

# Downtown Commercial Office Incentive

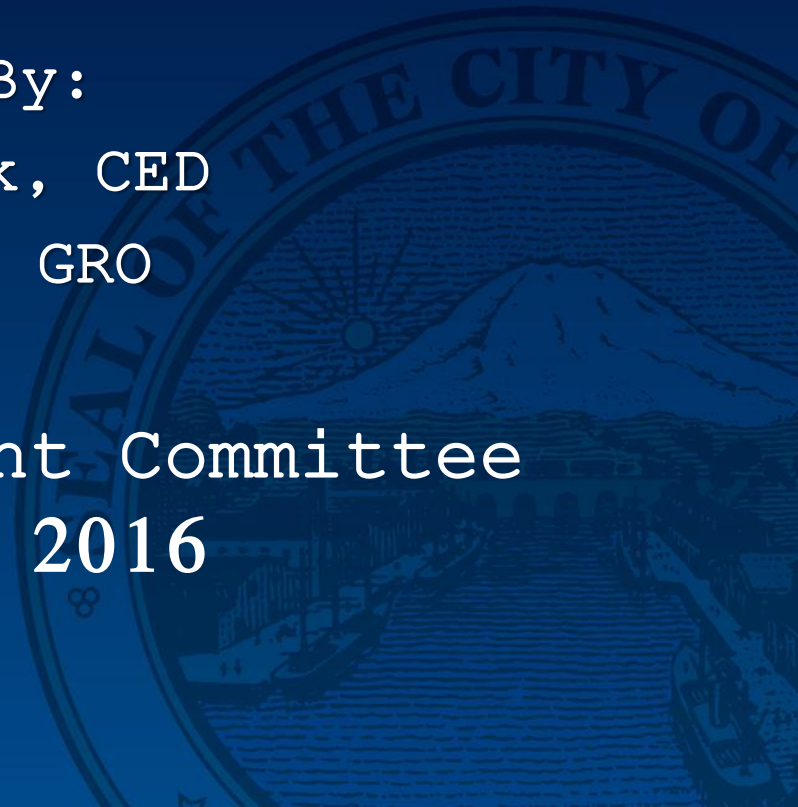
Presented By:

Elly Walkowiak, CED

Randy Lewis, GRO

Economic Development Committee

October 25, 2016



# Proposed State Legislation to Close the Jobs Gap Across Washington's Urban Centers



# Urban Center Population Growth

Disproportionate population growth across Washington's urban centers.

City	Census 2010	OFM 2015	Change 2010-2015	% Change 2010-2015
Seattle	608,660	662,400	53,740	8.8%
Tacoma	198,397	202,300	3,903	2.0%
Everett	103,019	105,800	2,781	2.7%
Spokane	208,916	213,100	4,184	2.0%
Vancouver	161,791	170,400	8,609	5.3%

# City Population Growth Within Counties

Population densifying dramatically in Seattle; sprawl occurring in other urban counties.

City/County	City Change 2010-2015	County Change 2010-2015	City Change As % County Change 2010-2015
Seattle/King	53,740	121,551	44.2%
Tacoma/Pierce	3,903	34,895	11.2%
Everett/Snohomish	2,781	44,265	6.3%
Spokane/Spokane	4,184	17,089	24.5%
Vancouver/Clark	8,609	26,457	32.5%



# Urban County Employment Growth

Disproportionate employment growth across Washington's urban counties.

County	OFM 2015 State Population	% OFM 2015 State Population	ESD 2013-2018 State Employment Growth	% 2013-2018 State Employment Growth
King	2,052,800	29.1%	145,800	44.3%
Pierce	830,120	11.8%	32,000	9.7%
Snohomish	757,600	10.7%	23,000	7.0%
Spokane	488,310	6.9%	22,700	6.9%
Clark	451,820	6.4%	22,400	6.8%

Washington State Population: 7,061,410 (OFM 2015)

Washington State 2013-2018 Projected Employment Growth: 328,900 (ESD)

# Urban County Median Wage Comparison

Median wage of State higher than several urban counties.

County	2014 ESD State Median Wage/ Hour	2014 ESD County Median Wage/ Hour	Difference Between State and County Median Wage/Hour
King	\$22.61	\$27.82	+\$5.21
Pierce	\$22.61	<b>\$20.72</b>	<b>-\$1.89</b>
Snohomish	\$22.61	\$25.40	+\$2.79
Spokane	\$22.61	<b>\$19.21</b>	<b>-\$3.40</b>
Clark	\$22.61	<b>\$20.32</b>	<b>-\$2.29</b>

# Insight Into Employment Disparity

- Concentrated growth in Seattle area leads to:
  - Increased traffic congestion, especially along I-5
  - Extends commute times which amplifies carbon footprint producing more greenhouse gases
  - Strains public infrastructure necessitating State and regional infrastructure investment to exceed \$20 billion within next decade

# Challenges for Urban Centers Outside King County

- No new construction of Class A office buildings outside King County since 2001
- Little demand to build new office space because infrastructure is concentrated in King County
- Costs to build new office space are relatively similar across urban centers while rents are significantly lower outside King County



# ROI Less in Tacoma

Sq. Ft. Cost



Minimum projected \$7.50/sf lease rate gap in Tacoma.

# Encouraging Secondary Markets

- The office market will be enabled to respond in Tacoma and other secondary markets if:
  - Developers can yield an adequate rate of return commensurate with investment risk
  - Construction phased with market absorption
  - Key infrastructure and entitlements in place

# What Success Looks Like

- Encouraging development, employment and population growth in smaller urban centers in order to minimize urban sprawl and address equity issues while preserving open space
- Reducing traffic congestion along highways by spending transportation and infrastructure dollars in smaller urban centers to promote equitable growth
- Maintaining affordable housing by promoting livable wage job growth throughout the State

# Proposed State Legislation Principles

- Create demonstration projects in urban cores outside King County
- Minimize State and School District fiscal impact
- Limit number of cities that qualify

# Proposed State Legislation Parameters

- Project-specific property and construction-related sales taxes
- Downtown geography
- New construction; will explore adaptive reuse



# Immediate Next Steps

- State Representative Fey to sponsor legislation
- Working with State legislative staff on draft
- Draft bill to be vetted with Council, development community and other cities in December 2016

# State Benefits

- Incentivizing work place growth outside Seattle/King County will help to:
  - Reduce future State infrastructure investment
  - Decrease future State social safety net costs
  - Protect the environment by working to avert climate change

# Downtown Commercial Office Incentive

Presented By:

Elly Walkowiak, CED

Randy Lewis, GRO

Economic Development Committee

October 25, 2016

