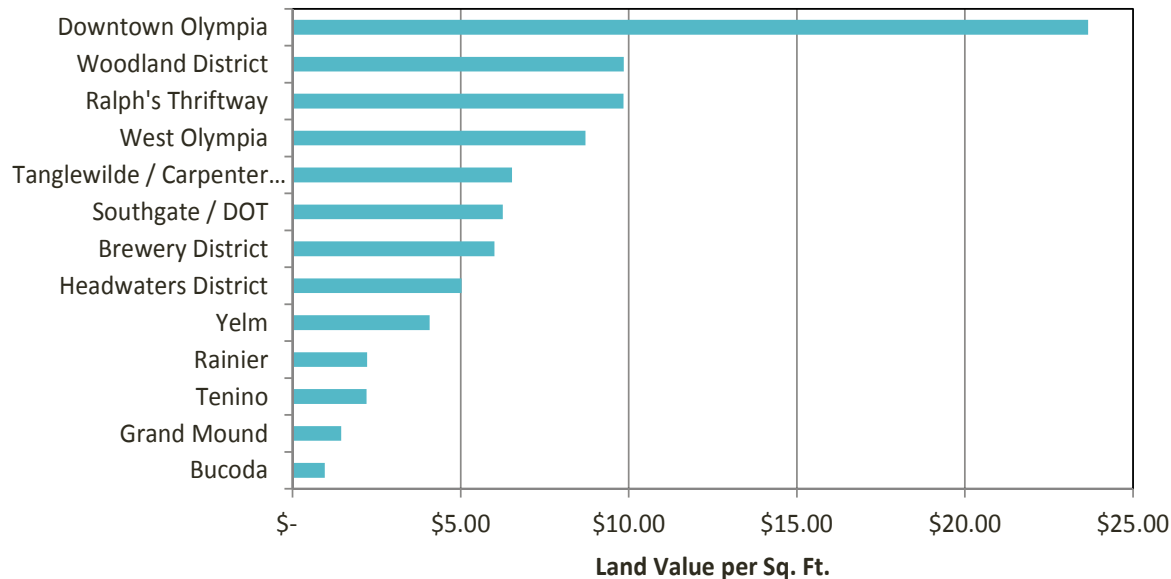
District	Market	Quoted Rates	Vacancy Rate	Total GLA (SF)	YTD Net Absorption
Yelm	Yelm/N Yelm	\$23.31	3.60%	177,688	-2,040
West Olympia	Westside	\$17.28	12.90%	1,199,322	693
Brewery District Southgate DOT	Tumwater/S Olympia	\$17.01	15.50%	636,293	-17,470
Woodland District Tanglewilde/Carpenter Rd.	Lacey	\$16.76	8.50%	1,746,449	-25,468
Ralph's Thriftway Headwaters District	Eastside	\$14.68	13.00%	370,082	-1,608
Downtown Olympia	Downtown Olympia	N/A	8.10%	85,742	4,780
Rainier Tenino Bucoda Grand Mound	Outlying Thurston County	N/A	3.10%	80,995	0
<b>Totals</b>		<b>\$17.22</b>	<b>10.80%</b>	<b>4,296,571</b>	<b>-41,113</b>

