

# **Governor's Container Ports Initiative:**

## **Recommendations of the Container Ports and Land Use Work Group**

*Report Appendices*



**JANUARY 2009**

**Work Group report submitted to:**

Governor Chris Gregoire  
Mayor Greg Nickels, City of Seattle  
Mayor Bill Baarsma, City of Tacoma  
President Bill Bryant, Port of Seattle Commission  
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# Recommendations of the Container Ports and Land Use Work Group

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*(NOTE: The Main Report of the Work Group is available as a separate document.)*

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## APPENDIX A: OVERVIEW OF THE PORT OF SEATTLE AND PORT OF TACOMA

### 1. Port of Seattle

#### Overview<sup>1</sup>

The Port of Seattle is a naturally deep water port capable of handling the largest class of container ships, making it a premier gateway for international cargo. Organized as a municipal corporation in 1911, the Port currently offers direct service to Asia, Europe, Mexico, and Australia / New Zealand. South America is served via indirect service. Seattle is also a gateway to Alaska and Hawaii.

The Port's marine cargo business (including containers and bulk terminals) owns containerized-cargo facilities in the south end of Elliott Bay (the "South Harbor") and non-containerized cargo facilities in the South Harbor and in the central harbor of Elliott Bay (the "Central Harbor"). Most of the Port's containerized cargo revenues are derived from long-term lease payments that are not dependent upon container volume, but the success of the Port's container terminal tenants ultimately depends upon the volume of trade through its facilities.

More than 1200 ships called the Port of Seattle in 2007. These ships ranged from barge to container, cruise and grain vessels. Port container terminals include 10 berths, 25 cranes, 2 on-dock rail facilities, 67 top-picks, 185 yard tractors, and six rubber tire gantry cranes. Each international terminal is equipped with Radiation Portal Monitors at its outbound truck gates and rail yards, providing 100% radiation screening of containerized cargo. Seattle offers competitive, congestion free, and fee free service with ample rail capacity.

In 2007, the Port of Seattle handled \$39.5 billion in international trade, ranking 11<sup>th</sup> in the nation in terms of total dollar value (data source U.S. Department of Commerce, Bureau of Census) and 7<sup>th</sup> in terms of TEU volume. The port ranked first among Washington ports in both dollar value and TEUs moved (2007). In 2007, the Port of Seattle handled 1.974 million TEUs (twenty-foot equivalent units), 5.3 metric tons of grains, and 116,571 metric tons of break-bulk cargo.

Seattle has the terminal and rail capacity to accommodate growth. Seattle offers superior intermodal infrastructure and competitive transfer from ship to rail on the west coast. Predicting future container growth for the Port of Seattle is exceptionally difficult. Unlike Southern California, where historical trends show a steady year after year increase in container volumes, Seattle's volumes are more cyclical. The most thorough and exhaustive container forecast for the Port of Seattle is contained in the Washington Public Ports Association's 2004 Marine Cargo Forecast, which predicts that container growth for Puget Sound Ports over the period, 2002 - 2025 will be 4% annually. At that rate, container volumes will more than double by 2025.

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<sup>1</sup> *The Port of Seattle owns and operates a wide array of seaport and airport facilities. This section will focus specifically on the Port's marine cargo facilities.*

**Figure A: Aerial View of the Port of Seattle**



## Facilities

**Containerized Cargo:** The Port of Seattle’s container business involves the leasing of property and equipment used primarily for the transfer of international containerized cargo arriving by ship to various modes of land transportation destined for the Pacific Northwest and for other regions of the country and the reverse transfer of domestic goods and empty containers arriving by rail and truck to outbound ships. Most of the Port’s containerized cargo trade is to and from ports in Asia. The Port is one of the busiest container ports in North America and generally ranks among the top ten U.S. ports, when measured by domestic and international throughput (total containers, full and empty, handled).

The Port currently has four container terminals with a total of 498 available acres, a total of 11,220 feet of container berth space, 25 available container cranes (of which 18 are owned by the Port) and on-dock and near-dock rail facilities. Terminal 30, currently under development, will add 33 more acres. In addition, 16 acres at Terminal 25 South are being developed for container use. Containerized barge activity at Terminal 115 adds an additional 70 acres.

During the last 10 years, the Port has invested approximately \$1.2 billion to upgrade and modernize its container terminals to be able to handle increasing volumes of cargo. In cooperation with its tenants, it has worked to install state-of-the art terminal operating systems, gate technology and security features. All its international terminals are equipped with OCR technology as well as radiation portals. Most of the truck fleet calling on the Port's terminals on a regular basis is equipped with RFID tags, designed to expedite truck processing at terminal gates. All international terminals are equipped with reefer plugs, allowing refrigerated containers to use shore power while stored on the terminal.

**Non-Containerized Cargo:** In addition to facilities for handling containerized cargo, the Port offers handling facilities for non-containerized cargo such as grain, breakbulk and liquid bulk commodities and facilities for loading and unloading barges.

- **Break-bulk:** Terminal 5 is a major handler of break bulk and over-dimensional cargo. The terminal has 80,000 square feet of transit shed. Break bulk can also be accommodated at Terminals 18, 25, 46, and 115.
- **Grain:** Grain is exported from the 40-acre Terminal 86, operated by Louis Dreyfus. The terminal offers a 4.0 million bushel storage capacity. Two direct transfer drag conveyor systems to ship bins offer direct rail to ship service. Cargo handled is primarily soybean, corn, and sorghum from Midwest. This terminal has 68 silos, 8 shipping bins, 60 large tanks, 13 house bins, and 39 interstices.
- **Barge:** Terminal 115 serves as a domestic gateway to Hawaii and Alaska. The 70-acre, full-service barge facility is operated by Northland Services. The facility offers additional container infrastructure with four berths that offer 1600 feet of berth space. The facility handles special project, break bulk, and bulk tank service in addition to container. Terminal has a total of 18 truck lanes and 400 reefer plugs.
- **Multi-use Facility:** Terminal 90/91 is home to Alaska fish processing fleets. The terminal offers moorage, truck storage, net repair, cold storage, and a host of other support services. The 212-acre terminal will soon be home to cruise.

## 2. Port of Tacoma

### Overview

Located on Commencement Bay, a natural deep-water harbor in southern Puget Sound, the Port of Tacoma is one of the largest container ports in North America and one of the top 50 in the world. Created as a municipal corporation in 1918, the Port of Tacoma today encompasses more than 2,400 acres of land on the Tacoma Tideflats, including the 695-acre Frederickson industrial development site 13 miles south of Tacoma. Port land provides for shipping terminal activity and warehouse, distributing and manufacturing.

More than 900 ships sail into Commencement Bay each year to call at Port of Tacoma terminals. Port facilities include 17 ship berths, 24 container cranes, 80 straddle carriers and four on-dock intermodal rail facilities for the quick transfer of containers between ship and rail.

These facilities contribute to more than \$33 billion in international trade. Domestically, as a “Gateway to Alaska,” more than 70 percent of waterborne cargo to that state goes through the Port of Tacoma, equaling about \$3.5 billion in trade. This includes everything from french fries and telephone directories to automobiles and mining equipment.

In 2007 the Port handled nearly 1.9 million TEUs (twenty-foot equivalent units for containerized cargo), more than 175,000 autos, 6 million short tons of grain and 123,647 short tons of breakbulk cargo. Based on existing and future West Coast cargo projections and increasing trade with Asia, the Port estimates the following cargo growth potential.

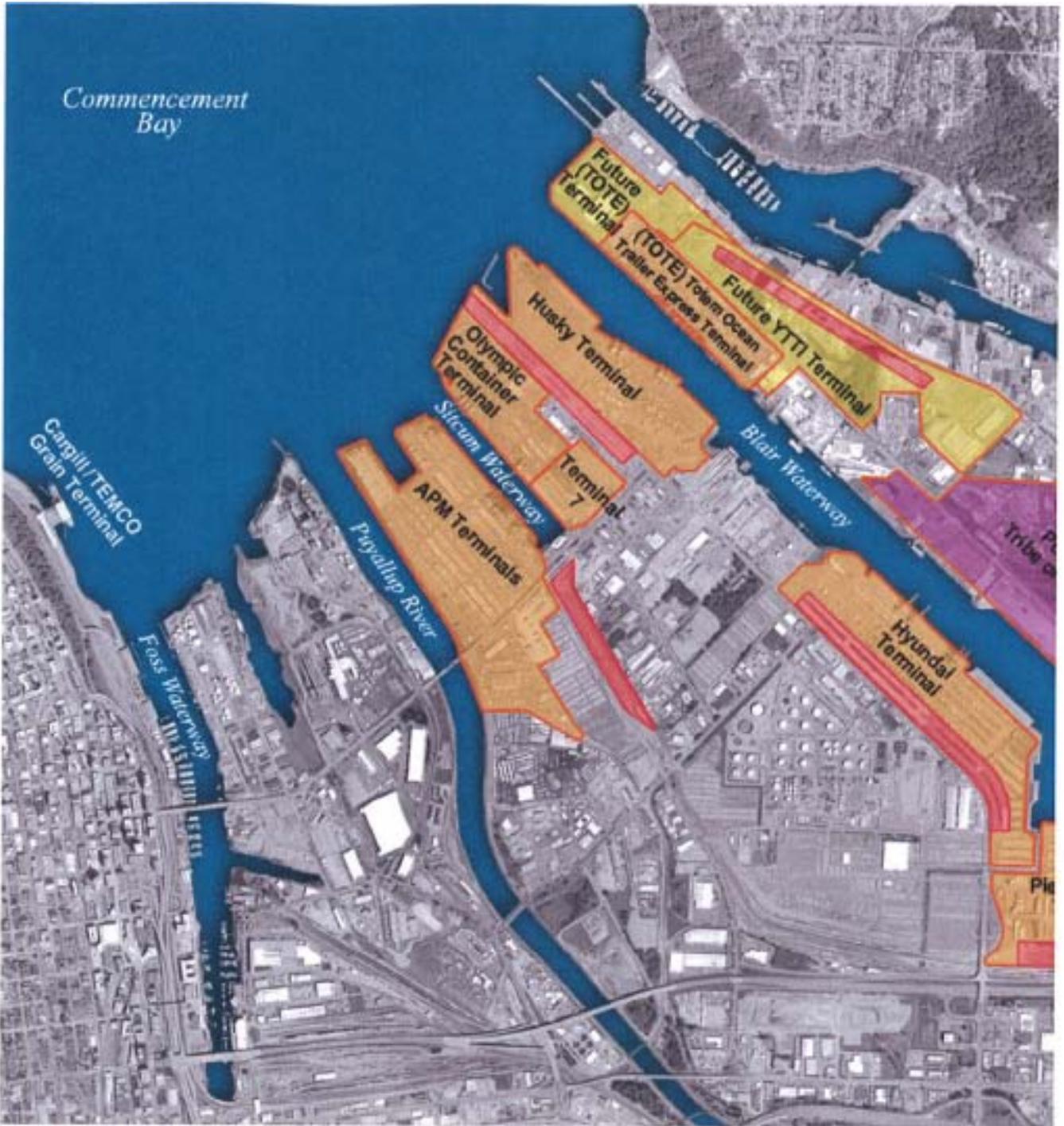
<b>Cargo</b>	<b>2007</b>	<b>2010 (estimated)</b>	<b>2020 (estimated)</b>
Containers	1.9 million TEUs	3.3 million TEUs	10.0 million TEUs
Autos	175,000 units	185,000 units	300,000 units
Breakbulk	123,647 short tons	135,000 short tons	170,000 short tons
Bulk	6 million short tons	5.6 million short tons	7.5 million short tons
Total tonnage	18.9 million short tons	29 million short tons	55 million short tons

### Facilities

**Containerized Cargo:** The Port’s major shipping terminals are located on the Blair and Sitcum waterways. Facilities include 17 ship berths, 24 container cranes, 80 straddle carriers and four on-dock intermodal rail facilities for the quick transfer of containers between ship and rail. Of the 2,400 acres of land owned by the port, more than 800 acres is available land to meet growth needs of new customers, new cargoes and new industrial activities.

The Port made significant progress in 2006 to increase containerized cargo handling capacity when it expanded its Husky Terminal and completed construction of its Pierce County Terminal.

**Figure B: Aerial View of the Port of Tacoma**



**Non-containerized Cargo:** In addition to containerized cargo, the Port of Tacoma is also a major West Coast center for breakbulk cargo, grain and import auto processing.

