CITY OF LACEY
HYBRID FORM-BASED CODE

Urban Economics and Development Feasibility
April, 2014

Elliot Weiss, 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

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

*Source: TRPC, 2012*
Exhibit 2. Population Growth Forecast, Cities of Lacey, Olympia and Tumwater, 2015-2035

Net Change in Population
Olympia: 18,175
Lacey: 7,712
Tumwater: 10,801

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

Source: TRPC, 2012
### Exhibit 3. Employment Growth Forecast, Thurston County, 2015-2035

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

Source: TRPC, 2012
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?
PROSPECTS FOR GROWTH

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.
1. ANALYSIS

A. Prospects for Growth

B. Market Data

i. Retail
ii. Office
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MARKET DATA

EXHIBIT X. INDUSTRIAL USES

TRANSACTIONS (2014 LEASES, BY SIZE):

<table>
<thead>
<tr>
<th>ADDRESS</th>
<th>CITY</th>
<th>SIZE (SF)</th>
<th>PRICE/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2660 Williamette Dr. NE</td>
<td>Lacey</td>
<td>48,600</td>
<td>$6.00</td>
</tr>
<tr>
<td>9225 Polaris Ln. NE</td>
<td>Lacey</td>
<td>40,000</td>
<td>$4.08</td>
</tr>
<tr>
<td>2830 Williamette Dr. NE</td>
<td>Lacey</td>
<td>33,000</td>
<td>$5.28</td>
</tr>
<tr>
<td>8109 River Dr. SE</td>
<td>Olympia</td>
<td>29,025</td>
<td>$4.56</td>
</tr>
</tbody>
</table>

THURSTON COUNTY VITALS:
- Renterable 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

PIPECOLNE:
- 2901-3111 93rd Ave. SW: Turnwater, 1,318,500, proposed
- 2311 93rd Ave.: Turnwater, 608,500, proposed
- Hogue Bay Rd. Bldg. K-Lot 16: Lacey, 500,000, proposed
- Hogue Bay Rd. Bldg. H-Lot 12: Lacey, 500,000, proposed

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

EXHIBIT X. FLEX USES

TRANSACTIONS (2014 LEASES, BY SIZE):

<table>
<thead>
<tr>
<th>ADDRESS</th>
<th>CITY</th>
<th>SIZE (SF)</th>
<th>PRICE/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>8294 28th St. NE</td>
<td>Lacey</td>
<td>3630</td>
<td>$7.80</td>
</tr>
<tr>
<td>715 78th Ave. SW</td>
<td>Tumwater</td>
<td>2,810</td>
<td>$4.80</td>
</tr>
</tbody>
</table>

THURSTON COUNTY VITALS:
- Renterable Building Area: 53,960
- 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

PIPECOLNE:
- 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

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 30. MULTIFAMILY RESIDENTIAL

AVERAGE LEASE RATE BY CITY, 2009-2014

TOTAL DELIVERIES (UNITS) BY CITY, 2009-2014

VACANCY RATE (%) BY CITY, 2009-2014
1. **ANALYSIS**

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C. 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.
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.
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.