Source: CoStar, 2011 Q4

Note: Rents are triple net (NNN) rental rates

# LAND VALUE

## Average Land Value, 2011



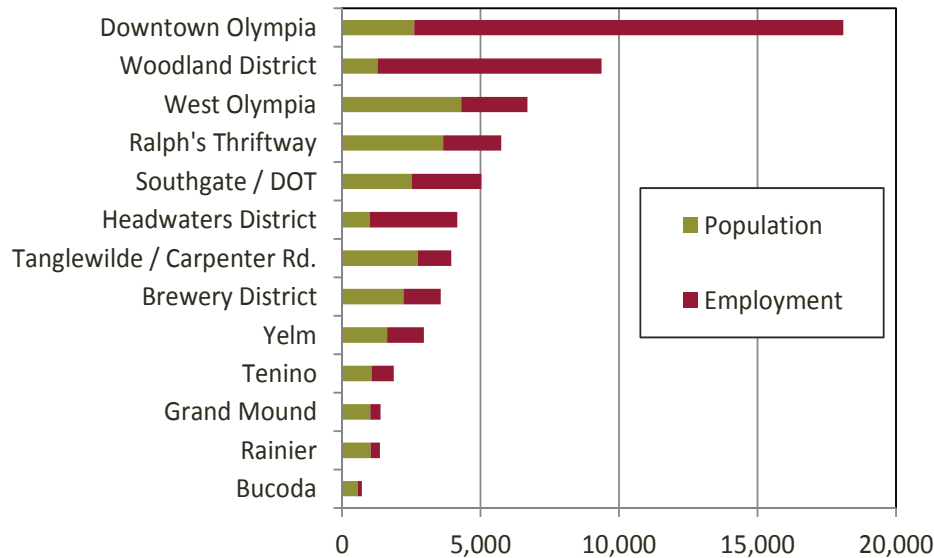
Source: Thurston County Assessor, 2011

Note: public use parcels and open space excluded from calculations

- Land value is another indicator of market attractiveness. It can sometimes reflect market potential not captured in today's rents.
- Our methodology using fixed size half-mile districts tends to drive down average land value for smaller districts that have smaller areas of activity.

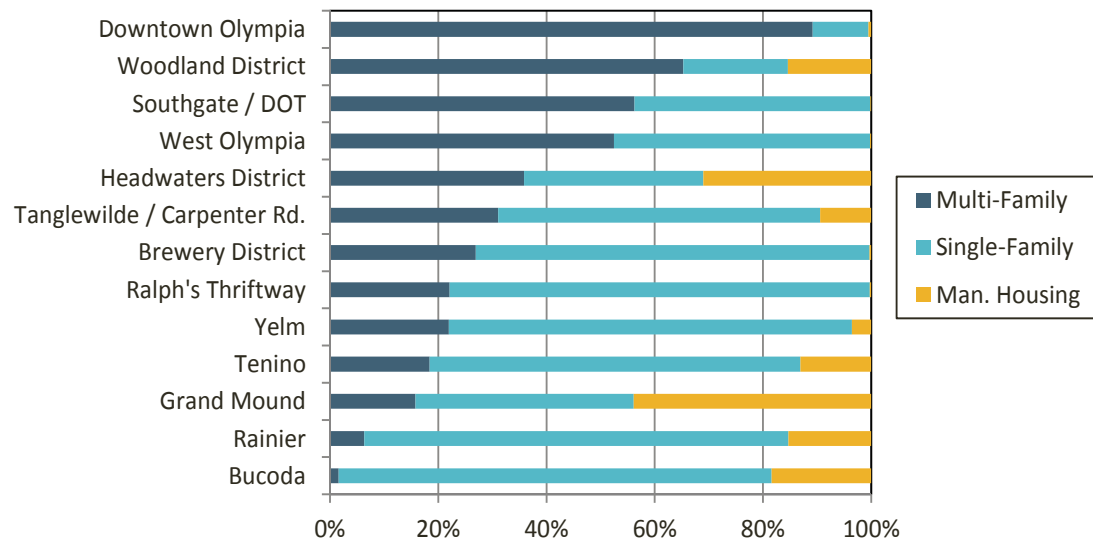
# POPULATION, HOUSING, AND EMPLOYMENT

## Population and Employment, 2010



- Population and employment both generate activity to support commercial development.
- Some districts are stronger employment centers, others have more population. Some have both.
- Lower risk to build in proven markets.