- **Breakbulk and Project Cargoes:** The Port of Tacoma is equipped to handle such special cargoes as factory components, heavy machinery and mining equipment. NYK Bulk, Wallenius Wilhelmsen Lines and World Logistics offer regularly scheduled service to shippers of heavy lift and project cargoes. With on-dock rail, covered storage available and container cranes, the 25-acre, Port-operated Terminal 7-A/B, located on the Sitcum Waterway, handles heavy-lift and project cargoes, as well as a wide range of roll-on/roll-off (RO/RO) cargoes. Shiplside rail service and direct transfer to/from vessel make it easy to load and discharge oversized and overweight cargoes.

The Port's 100,000-square-foot Container Freight Station at Terminal 7 allows for transloading dry and chilled cargoes. With its on-dock rail, the CFS offers speed and efficiency. Two privately owned and operated cold storage facilities are just minutes from Port terminals. Combined, the two facilities offer 3.8 million cubic feet of frozen warehouse space and more than 400,000 cubic feet of chilled storage.

- **Auto Processing:** The Port of Tacoma handles more autos than any other port in Washington. The 147-acre, state-of-the-art Marshall Avenue Auto Facility was completed in 2003. Auto processing at the Port is conducted by Auto Warehousing Company. Customers include Isuzu, Kia, Mazda, Mitsubishi and Suzuki. About twenty percent of these autos are destined for car dealerships throughout the Northwest, while the remaining 80 percent are shipped via rail to other parts of the country.

A dedicated overpass connects the auto facility to the Blair Auto Dock, 1,200-foot berth space on the Blair Waterway. The auto facility is directly served by BNSF Railway and Union Pacific Railroad.

- **Grain:** Grain is exported from an 11-acre terminal that can hold 3 million bushels. The facility includes a roof over its berth, enabling ships to be loaded during Western Washington's rainy weather. The Port leases the terminal to Cargill (TEMCO), a world leader in agricultural commodities, and handles primarily corn and soybeans from the upper Midwest.
- **Industrial Property:** The Port also owns and manages a diverse inventory of industrial properties ranging in size from one to 200 acres in and around the Port area.

### 3. Container Ports Supporting Services

#### Rail Service

The Ports of Seattle and Tacoma are both served by two Class 1 railroads, UP and BNSF. The railroads play a key part in the Ports' roles as leading multimodal ports. The railroads are also integral to moving grain from the Midwest to the coast for export.

The Port of Seattle has two marine terminals equipped with intermodal yards.

- Terminal 5, leased by Eagle Marine Services, has a 30-acre yard, with six rail tracks capable of holding 54 doublestack cars on the ramp.
- Terminal 18, leased by SSAT, has on dock capacity of holding 54 doublestack cars on the ramp

The Port of Seattle offers premium service directly from terminals to rail mainline. Seattle has ample rail capacity for growth. Seattle offers both on-dock and near-dock (rail line adjacent) service to its terminals. Rail ramps are located within two miles of the port's terminals. Since has balanced import and export trade, which leads to a balance in import/export rail equipment.

Also serving the Port of Seattle customers are two near dock yards, operated by the UP and BNSF. These two yards are located within two miles from the marine terminals.

- BNSF Seattle International Gateway is a 43-acre facility with over 18,269 feet of track and capacity to hold 52 doublestack cars on the ramp.
- The UP Argo yard is a 38-acre facility with over 16,320 feet of track and capacity to hold 50 doublestack cars on the ramp.

BNSF Railroad doubled capacity and has the potential to reduce emissions at its Seattle International Gateway (SIG) intermodal facility by using four wide-span, electric, rail-mounted gantry cranes. These cranes not only produce zero emissions on site, but allow more flexibility, increase capacity and reduce the need for diesel trucks to move containers within the facility. Union Pacific is also working to increase capacity at their Argo Yard. Both railroads have direct mainland access.

Regional short-haul rail service is provided by Northwest Container Services. NWCS offers 10 acres with over 8000 feet of track.

The Port of Tacoma puts a premium on direct rail service in an effort to minimize traffic congestion on roads. Every terminal at the Port of Tacoma is served by on-dock rail. The result: 100 percent of its bulk cargo, 80 percent of its autos, 70 percent of its containers, and 50 percent of its breakbulk cargo moves by rail, never touching local roadways. Tacoma Rail, a division of Tacoma Public Utilities, provides terminal and switching services through four dockside intermodal rail yards:

- **North Intermodal Yard:** 20 acres, with total track length of 22,793 feet and the capacity to hold 68 doublestack cars on the ramp
- **South Intermodal Yard:** 17 acres, with total track length of 8,459 feet and the capacity to hold 25 doublestack cars on the ramp
- **Pierce County Intermodal Yard:** 23 acres, with total track length of 23,544 feet and the capacity to hold 72 doublestack cars on the ramp
- **Hyundai Intermodal Yard:** 23 acres, with total track length of 16,864 feet and the capacity to hold 52 doublestack cars on the ramp

## **Truck Service**

Many local and national trucking firms serve the two ports, as do numerous individual owner-operators. Trucking firms are involved in distributing local containerized cargo (both full container loads, as well as less-than-container load cargo.) Typically, trucks distribute the imported containers moving locally, as well as to Canada, and move export containers originating in the Puget Sound region to the marine terminals for export. Truck transportation is also the major mode used for moving Alaskan-bound cargo to the marine terminals; and the primary mode used to distribute dry bulk products. Finally, trucks play a major role in the drayage of containers between rail yards and the marine terminals.

## **Warehousing and Distribution Centers**

A large roster of private warehouses and transload facilities located near Port terminals and an excellent transportation network help manufacturers, importers and exporters get their products to market quickly and efficiently at a competitive cost.

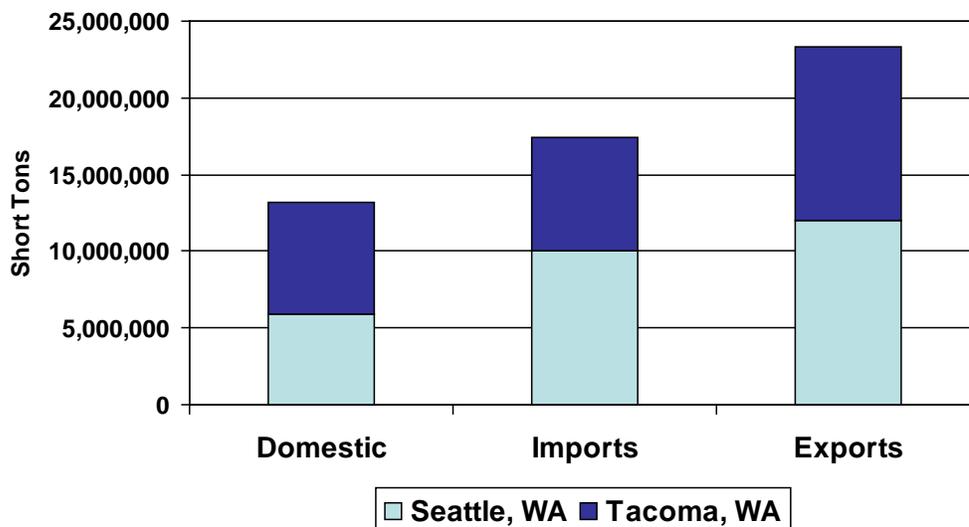
## APPENDIX B: Economic Impact of the Ports of Seattle & Tacoma<sup>2</sup>

### 1. Perspective on Marine Cargo Activity

According to data from the US Army Corps of Engineers, the Ports of Seattle and Tacoma handled slightly more than 54.0 million short tons<sup>3</sup> in 2006 (the most recent data available). This included:

- 13.2 million tons of domestic cargo (primarily containers, breakbulk and liquid bulks shipped to and received from Alaska, Hawaii, other areas in Puget Sound and the US west coast);
- 17.4 million tons of imports (containers, fully assembled automobiles and steel among other cargoes arriving from foreign countries); and
- 23.3 million tons of exports (containers, grain and wood chips shipped to foreign countries).

Figure 1 – Total Cargo Moving Through the Ports of Seattle & Tacoma (2006)



The Ports of Seattle and Tacoma represent a very important gateway for local, regional and national shippers. Combined, they are the third largest load center for containers in North America, behind Los Angeles/Long Beach and New York/New Jersey.

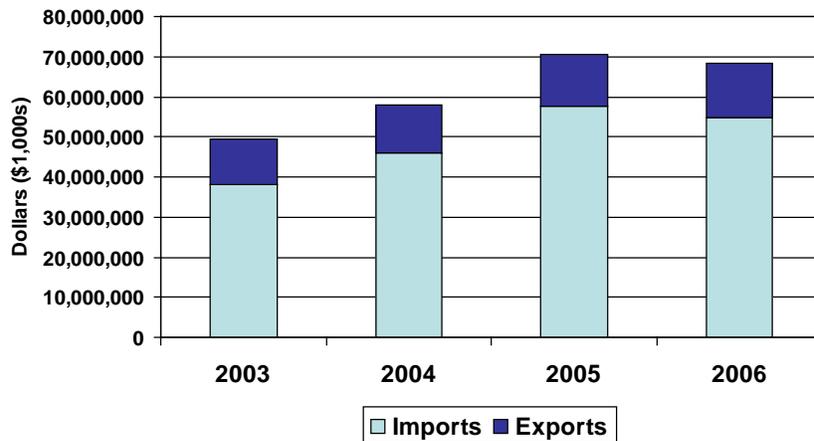
<sup>2</sup> Prepared by Paul Sorensen, BST Associates, Kenmore, WA

<sup>3</sup> Cargo includes products moving through public and private terminals.

There are approximately \$70 billion of goods flowing through these two ports to and from international markets:

- Exports stood at \$13.5 billion in 2006;
- Imports stood at \$54.8 billion in 2006.

**Figure 2 – Value of Imports and Exports Moving Through the Ports of Seattle and Tacoma**



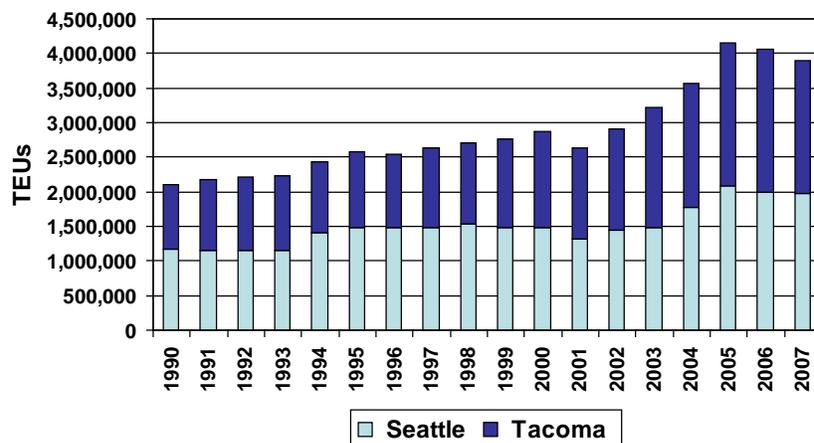
Between 2003 and 2006, waterborne trade via the Ports of Seattle and Tacoma has grown rapidly. By value, exports grew at 6.9% (4.3% in real terms after adjusting for the CPI). By value, imports grew at 12.8% (10.2% in real terms after adjusting for the CPI).

Taken together, Seattle and Tacoma were the 9<sup>th</sup> largest export gateway and 5<sup>th</sup>

largest import gateway (by value) in the US in 2006.

According to Port statistics, containerized trade accounts for approximately 65% to 70% of the total tonnage moving through the Ports. Containerized trade has grown rapidly over time.

**Figure 3 – Container Trends at the Ports of Seattle and Tacoma**



Puget Sound container volumes increased from around 2.1 million TEUs in 1990 to about 3.9 million in 2007 or at average annual growth of 3.7%. The Ports peaked in 2005 after cargoes were shifted from Southern California to Puget Sound. Some of this cargo shifted back to Southern California. However, the prospects for future growth appear

favorable due to continuing congestion in Southern California and the search for new gateways by shippers and carriers.

## 2. Economic Impact Estimates

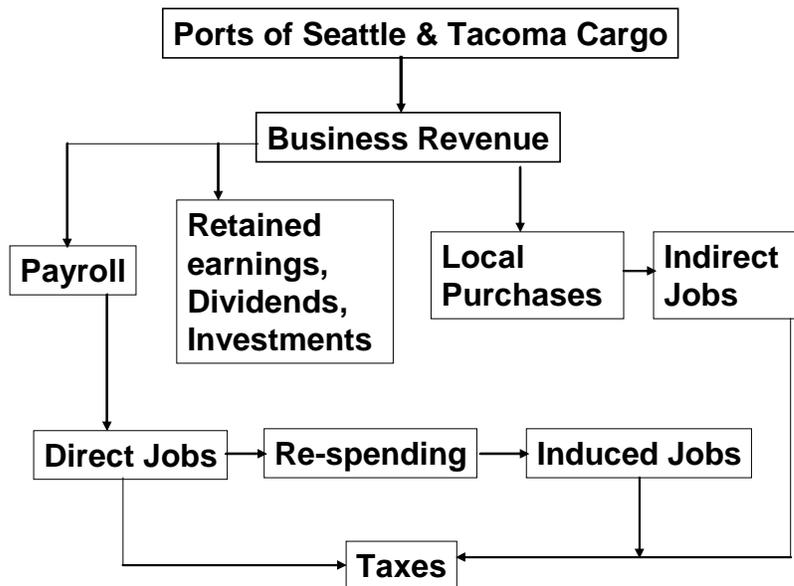
This section reviews the economic impact methodology and estimates for the Ports of Seattle and Tacoma.

