



TO: T.C. Broadnax, City Manager
FROM: Ricardo Noguera, Community and Economic Development Department
COPY: Economic Development Committee
SUBJECT: **Downtown Commercial Office Incentive**
DATE: October 25, 2016

SUMMARY:

Staff will present key findings related to the employment disparity across Washington's urban centers and offer recommendations to close the jobs gap. Conceptual State legislation to incentivize downtown commercial office development will be discussed.

BACKGROUND:

Disproportionate population and employment growth exists across Washington's urban centers. Except for Seattle, the State's urban centers are growing more slowly in population. Between 2010-2015, Seattle grew by 53,740 residents (8.8%), while Tacoma, Everett and Spokane increased by between 2,750 and nearly 4,200 people (~ 2%) during this five-year period. Vancouver grew by 8,600 residents (5.3%) fueled by its proximity to Portland. Population densified dramatically in Seattle, while urban sprawl occurred in Pierce, Snohomish and other urban counties.

King County's employment growth and projections far exceed its proportionate share of Washington State's population. King County is expected to command 145,800 jobs between 2013-2018, which represents 44.3% of the overall State's projected employment growth compared to it housing 2,052,800 people or 29.1% of the State's population. More telling is that the median wage in several urban counties, including Pierce, Spokane and Clark, is lower than the State median of \$22.61/hour by \$1.89/hour to \$3.40/hour. Encouraging office employment may assist in increasing the median wage, especially in the City's key business clusters of finance and insurance services, information technology and cybersecurity, and business and professional services. Occupations such as financial analysts, management analysts, computer programmers, web designers and software developers earn on average at least approximately \$30/hour in Tacoma.

Concentrated growth in Seattle leads to increased traffic congestion, extends commute times which amplifies the carbon footprint producing more greenhouse gases, and strains public infrastructure necessitating State and regional infrastructure investment to exceed \$20 billion within the next decade. Inequitable growth and lack of affordable housing create additional urban challenges in Seattle/King County.

No new construction of Class A office buildings have occurred outside King County since 2001. There has been little demand to build new office space in other urban centers in part driven by the concentration of infrastructure in the Seattle area. Moreover, the costs to build new office space are relatively similar across the urban centers, but rents outside Seattle/King County are significantly lower and cannot cover construction costs with a modest return on investment. An incentive will be necessary to stimulate the market.

The presentation will focus on how to enable the construction of office space in Tacoma and other secondary markets. Key concepts to be outlined in new State legislation will be offered.



ISSUE:

Issues to be addressed include the employment growth and wage disparity across Washington's urban centers.

ALTERNATIVES:

This is an information briefing only. There are no alternatives presented.

FISCAL IMPACT:

This is an information briefing only. There is no fiscal impact.

RECOMMENDATION:

This is an information briefing only. A recommendation will be forthcoming upon review of new draft State legislation.