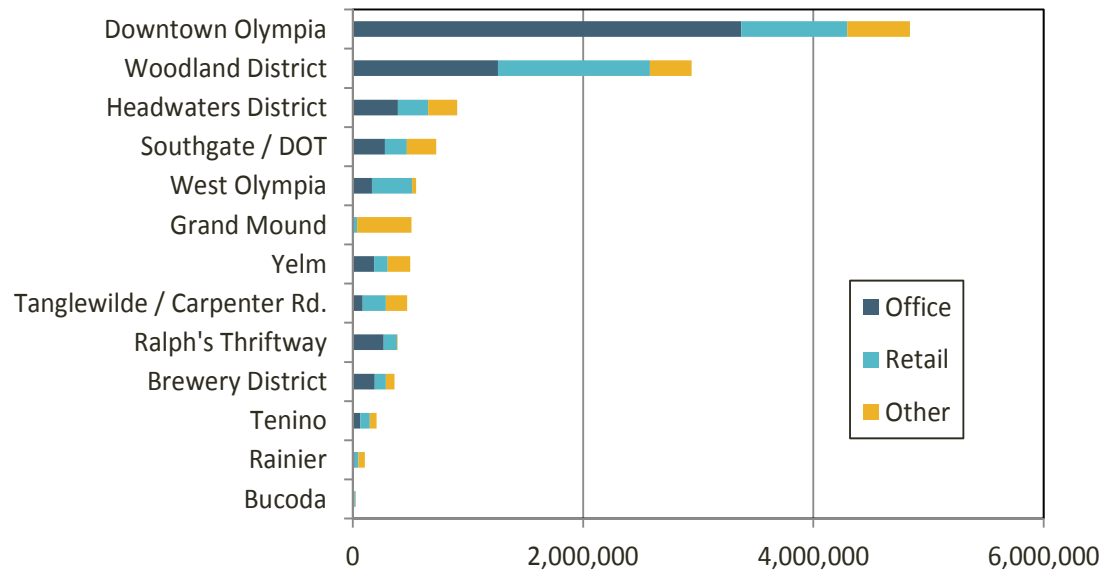
## Housing Unit Distribution, 2010



- The presence of multifamily housing is an important indicator of districts that can support greater commercial density

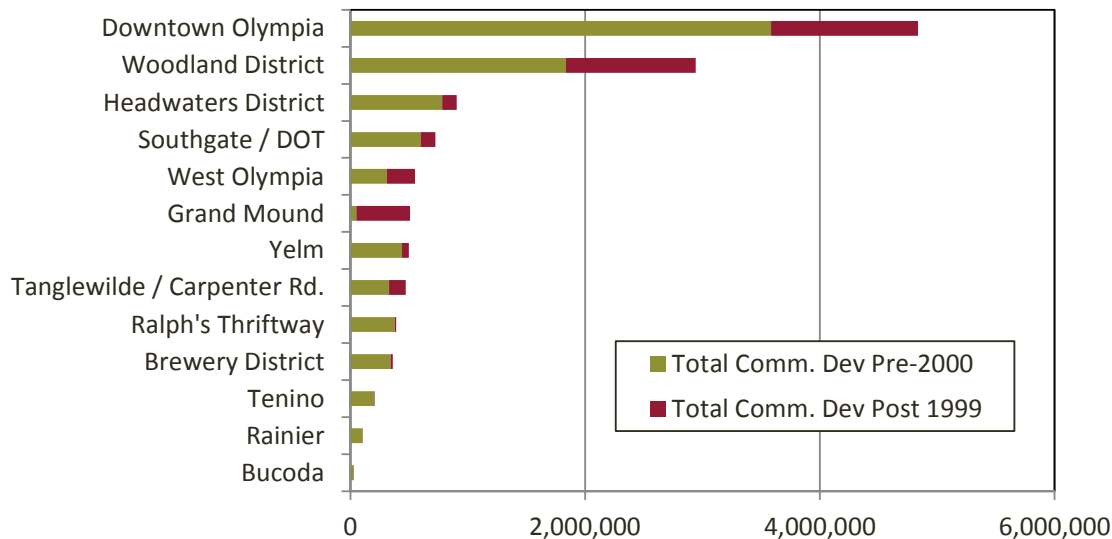
# AGE AND TYPE OF DEVELOPMENT

## Commercial Inventory by Type (SF), 2011



- Downtown Olympia and the Woodland District stand out with the largest inventories of commercial space.
- The “Other” category includes industrial, warehouse, and lodging uses.