### Economic Impact Methodology

The flow of economic activities is described in Figure 4.

Activity at the Ports of Seattle and Tacoma generates business revenue for firms that provide services. This business revenue impact is dispersed throughout the economy in several ways. It is used to hire people to provide the services, to purchase goods and services, to pay for the use of the seaports and to make federal, state and local tax payments. The remainder is used to pay stockholders, retire debt, make investments or is held as retained earnings. The only portions of the revenue impact that can be definitely identified as remaining in the State of Washington are those portions paid out in salaries to Washington employees, for local purchases by individuals and business directly dependent on the seaport, and in contributions to federal, state and local taxes. Terminal leases paid to the Port by terminal operators and revenues from real estate leases also generate revenue to the Ports.

**Figure 4 – Flow of Impacts**



Local purchases by firms create indirect jobs. Payroll for direct employees creates additional expenditures, which creates induced jobs. Finally, income associated with direct, indirect and induced activity generates state and local taxes.

The following information is summarized from *The 2003 Economic Impacts of the Port of Seattle* and *The Economic Impact of the Port of Tacoma (2004)*. Both studies were prepared by Martin Associates and used consistent methodologies and data sources. While these studies reflect data from different years, these are the latest economic impact studies produced by the two ports. However, it should be noted that the cargo volumes in 2007 were substantially higher than in earlier years. Seattle's container trade was up 33% in 2007 over 2003 levels and Tacoma's container trade was up 13% in 2007 over 2004 levels. Thus the results in these earlier estimates likely under-report the economic impacts for 2007.

### Cargo Services at Public Marine Terminals

This section summarizes the economic impacts from cargo services at public marine terminals in the Ports of Seattle and Tacoma.

### Revenues

Direct business revenues at public terminals include the value of services provided to handle cargo and ships. According to the economic impact studies, activity at the Port of Seattle seaport created more than \$1.4 billion in 2003 and maritime activity at the Port of Tacoma's public facilities generated nearly \$1.5 billion of total revenue in the State of Washington. In combination, the Ports of Seattle and Tacoma generated nearly \$3.0 billion in annual gross revenues from public terminals. Containers accounted for approximately 76% of combined direct revenues followed by dry bulks (7%), liquid bulks (4%), breakbulk/neobulk (3%) and 11% of the revenue was unallocated.

**Table 1 – Direct Revenues by Cargo Type (\$1,000s at Public Terminals)**

Cargo Type	Seattle (2003)	Tacoma (2004)	Combined
<b>Containerized Cargo</b>			
International	759,024	1,112,684	1,871,708
Domestic	201,016	151,896	352,912
Subtotal	960,040	1,264,580	2,224,620
<b>Breakbulk/Neobulk</b>			
Automobiles	-	28,700	28,700
Breakbulk	32,191	2,342	34,533
Equipment	-	7,231	7,231
Military	-	6,942	6,942
Steel	-	1,167	1,167
Subtotal	32,191	46,382	78,573
<b>Dry Bulks</b>			
Grain	128,792	60,805	189,597
Wood Chips	-	5,152	5,152
Subtotal	128,792	65,957	194,749
<b>Liquid Bulks</b>			
Petroleum Products	101,409	-	101,409
Other (molasses et al)	2,229	-	2,229
Subtotal	103,638	-	103,638
<b>Not Allocated</b>	213,591	115,192	328,783
<b>Total</b>	<b>1,438,252</b>	<b>1,492,111</b>	<b>2,930,363</b>

Sources: Martin & Associates for the Ports of Seattle and Tacoma

In addition, private marine terminals also generate direct revenues (estimated at \$161 million in

Tacoma but not reported for Seattle). It could be argued that these facilities are linked to the public port facilities in that improvements that serve the public ports (dredging, improved access, environmental remediation et al) would not have occurred without the development of the more extensive public port facilities. However, the direct revenues from private terminals are not included in this summary report in order to provide a more conservative estimate of economic impacts.

## Payroll/Income

The marine terminal activities at the Ports of Tacoma and Seattle jointly generated slightly more than \$900 million in direct payroll (table 2). The average payroll for direct jobs was approximately \$47,000, which is considered a good family wage job.

**Table 2 – Payroll/Income Impacts from Public Port Facilities in Seattle and Tacoma (\$1,000s)**

Personal Income (\$1,000)	Seattle	Tacoma	Combined
Direct	\$480,650	\$421,187	\$901,837
Induced	\$471,517	\$413,185	\$884,702
Indirect Income	\$103,173	\$81,336	\$184,509
Total Income	\$1,055,340	\$915,708	\$1,971,048

Sources: Martin & Associates for the Ports of Seattle and Tacoma

Payroll accounted for approximately 30% of direct revenues. This is considered reasonable based upon the 2002 economic census for Washington State transportation and warehousing firms, which accounts for many (but not all) of the jobs at marine terminals. The average payroll to revenue ratio in Washington State was 29% across all types of transportation (table 3).

**Table 3 – Payroll to Revenue Ratios for Washington State Transportation Industries (\$1,000s)**

Description	Firms	Revenue	Annual payroll	Paid employees	Payroll % of Revenue
Transportation & warehousing (all types)	4,399	7,592,392	2,208,484	65,315	29.1%
Water transportation	104	1,284,650	175,104	3,184	13.6%
Truck transportation	2,348	2,582,088	764,722	22,974	29.6%
Support activities for transportation	1,025	1,667,918	476,917	12,857	28.6%
Warehousing & storage	288	439,987	290,460	8,819	66.0%

Source: 2002 Economic Census for Washington State Transportation and Warehousing Firms

According to the Port impact studies, the total income impacts (direct, induced and indirect effects) were nearly \$2.0 billion from public port activity in Seattle and Tacoma. The income multiplier effects were 2.19, that is - for every \$1 in direct payroll, there is an additional \$1.19 associated with indirect and induced impacts in Washington State. This level of multiplier is considered reasonable based upon a review of the Washington State Input Output model.

## Jobs Associated with Cargo Activities

Together, the marine terminal activities at the Ports of Tacoma and Seattle generate around 19,000 full-time direct jobs. According to the economic impact analyses prepared for the ports, nearly all of these jobs are located in Washington State, with the vast majority located in King and Pierce Counties.

Containerized trade accounted for 61% of total jobs followed by breakbulk (5%), dry bulks (3%), liquid bulks (0%) and 30% of the jobs were unallocated.

**Table 4 – Direct Jobs by Cargo Type (at Public Terminals)**

<b>Cargo Type</b>	<b>Seattle (2003)</b>	<b>Tacoma (2004)</b>	<b>Combined</b>
<b>Containerized Cargo</b>			
International	3,908	5,664	9,572
Domestic	1,011	962	1,973
Subtotal	4,919	6,626	11,545
<b>Breakbulk/Neobulk</b>			
Automobiles	-	397	397
Breakbulk	349	32	381
Equipment	-	140	140
Military	-	68	68
Steel	-	9	9
Subtotal	349	646	995
<b>Dry Bulks</b>			
Grain	324	265	589
Wood Chips	-	53	53
Subtotal	324	318	642
<b>Liquid Bulks</b>			
Petroleum Products	57	-	57
Other (molasses et al)	28	-	28
Subtotal	85	-	85
<b>Not Allocated</b>	4,003	1,780	5,783
<b>Total</b>	9,680	9,370	19,050

Sources: Martin & Associates for the Ports of Seattle and Tacoma

These jobs occur in the following sectors

- Surface Transportation
  - Rail
  - Truck
- Maritime Services
  - Terminal employees
  - ILWU / Dockworkers
  - Towing
  - Pilots
  - Agents
  - Surveyors / Chandlers
  - Forwarders
  - Warehouse

- Container Repair / Storage
- Government
- Shipyards / Ship Repair
- Consultants / Architects
- Barge
- Maritime Services / Misc.
- Marine Construction
- Distribution Centers
- Bunkers
- Other
  - Port staff
  - Industrial lessees (employees)
  - Other services (banking, insurance, law etc.)

Induced jobs are generated as the result of purchases of goods and services by those directly employed as a result of marine cargo activities at the Ports. As the result of purchases in the local and regional economy with the income received by those holding the 19,051 direct jobs, an additional 10,308 induced jobs were generated in the Puget Sound region.

Indirect jobs are generated in the local economy as a result of local purchases by firms directly dependent on the Ports' marine cargo activity. As the result of local purchases by the firms directly providing services at the Port of Seattle marine cargo facilities, 4,950 indirect jobs with local supplying firms were also supported in the regional economy.

**Table 5 - Employment Impacts from Public Port Facilities in Seattle and Tacoma**

Employment	Seattle	Tacoma	Combined
Direct	9,680	9,370	19,050
Induced	5,804	4,504	10,308
Indirect	2,707	2,243	4,950
Total Jobs	18,191	16,116	34,308

Sources: Martin & Associates for the Ports of Seattle and Tacoma

The employment multiplier effects were 1.80, that is - for every 1 direct job, there are an additional 0.80 jobs associated with indirect and induced impacts in Washington State. This level of multiplier is also considered reasonable based upon a review of the Washington State Input Output model.

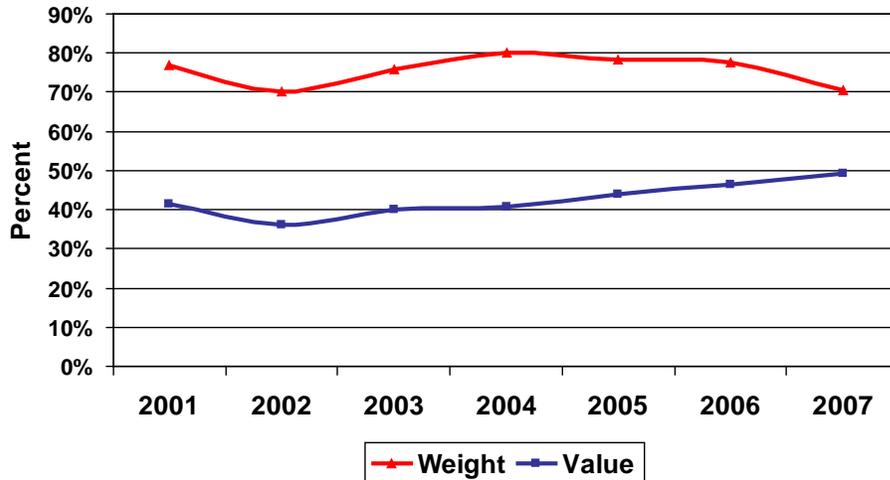
**Related Impacts from Public Marine Terminals**

In addition to the jobs created in marine cargo services, there are also related impacts associated with shippers/consignees and manufacturers throughout the region who ship and receive products via the ports of Seattle and Tacoma. These jobs are not considered fully dependent on the existence of the ports.

The economic impact studies **estimated that there were 148,488 of these related jobs at the Port of Seattle and 113,000 related jobs associated with the Port of Tacoma.** In combination, this represents approximately 250,000 jobs in Washington State that rely on or use the marine terminals at the Ports of Seattle and Tacoma.

## Exporters

**Figure 5 – Share of Exports via the Ports of Seattle and Tacoma that Originate in Washington State (Percent)<sup>4</sup>**

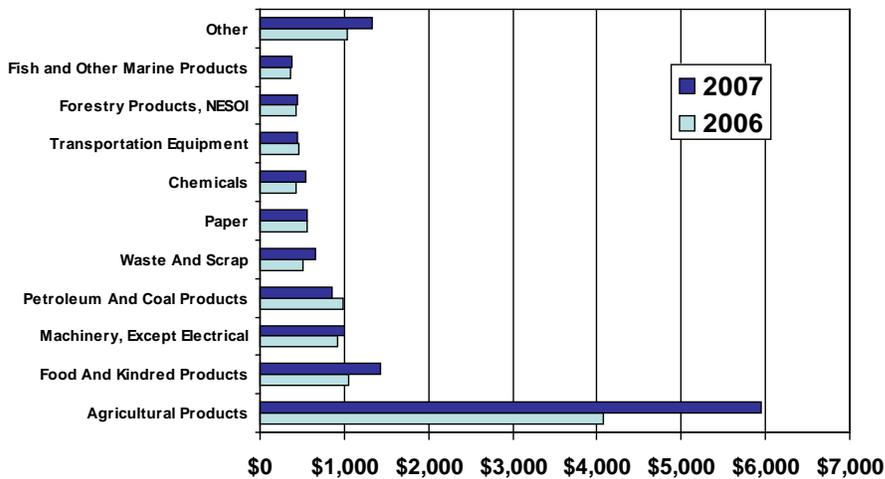


Figures 5 and 6 shed light on the related jobs from export products. Exports through the Ports of Seattle and Tacoma are largely comprised of products grown and/or manufactured in Washington State.

Exports from Washington State

through the Ports of Seattle and Tacoma account for 70% to 80% of total exports by weight and between 35% and 50% by value.

**Figure 6 – Products Exported through the Ports of Seattle and Tacoma (\$ Millions)**



The major exports through the Ports (Figure 6) include ag products, food products, machinery, petroleum products, waste/scrap, paper, chemicals, transportation equipment, other forestry products, fish and seafood products, among others.

These products come from every corner of Washington State. Exports from Washington are booming. By value, exports from Washington State through the Ports of Seattle and Tacoma increased annually by 30% in 2003, 11% in 2004, 14% in 2005, 12% in 2006 and 20% in 2007.

<sup>4</sup> The export values in this section are derived from WISER (World Institute for Strategic Economic Research), which was formed 2004 to continue the international trade data work of its predecessor, MISER, which closed its doors at the University of Massachusetts on June 30th. WISER is located at Holyoke Community College and is part of the College's new Kittredge Business and Technology Center. Data is provided to WISER by the US Census Bureau.

Exports have largely increased as a result of the low dollar exchange rate but also because Washington State exporters have access to the very efficient port and transportation systems developed by the Ports and their partners. The Port's container facilities have been developed to serve import products and this has created a boon to Washington State and other regional exporters in terms of size of vessels served, freight rates, availability and capacity of port and transportation systems and other factors.

Washington State exports are typically lower valued than those from other regions. As a consequence, increases in freight rates have a larger effect on the ability to export. This should be kept in mind in considering these related impacts. If the Ports of Seattle and Tacoma did not exist, exporters would have to export their products at much greater expense through alternative ports such as Vancouver BC, Oakland, Los Angeles and Long Beach, among others. The increase in freight rates could push delivered prices above established world market prices and thus eliminate the export potential of the product. For exporters, loss of the Ports of Seattle and Tacoma would be tragic.

## **Importers**

In addition, Washington State importers also rely heavily on the Ports of Seattle and Tacoma. With respect to containerized imports, approximately 70% to 75% of the imports move through by rail to destinations in the Midwest and beyond. However, the remaining 25% to 30% stay in the region (typically Washington, Oregon, Idaho and Montana).

Most of the imports (around 75% to 80%) are retail products and the remaining 20% to 25% are inputs to the manufacturing process.

International competition for manufacturers has become the standard method of business, which includes an increasing reliance on inputs from overseas. In 2007, imports for regional manufacturers were estimated at \$2.5 billion. As with exporters, large increases in freight costs (using alternative ports) could negatively impact competitiveness of the state's manufacturing sector.

In addition, imported products via the Ports of Seattle and Tacoma account for a large portion of the products that are sold in retail stores in Washington State; particularly clothing, furniture, electronics, sporting goods and like products.

Chase<sup>5</sup> et al found that "117,900 jobs are supported by foreign imports that stay in Washington State to be used as inputs to production or as consumer goods for final sale here. Most of the jobs supported by imports to the state are in wholesale and retail trade. These 117,900 jobs exceed the employment base in Tacoma and almost equal the Bellevue jobs base".

As cities and counties become more reliant on retail sales taxes for their budgets, it should be emphasized that an increasing share of these sales depends on containerized trade through the Ports of Seattle and Tacoma.

In addition, imports are driving the development of warehouse and distribution centers in Washington State and creating new job opportunities. As one observer puts it:

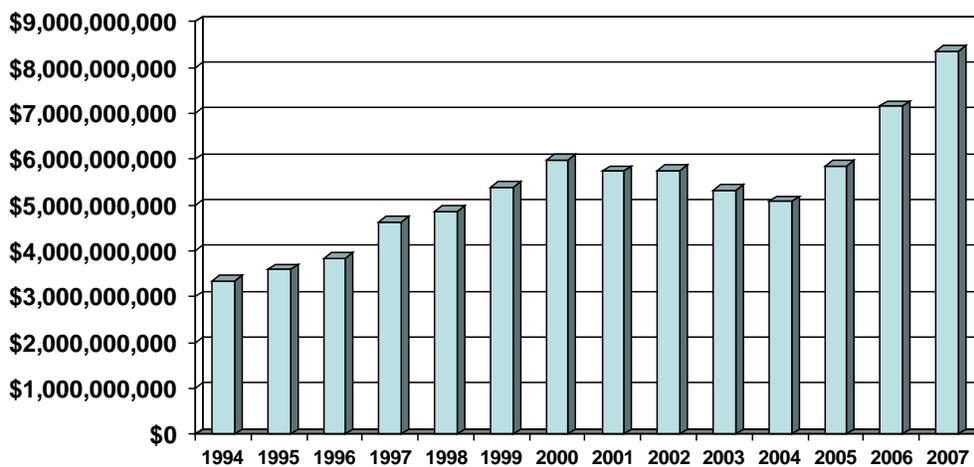
"International trade drove the industrial market in 2006 and 2007. The demand for

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<sup>5</sup> Source: Washington State Foreign Imports, Bob Chase and Glen Pascal, 1999, prepared for the Washington State Community, Trade and Economic Development (CTED).

warehouse and industrial space around both traditional and inland ports continues to grow, to such an extent that shortages are creating logistical problems in many markets<sup>6</sup>.”

**Figure 7 – Gross Business Income from Warehouse Construction in Washington State**



Warehouse development in Washington State increased dramatically in recent years. Vacancy rates are at relatively low levels. (Figure 7).

**Tax impact:**

Federal, state and local tax include payments to the state and local governments by firms and by individuals whose jobs are directly dependent upon and supported (induced and indirect jobs) by activity at the Ports. State and local taxes are based on income indices developed by the Tax Foundation and these indices are applied to the direct, induced, and indirect personal income impacts.

A total of \$212 million state and local taxes were generated by these Ports’ cargo activity. Approximately \$163 million was collected at the state level, and \$23 million was collected at the county level, and \$27 million was collected at the municipal level. An additional \$405 million was collected in federal taxes.

<sup>6</sup> Source: Commercial Real Estate Outlook, January 2007.

## **APPENDIX C: Washington Container Ports Initiative The Influence of State Tax Policy**

### **Conclusions**

- 1) In general, commercially zoned land generates more state and local taxes per acre than industrially zoned land. This is primarily due to retail sales tax and, to a lesser extent, B&O tax. Property tax revenues per acre are about the same on land zoned commercial and industrial. The preponderance of commercial businesses on commercially zoned land strongly implies that commercial businesses are generating the greater tax revenues.
- 2) Industrial and commercial zoned land each have a mix of industrial and commercial properties.
- 3) Residentially zoned property yields far less taxes per acre than either industrial zoned or commercial zoned property.
- 4) Tax incentives such as the Warehouse Remittance, the Machinery and Equipment Exemption and the Community Empowerment Zone program do not have a significant impact on the tax impacts of commercially zoned land relative to industrially zoned land. Taxes per acre on industrial and commercial zoned land would be essentially the same with or without these incentives.
- 5) The data indicate that the change to destination sourcing required by the SSTP has virtually no impact on local tax revenues for port-owned properties or properties immediately adjacent to the ports. Distribution warehouses in or near the two port areas conduct little or no retail activity. This analysis did not evaluate SSTP impacts for other warehouses within the region that might both serve the ports and have a retail function.
- 6) This analysis focuses on container ports, adjacent land, and comparable industrial land in Seattle and Tacoma. Results in some analysis areas are dominated by a small number of large businesses. Therefore, caution is advised in extrapolating these results to other areas.
- 7) This analysis did not evaluate how the number of jobs or the relative wage levels compared between industrial and commercially zoned lands. Other studies suggest that industrial zoned lands have a higher number of jobs and higher average wages compared to commercially zoned lands.

## **Washington Container Ports Initiative The Influence of State Tax Policy**

### **Scope of the Study**

Governor Gregoire established the Container Ports and Land Use work group to evaluate local government planning and port operations and development. The work group asked the Department of Revenue (DOR) for analysis to address the potential incentive for local governments to rezone industrial zoned land to other uses, such as commercial and residential, in order to receive greater tax receipts.

The Department addresses the assignment by answering the following questions:

1. How are port lands currently zoned and how are they actually used?
2. Is current tax treatment favorable or unfavorable to the kinds of industrial land uses that are compatible with container ports?
3. What are the incentives to local jurisdictions to rezone industrial land to commercial and residential zones?
4. What are the comparative benefits to state and local governments of different land use zoning?
5. Could the state provide revenue sharing to help retain port and adjacent lands in industrial use?
6. How useful are tax incentives in encouraging economic development in port areas?
7. What, if any, are the impacts of the streamlined sales tax initiative on the ports?

In the report, the Department analyzes actual tax data on businesses and lands in areas identified by the Ports of Seattle and Tacoma. The ports identified land in three categories:

- port-owned land,
- privately-owned adjacent land, and
- land in a benchmark/comparison area.

The ports designated lands in the Nalley Valley in Tacoma and the Ballard ship canal industrial area in Seattle as benchmark/comparison areas. The report did not examine industrial lands within the Puget Sound region that support port-related activities but are not adjacent to the ports, such as in the Kent Valley.

The analysis covers industrial, commercial, and residential land use types.

Taxes included in this analysis are state and local retail sales and use tax, state and local property taxes, state B&O taxes, state PUT taxes, and state and local leasehold excise taxes. Note that

local B&O and local utility taxes are not included because the Department of Revenue does not have access to this data.

## **1. How are lands in the two port areas currently zoned and how are they actually used?**

### Findings for the areas containing State's the two container ports

#### Number of parcels by zoning type

Industrial zoned parcels are the most predominant. The two port areas contain three times as many industrial zoned parcels as commercially zoned parcels. There are four times as many parcels on industrial land than on residential land.

#### Land use by parcel on industrially zoned land

Parcels on land zoned industrial are often used for commercial purposes, despite the zoning. In fact, the industrially zoned private adjacent property has more parcels put to commercial uses than to industrial uses. The same is true for port-owned property in Tacoma. Port of Seattle-owned industrially zoned property is the exception, having more parcels dedicated to industrial use than to commercial use.

#### Land use by parcel on commercially zoned land

Commercially zoned land contains more parcels used for commercial purposes than for industrial purposes. However, there are many parcels dedicated to industrial uses.

#### Land use and vacancy

About 25 percent of the port-owned land zoned industrial or commercial is listed as vacant; for privately-owned adjacent land, the vacancy rate is 12 percent. (For purposes of this study, vacant land means land without improvements.)

#### Land use and the number of businesses

Both industrially zoned and commercially zoned land contains more commercial businesses than industrial businesses.

### Support for the findings for Question 1

For a variety of reasons, actual land use does not necessarily correspond with the land's zoning<sup>7</sup>. Table 1 in the Data Appendix shows that except for Seattle port-owned property, land zoned industrial actually contains more commercial parcels than industrial parcels. Exhibit 1 below and the notes that follow it summarize total industrial and commercial parcels by land use.

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<sup>7</sup> For example, existing uses are often grandfathered and zoning variances are often granted. Industrial zoning also allows a limited amount of other uses, such as office space and a sales facility for the industrial user. Businesses sometimes overreach these allowed alternative uses.

**Exhibit 1**  
**Parcels used for Industrial and Commercial Purposes by Zoning**

	Zoned Industrial		Zoned Commercial	
	Number	Percent of all Parcels	Number	Percent of all Parcels
Parcels used for industrial purposes	1,092	20%	171	3%
Parcels used for commercial purposes	1,658	30%	571	10%

The 3,492 parcels shown in Exhibit 1 represent 63 percent of all parcels in the study areas identified by the two ports. The areas contain 5,586 parcels in total. An additional 2,094 parcels not shown here are classified as residential, vacant, or other.

There are only a small number of businesses on land zoned residential.