## Commercial Inventory Pre- and Post- 2000 (SF)

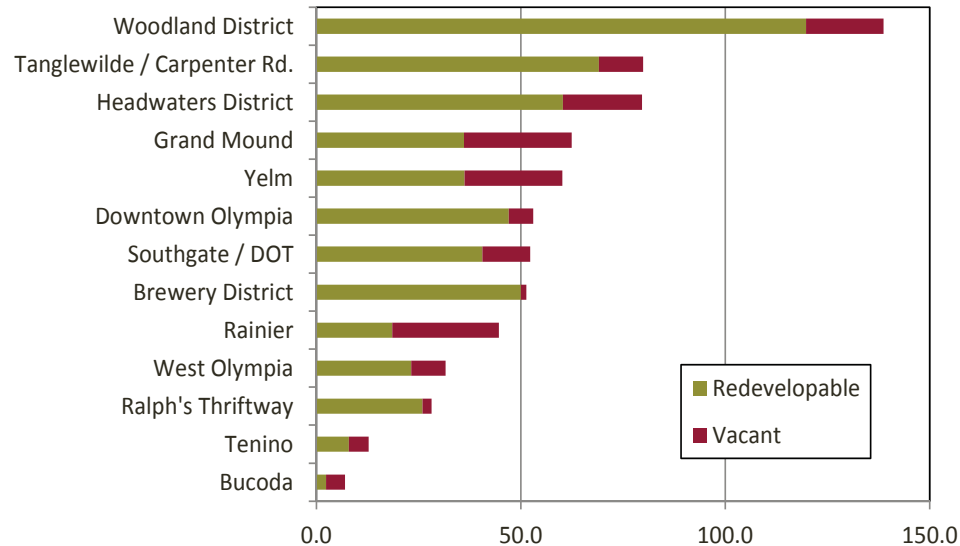


- Little commercial space construction since 2000 in most districts.
- Downtown Olympia, the Woodland District, and Grand Mound have seen the most development in recent years.

Source: Thurston County Assessor, 2011

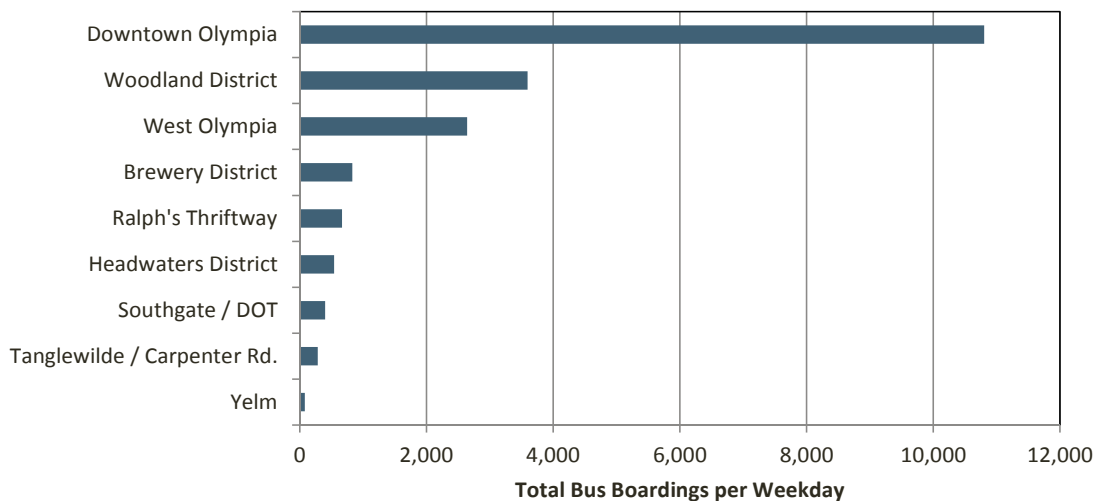
# BUILDABLE LAND AND TRANSIT

## Vacant and Redevelopable Acres, 2010



- Buildable land is a valuable indicator of land availability, underutilized land, and potential to support increased density.
- Districts with limited vacant land such as Downtown Olympia face a challenge because infill redevelopment is more costly.

## Average Bus Boardings per Weekday, 2010



- Transit ridership indicates areas of higher density with good access to employment centers.
- 15 minute service in several districts is a strength
- Transit service is an important amenity for office and multifamily development.
- Outlying districts besides Yelm are not currently served by fixed-route transit.