**2. Is current tax treatment favorable or unfavorable to the kinds of industrial land uses that are compatible with container ports?**

Findings

Tax revenues from the analysis areas by land use

Industrially zoned port and adjacent land bring in more total tax revenues than does commercially zoned land in the same areas; however, industrially zoned areas are generally larger than commercially zoned areas.

Taxes per acre by land use

Commercially zoned port and adjacent land bring in more tax revenues per acre than does industrially zoned land in the same areas.

Excise and property taxes

Port-owned and adjacent land bring in more excise taxes than property taxes, both in total receipts and per acre. Commercial land brings in the most excise taxes. The state collects the larger share of excise taxes while local jurisdictions are more dependent on property taxes.

Property taxes per acre by zoning

Property tax receipts per acre from privately-owned port lands are fairly consistent regardless of industrial or commercial zoning.

Taxes from residential land

Residentially zoned land does not bring in much tax revenue in the areas identified by the ports, either in total or per acre.

### **3. What are the incentives to local jurisdictions to rezone from industrial to commercial and residential zones?**

#### Findings

Regardless of zoning, commercial businesses generally yield more tax dollars per acre than do industrial businesses. This is due to retail sales tax, and to a lesser extent, B&O tax. Commercially zoned land covered in this analysis has a preponderance of commercial businesses, so it has a higher state and local tax yield<sup>8</sup>. To the extent that industrial zoning hinders commercial development and use, local governments have an incentive to re-zone in order to facilitate commercial or residential use<sup>9</sup>.

#### Support for the findings for Questions 2 and 3

Data Table 3 in the Data Appendix provides total taxes divided by the total acreage for that land use (industrial, commercial, and residential) for port-owned property, privately-owned adjacent, and privately-owned benchmark/comparison property in the identified areas of Tacoma and Seattle. In other words, the comparison is based on taxes per acre<sup>10</sup>.

Many comparisons could be made, but the most notable is that taxes per acre from commercial lands are greater than for industrial lands. For example, commercially zoned land in the identified Tacoma areas realize 3.4 times as much total tax revenue per acre, \$258,000, than does industrially zoned land, \$77,000. Commercial land brings in 2.0 times as much tax revenue, \$283,000 per acre, than industrial land does in the identified Seattle areas, \$141,000.

In the identified benchmark/comparison areas of the Nalley Valley and Ballard combined, the commercially zoned land realizes 2.7 times as much total tax revenues per acre, \$340,000, as the industrial land, \$125,000. With respect to the privately-owned “adjacent” parcels within the Tacoma tide-flats area and the Duwamish MIC combined, commercial land brings in two times as much tax revenue per acre, \$167,000, than does industrial land, \$84,000.

This data is simplified in Exhibit 2 below which compares taxes per acre for commercial land with taxes per acre for industrial land.

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<sup>8</sup> Sales taxes also include collections from construction projects. The inclusion or exclusion of these projects does not alter the findings.

<sup>9</sup> Though industrially zoned land is currently put to other uses the consensus of work group participants and port personal is that industrial zoning does in fact constrain commercial use. Without industrial zoning many property owners will tear down industrial buildings and build office and retail buildings.

<sup>10</sup> Note that DOR did not have enough information to assign leasehold excise tax revenues to any particular land use or zoning. Therefore, leasehold excise tax revenues are not included in the totals.

**Exhibit 2**  
**Commercial Zoned Land Brings in Multiple Times the Tax Revenue  
 Compared to Industrial Zoned Land**  
**Taxes per acre for Commercial Land Divided by Taxes per acre for Industrial Land**

	Privately Adjacent	Privately Benchmark	All Private
Tacoma	4.2	2.7	3.4
Seattle	1.0	2.7	2.0

Information is not presented in this exhibit for port-owned lands because the concern is primarily with privately-owned adjacent industrial land that might be at risk for rezoning to commercial.

In only one area covered by the analysis does the commercially zoned land not bring in multiple times the tax revenue compared to the industrially zoned land. This is the Duwamish MIC in Seattle. This is due to two factors: a smaller amount of revenues per acre from commercially zoned land (in comparison to the commercial land in other identified areas) and, to a lesser extent, the presence of some unusually large businesses on these industrial lands such as Boeing, Costco, and the baseball stadium.

Higher total tax revenues per acre on commercially zoned land are due to greater excise tax receipts, particularly state and local retail sales and use taxes<sup>11</sup>. State business and occupation and public utility taxes<sup>12</sup> also contributed to the higher tax receipts. The preponderance of commercial businesses on commercially zoned land indicates that the higher tax receipts come from commercial businesses.

In contrast, state and local property taxes per acre were very similar for the two land uses (zoning areas) in the areas “adjacent” to Seattle and Tacoma port-owned properties. Moreover, state and local property taxes on the Nalley Valley’s commercially-owned land were only 20 percent higher than the industrially-owned land. Commercial land in Ballard, however, did realize 2.1 times as much property taxes as industrial land did.

Residential zoned property brings in considerably less revenues than either industrial or commercial zoned properties since neither B&O nor sales tax is collected from residential properties. (Note that after July 1, 2008, sales tax on delivered items will accrue to the local government associated with the place of delivery, which in some cases will be a residential property. It is anticipated that only about 12 percent of retail sales will be affected by this change. Therefore, sales tax collections from items delivered to residences will probably be a fraction of sales tax collections from retail and other businesses.)

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<sup>11</sup> Note that on industrially owned land in the Duwamish MIC, there were fairly large construction projects on which state and local sales taxes were paid. There was some thought of treating these projects as outliers and removing them, but such construction projects are not unusual in port areas, so they were left in.

<sup>12</sup> DOR has little information on local business and occupation and public utility taxes, so these were not included in the analysis.

**4. What are comparative benefits to state and local governments of different land use zoning?**

Findings

There are relatively more commercial businesses on the commercially zoned land covered in this study, therefore there is a higher state and local tax yield from commercially zoned land. However, both commercial and industrial businesses are located on commercially and industrially zoned land. The industrial zoning does not seem to preclude commercial businesses, but to the extent that the commercial zoning encourages the preponderance of commercial businesses, commercial zoning seems to provide greater benefits to state and local governments.

Support for Findings for Question 4

Table 4 shows that there is a preponderance of commercial businesses on both industrially and commercially zoned property in all areas of the analysis.

**5. Could the state provide revenue sharing to help to retain port and adjacent lands in industrial use?**

Findings

State government and local governments reap unequal tax benefits from port activities. The state collects 80 to 90 percent of the excise taxes accruing from port activities<sup>13</sup>. Local jurisdictions, on the other hand, collect 75 to 80 percent of the property tax levies. Port-related activities generate far more excise taxes than property taxes. The state could share its excise tax receipts from port-related activities with local jurisdictions.

Support for Findings for Question 5

**Exhibit 3**  
**Taxes from Port Operations**

	<u>Excise Taxes</u>	<u>Property Taxes</u>
State Share	80 to 90 percent	20 to 25 percent
Local Share	10 to 20 percent	75 to 80 percent

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<sup>13</sup> The state realizes the state sales and use tax and the state B&O and public utility taxes. Local sales taxes accrue to local jurisdictions. Local B&O and public utility taxes are not part of this analysis because DOR has no data on these locally administered taxes.

**6. How useful are tax incentives in encouraging economic development in port areas?  
Do tax incentives affect incentives for local government to rezone?**

Findings

Tax incentives are not a major contributor to net tax collections from container port activities. The state gives up more revenue with the use of incentives since incentives primarily involve excise taxes.

The tax incentives commonly used by businesses on or near Container Port property (i.e. the warehouse remittance, the Machinery and Equipment exemption and the Community Empowerment Zone program) are a small proportion of tax revenues. Therefore, these tax incentives do not affect the tax comparison by type of zoning; the taxes per acre on industrial versus commercially zoned land wouldn't change significantly without these incentives.

Support for the Findings for Question 6

In general, tax incentives do not appear to have a more significant role in the identified container port areas than in the rest of the state. However, some incentives may be of particular interest, such as those concerning community empowerment zones (CEZs), warehouses, and manufacturers.

i. Community Empowerment Zones

The Tacoma CEZ is similar to the area identified in this study as the Tacoma tidelands. The CEZ extends a little farther into the Tacoma downtown and south along Portland Avenue, but it does not extend quite as far East along Interstate 5. Businesses are required to hire employees from within the CEZ. Businesses taking the job credit against the B&O tax are required to be located in the CEZ, but businesses that take the sales tax deferral/exemption for new facilities are not. Firms that take advantage of the CEZ program are typically in the CEZ, but not always. About three to four Tacoma area businesses make use of the CEZ deferral/exemption each year. Total savings of state and local retail sales and use taxes average more than \$1 million annually.

The Seattle and White Center CEZs, extending from 35<sup>th</sup> Avenue at the top of West Seattle to Lake Washington and from White Center to Madison in the heart of downtown, are considerably larger than the Duwamish MIC which does not scale the West Seattle Hill nor extend more than a few blocks east of the Interstate 5 corridor, nor past Jackson on the southern fringe of downtown. Therefore there may be more of a chance that the employers taking advantage of the CEZ sales tax deferral/exemption might not be located in the Duwamish MIC. Seattle has made less use of the CEZ program than Tacoma has, annually averaging only about two applicants and no more than \$310,000 of total state and local retail sales and use tax savings.

## ii. Warehouse remittance

This incentive is a statewide program providing a remittance of a portion of the state retail sales taxes on qualifying warehouse construction. Local taxes are not impacted by the remittance. Taxpayers save \$3 to \$4 million in state sales taxes annually. Statewide, an average of 45 projects a year receive remittances. From 1997 to 2002 the city of Tacoma averaged 4 projects a year, presumably some of which were in the areas identified by the Port of Tacoma. However, since 2003 there have only been 3 projects in Tacoma. The city of Seattle has had only 6 projects over the same 10 year period, some of which may have been in the Greater Duwamish Manufacturing and Industrial Center (MIC).

## iii. The Machinery and Equipment (M&E) Exemption for Manufacturing

Manufacturers statewide save an average of \$200 million a year in state and local sales and use taxes due to the M&E exemption. Port of Tacoma manufacturers, however, realize only a small share of that, \$35,000 annually. Manufacturers in the Duwamish MIC annually save \$3 million in state and local sales and use taxes.

## **7. What, if any, are the impacts of the streamlined sales tax initiative on the ports?**

### Findings

Neither the streamlined sales tax initiative in itself, nor the initiative combined with rezoning of industrial land, will have a measurable effect on tax revenues from properties in and immediately around ports.

### Support for Findings for Question 7

Destination sourcing decreases the value to local governments of having a *retail* warehouse in their jurisdiction. Under origin-based sourcing, retail warehouses accrue retail sales tax for each delivery made from the warehouse. Under destination-based sourcing, retail sales tax accrues to where the delivery is made. (Note that local governments will receive mitigation funds to fully compensate for lost revenues from existing retail warehouses.)

The study was able to identify distribution warehouses on port lands in order to measure the tax they pay to local governments. The identified warehouses collected minimal or no retail sales tax. It is assumed that the types of warehouses that ports are interested in maintaining on adjacent-to-port-private-land would be very similar to distribution warehouses on port land, and therefore there would be no tax impact from the change to destination sourcing. This analysis did not evaluate SSTP impacts for other warehouses within the region that might both serve the ports and have a retail function.

## Report Data and Methodology

The original data is found in the four data tables in the Data Appendix. Analysis is done for land in both Seattle and Tacoma. The tables compare data for each city for port land, adjacent land that is thought to be at risk of re-zoning and comparative land.

Much of the analysis focuses on privately owned lands rather than port owned lands. The former are thought to be at higher risk for re-zoning to commercial. Privately owned lands are subdivided into two different categories. The first category includes lands within both the Tacoma tide-flats area, and within the Greater Duwamish Manufacturing and Industrial Center (Duwamish MIC) in Seattle. This privately owned land, in close proximity to port owned land, is said to be “adjacent” to the port owned land.

The two comparison or benchmark areas are the Nalley Valley for Tacoma and the Ballard/Northern ship canal shore in Seattle.

The adjacent areas and comparison/benchmark areas were identified by the Ports of Tacoma and Seattle.

Land use is also analyzed according to the type of parcel: industrial, commercial, residential, vacant, or other. The numbers of industrial and commercial business are also analyzed by land use.

Taxes analyzed are:

- state and local sales and use taxes (sales taxes),
- state and local property taxes (property taxes),
- the state business and occupation (B&O) tax,
- the state public utilities (PUT) tax, and
- state and local leasehold excise taxes.

Note that local B&O and local utility taxes are not included. Also note that leasehold excise tax data are presented, but these figures are not included in totals due to data limitations. The data for all of the analysis discussed are presented in the accompanying DOR tables 1 through 4.

For some establishments in the study area, state B&O tax is an imputation. Firms pay state B&O on a firm-wide basis. Therefore, B&O tax is not broken down to the establishment level. For firms with only one establishment, this is not an issue. However, for multi-establishment firms, B&O tax is imputed for individual establishments by sharing down the firm-wide tax by the percentage of employment in each establishment.

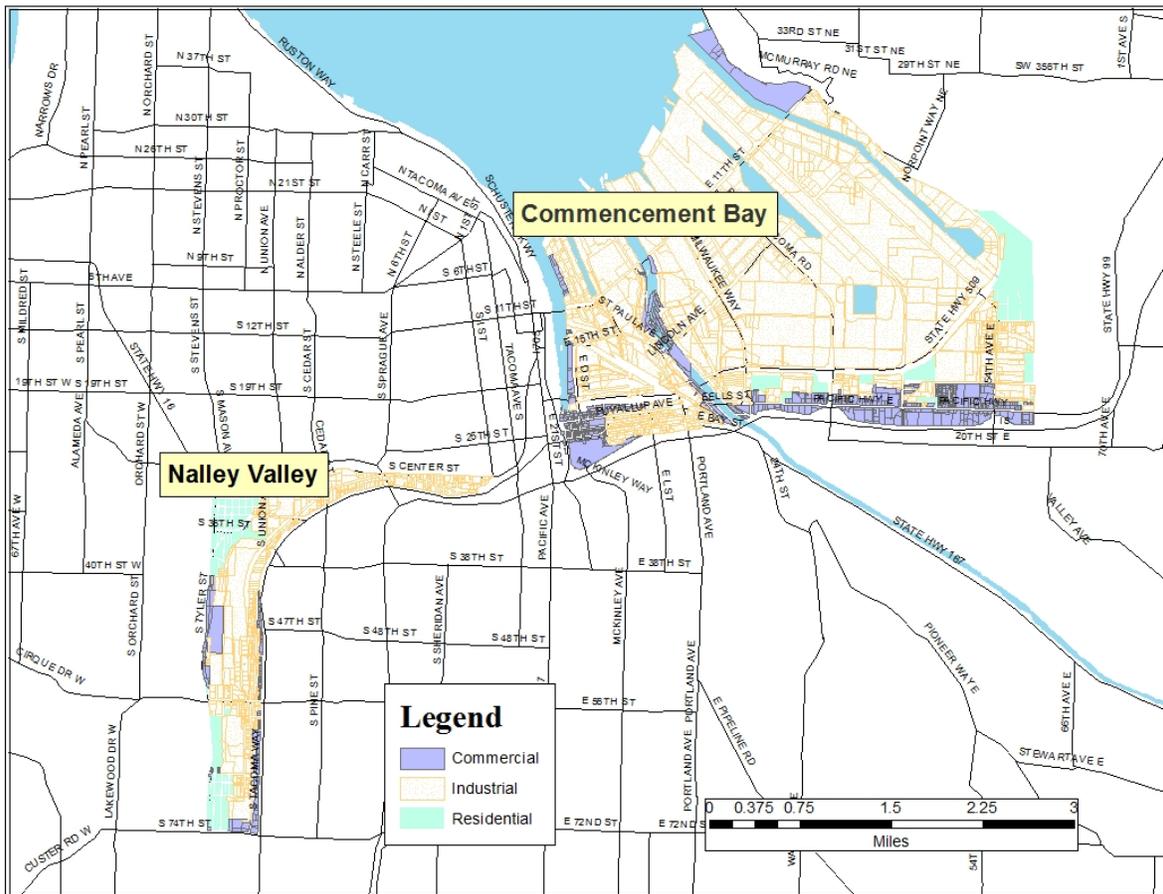
**Maps and the Data Appendix**, see the following pages.

# Maps

## Areas identified by the Port of Tacoma

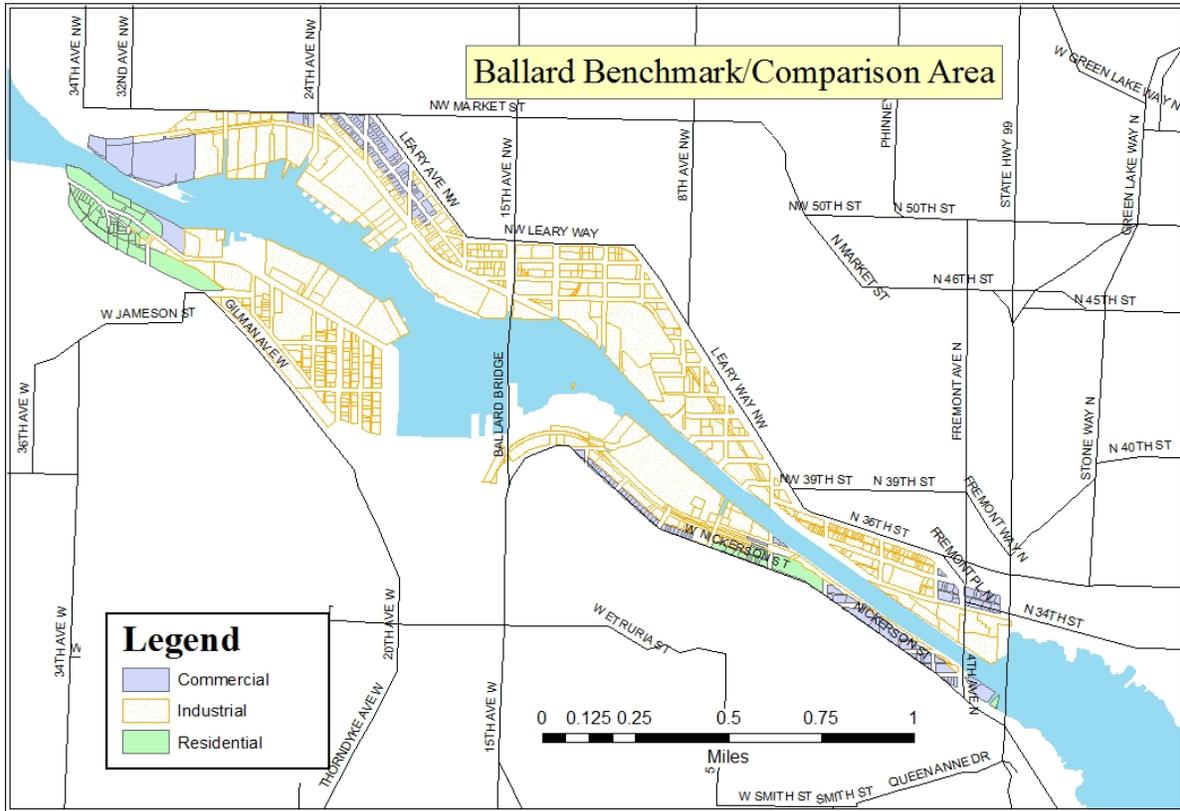
The Commencement Bay tidelands area contains the property owned by the Port of Tacoma and privately owned adjacent property. The private adjacent property consists of privately owned parcels intermingled with Port property throughout the tidelands and private property lying along the fringes.

The Nalley Valley is the benchmark/comparison area identified by the Port.





The Port of Seattle identified the Ballard Ship Canal industrial area as the benchmark/comparison area, as shown below.



**The Data Appendix follows on the next sheet.**

**Data Table 1. The Number of Parcels by Land Use Code (Zoning Area)**  
(Number of Parcels, FY 2007)

Type of Zoning --->	<u>Port Owned Property</u>			<u>Privately Owned Adjacent Prop.</u>			<u>Benchmark/Comparison Area</u>		
	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>
<b>1. Tacoma</b>	<u>Nalley Valley in Tacoma</u>								
Industrial Parcels *	62	4	0	253	112	0	133	16	4
Commercial Parcels *	72	8	4	312	270	0	367	134	5
Residential Parcels *	0	0	0	65	108	53	16	35	540
Vacant Parcels *	59	0	1	107	88	0	68	19	36
Other Parcels *	0	1	0	2	7	0	0	0	0
Total Parcels (#) *	193	13	5	739	585	53	584	204	585
<b>2. Seattle</b>	<u>Seattle; Ballard/Ship Canal Indstrl. Area</u>								
Industrial Parcels *	81	1	0	444	27	0	119	11	5
Commercial Parcels *	7	10	0	652	52	1	248	97	9
Residential Parcels *	0	0	0	57	20	34	37	18	50
Vacant Parcels *	28	0	1	165	9	1	73	20	12
Other Parcels *	7	0	0	275	4	0	30	5	15
Total Parcels (#) *	123	11	1	1593	112	36	507	151	91

\*Note that County Assessors assign a use to each parcel based on rule 458-53-030 of the Washington Administrative Code, and that a "vacant" parcel contains no structures (but it may be improved, such as paved or having access to electric power.)

**Data Table 2. Total Tax Revenue by Land Use Code (Zoning Area)**  
Fiscal Year 2007 (\$ 1,000)

Type of Zoning --->	<u>Port Owned Property</u>			<u>Privately Owned Adjacent Property</u>			<u>Benchmark/Comparison Area</u>		
	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>
<b>1. Tacoma</b>							(Nalley Valley in Tacoma)		
State Sales/Use Tax	\$ 8,194	\$ 28	0	\$ 14,402	\$ 23,874	0	\$ 9,204	\$ 10,323	\$ 55
Local Sales/Use Tax	2,395	8	0	4,210	6,979	0	2,691	3,018	16
State Property Tax	NA	NA	NA	2,248	1,122	27	661	194	231
Local Property Tax	NA	NA	NA	9,934	4,172	102	3,067	901	1,074
State B&O and PU Tax	15,045	8	0	28,742	67,189	34	8,880	1,955	21
	Land Use Codes are unknown						Zero or unknown--some property may be owned and leased out by any type of governmental entity.		
State Leasehold Tax	-----	3,045	-----	NA	NA	NA			
Local Leasehold Tax	-----	2,671	-----	NA	NA	NA			
Total Tax Revenues (total excludes leasehold excise tax)	25,634	45	0	59,536	103,336	163	24,503	16,390	1,397
	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>
<b>2. Seattle</b>							Seattle: Ballard/Ship Canal Indstrl. Area		
State Sales/Use Tax	\$ 2,719	\$ 6,842	0	\$ 81,998	\$ 5,092	0	\$ 18,130	\$ 6,802	\$ 219
Local Sales/Use Tax	847	2,131	0	25,546	1,586	0	5,648	2,119	68
State Property Tax	NA	NA	NA	2,207	235	5	1,225	311	62
Local Property Tax	NA	NA	NA	6,784	723	17	3,766	957	190
State B&O and PU Tax	6,447	1,779	0	28,086	9,070	45	8,105	2,032	157
	Land Use Codes are unknown						Zero or unknown--some property may be owned and leased out by any type of governmental entity.		
State Leasehold Tax	-----	7,723	-----	NA	NA	NA			
Local Leasehold Tax	-----	6,774	-----	NA	NA	NA			
Total Tax Revenues (total excludes leasehold excise tax)	10,013	10,752	0	144,621	16,707	67	36,874	12,221	696

**Data Table 3. Revenues per Acre by Land Use Code (Zoning Area)**

Fiscal Year 2007 (\$ per acre)

Type of Zoning --->	<u>Port Owned Property</u>			<u>Privately Owned Adjacent Property</u>			<u>Benchmark/Comparison Area</u>		
	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>
<b>1. Tacoma</b>							(Nalley Valley in Tacoma)		
State Sales/Use Tax	\$ 3,736	\$ 349	0	\$ 8,099	\$ 32,283	0	\$ 16,291	\$ 74,449	\$ 523
Local Sales/Use Tax	1,092	102	0	2,367	9,437	0	4,762	21,762	153
State Property Tax	NA	NA	NA	1,264	1,517	755	1,169	1,399	2,206
Local Property Tax	NA	NA	NA	5,586	5,642	2,801	5,426	6,496	10,244
State B&O and PU Tax	6,859	103	0	16,163	90,856	938	15,717	14,097	203
	Land Use Codes are unknown						Zero or unknown--some property may be owned and leased out by any type of governmental entity.		
State Leasehold Tax	-----	1,328	-----	NA	NA	NA			
Local Leasehold Tax	-----	2,359	-----	NA	NA	NA			
Total Tax Revenues/Acre (total excludes leasehold excise tax)	11,687	4,241	-	33,479	139,735	4,494	43,365	118,203	13,329
Acres	2,193.35	81.37	17.35	1,778.30	739.52	36.31	565.01	138.66	104.83
	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>
<b>2. Seattle</b>							Seattle: Ballard/Ship Canal Indstrl. Area		
State Sales/Use Tax	\$ 2,724	\$ 51,049	0	\$ 33,489	\$ 18,544	0	\$ 40,083	\$ 123,754	\$ 2,375
Local Sales/Use Tax	849	15,904	0	10,433	5,777	0	12,487	38,554	740
State Property Tax	NA	NA	NA	901	857	1,191	2,708	5,663	672
Local Property Tax	NA	NA	NA	2,771	2,634	3,662	8,325	17,410	2,066
State B&O and PU Tax	6,457	13,275	0	11,471	33,034	9,846	17,920	36,969	1,702
	Land Use Codes are unknown						Zero or unknown--some property may be owned and leased out by any type of governmental entity.		
State Leasehold Tax	-----	6,820	-----	NA	NA	NA			
Local Leasehold Tax	-----	5,982	-----	NA	NA	NA			
Total Tax Revenues/Acre (total excludes leasehold excise tax)	10,029	93,030	-	59,065	60,846	14,699	81,523	222,351	7,556
Acres	998.34	134.02	0.02	2,448.50	274.60	4.50	452.32	54.96	92.13