# OVERALL ATTRACTIVENESS ASSESSMENT

## Summary of Selected Market Indicators

	District	Indicator			
		Land Value	Population/ Employment	Vacant Redev Land	Transit Service
High Potential	Downtown Olympia	●	●	◐	●
	Woodland District	◐	●	●	●
	Brewery District	◐	◐	●	◐
Moderate Potential	West Olympia	◐	◐	◐	●
	Tanglewilde / Carpenter Rd.	◐	◐	●	◐
	Headwaters District	◐	◐	●	◐
	Southgate / DOT	◐	◐	◐	◐
	Yelm	◐	◐	◐	◐
	Ralph's Thriftway	◐	◐	○	◐
Rural Community	Grand Mound	○	○	◐	○
	Rainier	○	○	◐	○
	Tenino	○	○	○	○
	Bucoda	○	○	○	○

Legend

- High
- ◐ Medium
- Low

- Downtown Olympia and the Woodland District were the highest in most indicators. The Brewery District was included in the high potential category because of the unique potential offered by the Olympia Brewery site.
- Most of the other urban districts have some level of activity and development potential. Unique opportunities and challenges for each are addressed in the district profiles.
- The outlying districts may rate lower compared to the urban districts, but each has unique opportunities for commercial development related to their market niches.

# CASE STUDIES

# CASE STUDIES

## PURPOSE

- Examine other communities in Washington that have had success in promoting more dense development.
- Think about how these examples apply to Thurston County.

## CASE STUDY AREAS

- We looked at three cities: Renton, Shoreline, and Burien.
- We chose cities that have had success while facing challenges similar to those facing communities in Thurston County.

## APPROACH

- Interviews with key staff at each city to learn more about challenges, strategies, and lessons learned.

# RENTON: AGGRESSIVE APPROACH, IMMEDIATE IMPACT

## DOWNTOWN RENTON

### Background

- Early 1990's: Boeing shifts 777 operations to Everett.
- Struggling economy - city looks to revitalizing downtown as ED tool.

### What They Did: Aggressive Investments in Downtown

- City developed a long-term vision and provided critical investments to facilitate the process (\$40 million since mid-1990s).
- Moved large auto-mall and purchased and repurposed vacant land.
- Worked with Metro to develop a transit center, constructed a large parking structure, built 1-acre park.
- Actively partnered with developer community to maximize return on public investments.

### Outcomes

- Three initial mixed-use projects in mid-90s and four ensuing (Over 650 units).
- New businesses have filled in the retail spaces and more businesses have opened in the historic downtown core, which has also seen some private investment.

*Downtown Renton*



# RENTON: AGGRESSIVE APPROACH, IMMEDIATE IMPACT

## THE LANDING

### Background

- Boeing interested in selling some portion of land to City for economic development.

### What They Did: Took Advantage of Large-site Opportunity

- City and Boeing negotiated to develop on 46 acres of holdings in North Renton.
- Established a comprehensive plan and development agreement.
- \$22.5 million in new roads and utility infrastructure (financed by bonds on future revenues and grants).
- \$10.6 million parking structure to support developer efforts to build 'walkable' center.

### Outcomes

- Urban-village style shopping development in North Renton with 600,000 square feet of retail, 880 residential units, and 14 screen cinema.
- Landing has been a success, with 80% commercial lease rates, tenants reporting strong revenues, and low vacancy rates in the residential developments.

*The Landing*



# SHORELINE: LONG-TERM INFRASTRUCTURE INVESTMENT

## AURORA CORRIDOR PROJECT

### Background

- Following incorporation in 1995, improving the Aurora Corridor was a top priority for City Leadership.
  - Characterized by substandard pedestrian and bicycle infrastructure, slow and unreliable bus transit service, auto-oriented strip retail development, high crime, and high automobile and pedestrian accident rates.
- Along with improving mobility, safety, and aesthetics, a key goal is to nurture more concentrated economic activity along the corridor, with clusters of activity at transit stops.