**Data Table 4. The Number of Businesses by Land Use Code (Zoning Area)**  
(Number of Businesses, FY 2007)

Type of Zoning --->	<u>Port Owned Property</u>			<u>Privately Owned Adjacent Prop.</u>			<u>Benchmark/Comparison Area</u>		
	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>	<u>Industrial</u>	<u>Commercial</u>	<u>Residential</u>
<b>1. Tacoma</b>							<u>Nalley Valley in Tacoma</u>		
Industrial Businesses	63	1	0	184	92	5	104	13	13
Commercial Businesses	54	7	0	226	476	10	217	101	66
Total Businesses (#)	117	8	0	410	568	15	321	114	79
<b>2. Seattle</b>							<u>Seattle; Ballard/Ship Canal Indstrl. Area</u>		
Industrial Businesses	24	98	0	140	37	0	374	39	14
Commercial Businesses	166	198	0	249	110	0	955	448	66
Total Businesses (#)	190	296	0	389	147	0	1329	487	80

**Data Table 5. Wages, Employment, and Wages per Employee  
by Land Use Code (Zoning Area)**

	<b>Total Wages</b> (\$, in 2006)	<b>Employment</b> (each, in 2006)	<b>Wages Per Employee</b>
<b>Duwamish MIC</b>			
*Commercial	\$1,014,175,265	12,008	\$84,458
Industrial	\$2,887,759,402	46,756	\$61,763
Residential	\$21,274,108	318	\$66,900
<b>Ballard/Ship Canal</b>			
Commercial	\$112,339,892	2,656	\$42,297
Industrial	\$639,435,845	10,895	\$58,693
Residential	\$17,419,907	255	\$68,313
<b>Commencement Bay</b>			
Commercial	\$146,436,583	4,098	\$35,730
Industrial	\$626,437,818	11,240	\$55,732
Residential	\$2,647,024	56	\$47,551
<b>Nalley Valley</b>			
Commercial	\$30,320,355	822	\$36,909
Industrial	\$166,209,420	4,131	\$40,237
Residential	\$322,452	23	\$14,122
<b>State</b>			
	\$122,269,248,353	2,850,892	\$42,888

\*The Duwamish MIC has several employers paying very high wages. If the two employers paying the highest wages were excluded, the area would be similar to other areas zoned commercial.

## APPENDIX D: STATE LAWS, POLICIES AND GOVERNMENT ROLES

This appendix provides a summary review of key state statutory policies and governance roles related to land uses in and around marine container port terminals.

*[NOTE TO READER: This review is not a comprehensive summary of all laws that might affect the siting, development and operation of port facilities. Consistent with the charge of the Container Ports and Land Use group, the review focuses on state laws, and does not include any applicable federal and tribal laws. In addition, the review focuses on statutes that shape land use decisions, and does not include all state and local regulatory programs that could affect project development.]*

### **Introduction and Overview**

#### THE EVOLUTION OF LAND USE AND HARBOR PLANNING IN WASHINGTON

When Washington's Constitution was debated in the late 1880's, the status of the state's aquatic lands deadlocked the Constitutional Convention for several days, and ended up being the single most controversial issue of the entire event. The state finally decided upon two principles that were uncommon in their day: public ownership of the waterbeds and beaches, and protection of the harbors in front of cities in order to preserve these precious areas for "landings, wharves, streets and other conveniences of navigation and commerce." This principle, which survives to this day in the form of Article 15 in our state constitution, was the first zoning ever applied in our region. It was an extraordinary far-sighted and unusual principle for its day.

In practice, strong implementation of this noble principle was moderated by giving the Harbor Line Commission powers to both define harbor areas, and to move the lines that defined these areas. (Note that the state's aquatic lands are managed mostly by the Department of Natural Resources, which also staffs the Harbor Line Commission.) In addition, the strong constitutional principles of harbor line protection did not extend into the upland properties that abutted the harbor areas. This lack of upland protection ultimately weakened, but did not end, the harbor area protections that were envisioned over a century ago.

In the early 1900's -- twenty years after these constitutional protections over harbors were created -- there was still extreme dissatisfaction with how harbor areas were being developed, and with the power of railroads and other private interests over shoreline ownership. A coalition of Seattle business people and eastern Washington agricultural interests coalesced into a progressive coalition to reinstate the public's control of the waterfront. They created port districts in order to buy back the waterfronts and give the public continued investment control over these areas.

Many years later the public again decided that many waterfront areas were being developed into nonwater-dependent uses such as hotels and restaurants. There was also continued disconnect between the state's ownership and control of submerged lands and beaches, and city and county control of the uplands that abutted these lands. This tension came to a head in Lake Chelan with a Supreme Court decision forbidding the fill of an

aquatic area because of the public's right to navigation in the filled area. The ensuing fight was resolved with a compromise: the Shoreline Management Act of 1971 (SMA). This act gave the state limited control over uplands (up to 200 feet inland) in return for limited local control over zoning submerged lands and beaches. This blended authority takes the form of locally adopted Shoreline Master Plans, which are approved by the state Department of Ecology.

The SMA is in effect a balancing act, where discrete areas are identified for specific types of uses, and long-term protections for these uses are enforced with locally developed, and state approved land use plans. These uses include water-dependent commerce and navigation, but as mentioned above – this control only extends up to 200 feet upland.

In the late 1980's, concern over unchecked growth and a lack of predictable planning led to the Growth Management Act (GMA). This act, unlike the earlier SMA, created a series of general principles and criteria that the state expected fast-growing areas to meet, but it left the balancing of these principles and criteria largely to the discretion of local governments (subject to growth board appeals). Harbor areas and shorelines were not addressed explicitly, except in the form of 'critical areas' that needed protection as fish and wildlife habitat. GMA and SMA were eventually reconciled – shoreline master programs are now recognized as a critical area ordinance under GMA.

Economic development is one of the planning elements that local comprehensive planning efforts are intended to address under the GMA, but this planning element is not mandatory unless state funding is provided to local governments to accomplish it. The language in the GMA relating to economic development would likely include the protection and possibly the fostering of port industrial and marine terminal infrastructure.

The GMA also mandates that the siting of Essential Public Facilities (EPFs), which includes many marine terminal areas, must not be "zoned out of business" by local governments. The law is silent, however, on the continued development and fostering of these areas.

Today we are left with a system that has evolved into strong state control (through two different agencies) over carefully-selected submerged harbor areas, significant (but less) state control over the 200 foot strip of land adjacent to these harbors, and very little state control over many of the land uses and decisions supporting the water-dependent uses that depend on industrial harbors, and the transportation corridors that serve them. Table 1 identifies the key statutory policies, citations and government roles.

#### LAND USE AND HARBOR PLANNING IN WASHINGTON ~ A CHRONOLOGY

- 1889 Public ownership of harbor areas declared  
(Article 15 of the Washington State Constitution)
- 1911 Port districts authorized (Chapter 53.04 RCW)
- 1932 Harbor Line Commission established (Article 15 Amendment)
- 1971 Shoreline management plans required (Chapter 90.58 RCW)
- 1990 Growth management plans required (Chapter 36.70A RCW)

**TABLE 1: Statutory Policies affecting land uses near container ports**

	In the water ...	Along the shore ... (to 200' from shoreline)	Away from the shore ... (upland beyond 200')
<b>P O L I C Y  S U M M A R Y</b>	<p>Public aquatic lands are managed to provide a balance of public benefits for all citizens of the state, including encouraging direct public use and access, fostering water-dependent uses, ensuring environmental protection, and utilizing renewable resources.</p> <p>Harbor areas are reserved for landings, wharves, streets, and other conveniences of navigation and commerce.</p>	<p>Shoreline Master Programs, as prepared by the city and approved by the state, must plan for and foster all reasonable and appropriate uses in the development of shorelines in a manner which protects against adverse effects to the public health, the land and its vegetation and wildlife, and the waters of the state and their aquatic life, while protecting generally public rights of navigation and corollary rights incidental thereto. Preference must be given to uses in the following order:</p> <ol style="list-style-type: none"> <li>1. Recognize and protect the statewide interest over local interest</li> <li>2. Preserve the natural character of the shoreline</li> <li>3. Result in long term over short term benefit</li> <li>4. Protect the resources and ecology of the shoreline</li> <li>5. Increase public access to publicly owned areas of the shorelines;</li> <li>6. Increase recreational opportunities for the public in the shoreline; and,</li> <li>7. Other elements deemed necessary.</li> </ol>	<p>Port districts are responsible for acquisition, construction, maintenance, operation, development and regulation (within their district) of harbor improvements, rail or motor vehicle transfer and terminal facilities, water transfer and terminal facilities, and other commercial transportation, transfer, handling, storage and terminal facilities, and industrial improvements</p> <p>City GMA plans, regulations and development permit programs must focus urban growth in urban areas, reduce sprawl, provide efficient transportation, encourage affordable housing, encourage sustainable economic development, protect property rights, process permits in a timely and fair manner, maintain and enhance natural resource-based industries, retain open space and habitat areas and develops recreation opportunities, protect the environment, encourage citizen participation and regional coordination, ensure adequate public facilities and services, preserve important historic resources, and manage shorelines wisely.</p>
<b>W H O</b>	<p>Dept. of Natural Resources Harbor Line Commission Ports</p>	<p>Cities Ports Dept. of Ecology Dept. of Natural Resources</p>	<p>Ports Cities</p>
<b>C I T E S</b>	<p>Article 15, Washington State Constitution</p> <p>Dept. of Natural Resources (Chapter 43.30 RCW)</p> <p>Aquatic Lands – General (Chapter 79.105 RCW)</p>	<p>Shoreline Management Act (Ch. 90.58 RCW)</p>	<p>Port Formation Act (Chapter 53.04 RCW)</p> <p>Growth Management Act (Chapter 36.70A RCW)</p>

## **Aquatic Lands Management**

Since the original adoption of Washington's constitution, aquatic land management policies have evolved significantly over time, and the roles of the Harbor Line Commission and the Department of Natural Resources have changed as well.

The current form of the Department of Natural Resources, which is charged with managing most state-owned aquatic lands, was set fifty years ago – in 1957. The state sold many of its tidelands and shorelands to private interests and to local governments until this practice was ended in the early 1970's. For this reason, many of the key shoreline and submerged properties in urban and industrial areas are not owned by the state (although many are still in port district or city ownership).

In the mid-1980's the legislature completed a significant overhaul of state aquatic lands laws, establishing the general management principles that the DNR and port districts must use to guide state-owned aquatic lands, and also establishing rental rates formulas for these properties. These policies have remained largely intact, and today are codified in RCW 79.105. The state's general aquatic lands management goals are to:

- Foster water-dependent uses
- Ensure environmental protection
- Encourage direct public use and access
- Promote renewable resources, and
- General income in a manner consistent with these goals.

The laws and policies pertaining specifically to harbor areas are at RCW 79.115. Harbor areas exist in front of many city waterfronts, and consist of discrete areas that have been specifically designated by the state's Harbor Line Commission. The Harbor Line Commission has the same membership as the Board of Natural Resources, and consists of:

- The Commissioner of Public Lands
- The Governor (or designee)
- The Superintendent of Public Instruction
- The Dean of the UW College of Forestry
- The Dean of the WSU College of Agriculture
- One County representative of County's with state forest lands

The purpose of the harbor area statutes is to reserve harbor areas for commerce and navigation, and to ensure that leases, encumbrances and improvements that are contrary to this goal only be allowed on an interim basis, if they are allowed at all. As mentioned earlier, however, these protections extend only to the precise footprint of the harbor area, and do not extend upland or onto adjacent properties, except through the land

use plans of the Shoreline Management Act, the Growth Management Act, or for port-owned property the port's Comprehensive Scheme of Harbor Improvements.