### What They Did: Took on their Biggest Challenge

- In late 1990s, the City developed a comprehensive plan which included policy direction to revitalize corridor.
- Adoption of plan followed by year-long pre-design process with heavy community involvement to translate policies into design concept:
  - Elements included: Business Access Transit lanes, large sidewalks with setbacks, pedestrian overpasses, access management with medians landscape improvements, bike trails, new signals and lighting, and new streetscape amenities.

*Aurora and 152nd Street, Before and After*



# SHORELINE: LONG TERM INFRASTRUCTURE INVESTMENT

## Where Are They Now

- Still in public investment phase:
  - Construction on the 3-mile project began in 2005, is currently 2/3 complete.
  - First two miles cost \$35 and \$40 million, respectively. Remainder is budgeted at \$60 million.

## Outcomes

- Short-term improvements already realized include:
  - projected 30% increase in transit speed and reliability
  - vehicle accident rates reduced by 60%
  - improved conditions for pedestrians and bicyclists.
- City Leadership believes the project establishes a strong infrastructure base and sets the stage for significant commercial and residential growth in coming decades.

*Aurora and 160th Street, Before and After*



# BURIEN: COMMUNITY INVOLVEMENT AND SYNERGY

## BURIEN DOWNTOWN REVITALIZATION

### Background

- Desire to create a gathering place after incorporation and take advantage of historic and walkable downtown.

### What They Did: Civic Investment and Public Outreach

- Strong community involvement in development of vision.
- Heavy Investment:
  - Public-private partnership to develop Town Square Center (Library, City Hall, Performance Center, Mixed-used developments) (\$53 Million)
  - Historic Streetscape Improvements (\$8 million)
- Fostered a synergy of uses.

### Outcomes

- 2009 opening of Burien Town Square and Burien Transit Center.
- New business growth in historic commercial core.

*Downtown Burien*



# POLICY CONSIDERATIONS

## UNDERSTAND YOUR SITUATION

- Where are your gaps, constraints, and opportunities? In what part of the real estate development cycle?
- How can you bridge the gap for developers/property owners?
  - **Reduce cost/risks** or **increase revenue potential or value** of property.
  - **Create differentiators** that would make target areas more attractive
- Understand multi-jurisdictional and regional considerations. What are the regional objectives? How do actions in one district affect the market in neighboring districts?

## STRATEGIES TO PROMOTE DENSER DEVELOPMENT

### Add Value

- Demonstrate long-term commitment through significant focused financial investments.
- Provide financial incentives for new development.

### Reduce Risk

- Use public outreach to establish a vision with broad community support. This will minimize potential for opposition to individual projects.
- Establish a regulatory environment appropriate to vision and desired development.

# POLICY CONSIDERATIONS

## INVESTMENT IN INFRASTRUCTURE AND FACILITIES

Examples employed in case studies:

- Streetscape improvements to build on historic bones
- Transit and other forms of transportation
- Improve connections to adjacent neighborhoods
- Civic infrastructure and spaces to bolster daytime foot traffic and activity
- Parking structures

# POLICY CONSIDERATIONS

## FINANCIAL AND REGULATORY INCENTIVES

### Financial or Value Enhancing Strategies

- Multi-family property tax exemptions
- Permit-fee waivers for owner-occupied projects
- Build frontage and underground utilities and other supportive infrastructure investments.
- Impact fee waivers and/or offsets for off-site mitigation investments
- Collaborative approach to infrastructure funding

### Appropriate Regulatory Environment

- Flexibility on zoning issues:
  - Allow horizontal mixed-use in areas with more moderate growth targets
  - Consider not restricting ground floor of mixed-use buildings to retail or commercial
  - Allow for flexibility on setback, parking ratio and public amenity requirements (density bonuses/incentives zoning?)
- Streamlined Permit Review Process
- Planned Action Ordinance for centers (PAO's)

# NEXT STEPS

**Profiles give a situation assessment for unique districts throughout the County**

**Case studies provide insight into different approaches and strategies**

**Moving into regional planning process, begin the conversation about:**

- Agreement on regional goals and priorities
- Coordination between jurisdictions
- Appropriate strategies for different districts