Port districts are authorized under RCW 79.105.420 to manage discrete areas of state-owned aquatic lands if the aquatic lands are adjacent to upland properties owned or managed by the port. The port is obligated to follow all of the same laws and policies as the DNR would if the DNR were leasing the property. The management specifics for this arrangement are spelled out in a Port Management Agreement (PMA) which is signed between the port and the DNR. The form of the PMA is approved by the Board of Natural Resources. A PMA can be an important tool for integrating the plans for and uses of port and state-owned properties.

### **Shoreline Management**

Washington's Shoreline Management Act (SMA) was adopted by the public in a 1972 referendum "*to prevent the inherent harm in an uncoordinated and piecemeal development of the state's shorelines.*" The SMA has three broad policies:

1. **Encourage water-dependent uses** ~ "... uses shall be preferred which are consistent with control of pollution and prevention of damage to the natural environment, or are unique to or dependent upon use of the states' shorelines ..."
2. **Protect shoreline natural resources**, including "... the land and its vegetation and wildlife, and the water of the state and their aquatic life ..."
3. **Promote public access** ~ "... the public's opportunity to enjoy the physical and aesthetic qualities of natural shorelines of the state shall be preserved to the greatest extent feasible ..."

Under the SMA, preference must be given to uses that are dependent on a shoreline location, with priority given to single family residences, ports, recreational uses, and water dependent commercial and industrial uses. SMA provisions apply to all marine waters and lands within 200 feet of the water, to larger streams and lakes, and to associated wetlands and floodplains.

The SMA requires local jurisdictions to adopt a Shoreline Master Program (SMP) providing policy and regulation addressing shoreline use and protection. The program is tailored to the specific geographic, economic and environmental needs of the community. The SMP is administered by requiring a permit for most development projects within the shoreline zone. In most cases, these are "substantial development permits" issued by the city or county that adopted the SMP.

Shoreline Master Programs must be consistent with guidelines adopted by the Department of Ecology, and Ecology must approve each local program. Local shoreline permits for certain uses identified as "conditional" under the SMP also require approval from Ecology. This is how the SMA balances the local and state government roles and interests in the state's shorelines.

While the SMA does not apply above the 200-foot mark, it does include one provision related to lands adjacent to shorelines of the state. RCW 90.58.340 requires state and local governments to review their policies and plans related to these adjacent lands “so as to achieve a use policy on said land consistent with the policy of this chapter (Shoreline Management Act), the guidelines, and the master programs for the shorelines of the state.” The SMA allows Ecology to prepare guidelines to implement this provision, which must be considered by the governments with jurisdiction. However, Ecology has not prepared guidelines, and instead points to the statutory provisions that connect the SMA and GMA.

### **Growth Management**

*[NOTE TO READER: This review of the Growth Management Act is not intended as a comprehensive review of all the requirements of the Act. For the purposes of the Container Ports and Land Use group, the review addresses requirements for cities and counties that are fully planning under the Act, and focuses on those features most pertinent to container ports in Seattle and Tacoma.]*

Enacted in 1990, the Growth Management Act is a statewide planning framework that requires many local governments to develop comprehensive plans for managing growth and natural resources. Cities and counties fully planning under GMA must adopt comprehensive land use plans and development regulations that implement those plans. They must establish urban growth management areas that can accommodate the increase in population expected to occur over the next 20 years, and they must designate and protect natural resource lands (including agricultural, forest and mineral resource lands) and critical areas (wetlands, fish and wildlife habitat, aquifer recharge areas, etc.).

Under GMA, local government plans and regulations are guided by 14 general goals, each of equal importance:

- Focus urban growth in urban areas
- Reduce sprawl
- Provide efficient transportation
- Encourage affordable housing
- Encourage sustainable economic development
- Protect property rights
- Process permits in a timely and fair manner
- Maintain and enhance natural resource-based industries
- Retain open space and habitat areas and develop recreation opportunities
- Protect the environment
- Encourage citizen participation and regional coordination
- Ensure adequate public facilities and services
- Preserve important historic resources
- Manage shorelines wisely

GMA comprehensive plans must identify how, where, and when growth is to be directed – including specified density, type, and location of development. A city’s comprehensive plan must include chapters on land use, housing, capital facilities, utilities, and transportation. It must also identify lands useful for public purposes and essential public facilities, such as airports, educational facilities, and utility and transportation corridors.

Cities and counties fully planning under the GMA are to review their comprehensive plans and ordinances at least every seven years to see if their plans and regulations comply with the GMA.

The GMA emphasizes local discretion over state control ~ local land use plans and regulations do not require state approval, with the exception of Shoreline Master Programs. The GMA does require local governments to submit proposed land use plans and regulations to state agencies for review. During review, state agencies can encourage good local land use decisions by providing technical assistance, written comment, or oral testimony to cities and counties. Local governments are not required to take action based on agency comments. However, state agencies or other parties with standing can appeal a locally adopted plan or regulation to one of three regional growth management hearings boards.

## ECONOMIC DEVELOPMENT

In 2002, GMA was amended to add economic development as a required element of comprehensive plans, *when state funding is available*. In relevant part, GMA describes this element as: “An economic development element is to establish local goals, policies, objectives, and provisions for economic growth and vitality and a high quality of life. The element shall include: (a) a summary of the local economy such as population, employment, payroll, sectors, businesses, sales, and other information as appropriate; (b) a summary of the strengths and weaknesses of the local economy defined as the commercial and industrial sectors and supporting factors such as land use, transportation, utilities, education, work force, housing, and natural/cultural resources; and (c) an identification of policies, programs, and projects to foster economic growth and development and to address future needs ...”

The cities of Seattle and Tacoma have each adopted economic development elements within their comprehensive land use plans. Both cities have large tracts of land designated as manufacturing/industrial centers.

The City of Tacoma’s economic development plan recognizes Tacoma’s waterways and Port infrastructure as unique assets that provide an advantage to the City in attracting freight related industry, and that serve as the cornerstone of the regional trade sector. The City’s plan includes policies that call for addressing transportation highway and rail transportation bottlenecks that create delay in moving goods to and from the Port, and for the City to coordinate infrastructure development with the Port and others to facilitate the movement of goods and services.

The City of Seattle's economic development plan includes goals to maintain Seattle's competitive advantage in international trade, to support the retention and growth of the industrial sector by directing industrial businesses to the designated manufacturing/ industrial centers, and to preserve and support continued use of suitable shoreline areas for water dependent and related businesses involved in ship-building and repair, fisheries, tug and barge, provisioning and the cruise-ship industries. The City's plan calls for considering support of programs to expand export opportunities for goods and services through the city, such as industry-specific international trade fairs, export trade linkages for home-grown businesses, and Sister Cities programs.

## ESSENTIAL PUBLIC FACILITIES

The Growth Management Act (GMA) requires each county and city planning under the GMA to include a process for identifying and siting essential public facilities in their comprehensive plans. Essential public facilities (EPF) include those facilities that are typically difficult to site such as state or regional transportation facilities, including "marine port facilities and services that are related solely to marine activities affecting international and interstate trade..." Railroads with facilities such as intermodal centers constitute state or regional transportation facilities and are therefore essential public facilities. (Hapsmith v. City of Auburn (Hapsmith I), CPSGMHB Case no. 95-3-0075©(1996).) The Office of Financial Management is required to maintain and supplement a list of essential state public facilities that are required or likely to be built within the next six years.

The central feature of the EPF section of the GMA provides that "no local comprehensive plan or development regulation may preclude the siting of essential public facilities." RCW 36.70A.200(2) "Preclude" has been construed to mean "render impossible or impracticable." (City of Des Moines v. Puget Sound Regional Council, 108 Wn. App. 836 (1999).) This section has been construed to include support activities for the expansion of an existing EPF such as the hauling of fill material dirt to construct the 3<sup>rd</sup> runway at Seattle-Tacoma International Airport. (City of Des Moines, supra.) Local governments cannot reject the siting of an EPF because they believe that their particular community has already accepted more than its fair share of such facilities. (State Department of Corrections v. State Department of Social and Health Services (DOC/DSHS), CPSGMHB Case no. 00-3-0007.) However, a local government process for siting an EPF may require mitigation from the adverse impacts of an EPF and may also require a strategy to finance that mitigation. (Hapsmith I, supra.)

While the EPF section of the GMA bars local comprehensive plans from precluding the siting of EPFs, the GMA does not affirmatively require local governments to enact regulatory controls to support EPFs. (DOC/DSHS, supra.) Nevertheless, once a regional body makes a decision concerning an EPF, local governments must then amend their comprehensive plans to be consistent with that decision. (City of Des Moines, supra.)

## BUILDABLE LANDS

Under the GMA, local jurisdictions in certain counties (including King and Pierce) must keep track of the availability of land suitable to accommodate expected growth for 20 years, and whether urban densities are being achieved in urban growth areas. Cities and counties within these counties must gather data annually and evaluate, at five-year intervals, the level and type of development that is occurring, in comparison to the expectations identified in their local comprehensive plan. This evaluation applies to housing, commercial, and industrial land uses. If gaps are identified between projected targets and actual data, local governments are to adopt and implement measures that are reasonably likely to increase consistency during the next five-year period.

Both King and Pierce completed their latest buildable lands reports in 2007. Each county reported on the supply of lands available for commercial and industrial development within their defined planning subareas. Neither report provided data on conversion of industrial lands to commercial uses.

*[NOTE: The transportation planning requirements of the Growth Management Act are summarized in the next section below.]*

## **Transportation Management**

### LOCAL COMPREHENSIVE PLANS

The transportation requirements for a GMA comprehensive plan are all encompassing. The level of detail implied in the GMA creates an especially complex task for communities planning fully under growth management. Cities and counties must address:

- Land use assumptions used in estimating travel, facilities and service needs, including inventory of existing facilities and capacity;
- Level of service (LOS) standards for all locally-owned arterials and transit routes;
- Corrective actions for all local facilities below established standards;
- A 10-year traffic forecast;
- Identification of expansion needed to meet present and future demand;
- Financial resources and needs assessments, including analysis of capacity to judge need against ability of a multi-year funding plan; if funding plans are inadequate, a discussion of new funding sources or a reassessment of the land use plans;
- Impact analysis of new plans on adjacent communities to assure coordination demand;
- Management strategies to reduce travel impact for existing and new development; and
- A requirement for concurrency or adoption of codes that prohibit development that will cause facilities to fall below established levels of service (LOS), unless new facilities are provided or strategies are in place to avoid degradation below established service levels.

The GMA also requires local governments to address their relationship to the state transportation system. Towns, cities, and counties must discourage encroachment of incompatible development adjacent to public use airports through adoption of comprehensive plan policies and development regulations. Local governments must include a process in their comprehensive plans for identifying and siting essential public facilities, including state and regional transportation facilities and airports. Local comprehensive plans and development regulations may not preclude the siting of essential public facilities.

In addition, local governments must:

- inventory the state-owned transportation facilities within their boundaries,
- estimate the traffic impacts to state-owned transportation facilities resulting from their land use assumptions,
- list the state transportation system improvements needed to meet demand, and
- identify the adopted level of service standards for state-owned highways and ferry routes.

## LOCAL COORDINATION

GMA requires local comprehensive planning to be internally and externally consistent. Internal consistency is required among and between the elements of the comprehensive plan and the implementing development regulations. External consistency requires local governments with common borders or related regional issues to ensure their plans are coordinated and consistent. Under the GMA, consistency means planning and regulatory provisions are compatible, fit together, and do not thwart each other.

The external consistency provision compels cities and counties to ensure their comprehensive plans, including their transportation elements, are compatible with those of bordering jurisdictions. Recognizing its inherently regional nature, the legislature required an even higher standard for the coordination of transportation planning. The GMA requires local governments to:

1. coordinate levels of service standards within the region,
2. assess the impacts of their transportation and land use policies on the transportation systems of adjacent jurisdictions, and
3. describe any other intergovernmental coordination efforts they have undertaken in the transportation element of their comprehensive plan. (RCW 36.70A.070(6)(a))

## REGIONAL CERTIFICATION

The transportation elements of local comprehensive plans and the transportation related county-wide planning policies must be certified by the respective Regional Transportation Planning Organization (RTPO) to ensure regional consistency. There are 14 RTPOs that cover 38 of the 39 counties in the state. The certification is based on the consistency of the local policies with the RTPO's adopted guidelines and principles,

regional transportation plan, as well as the general conformity of the local policies with GMA requirements. When there is a conflict between local and regional plans, the regional plan prevails if there has been a coordinated planning process.

## STATE ROLES

The Washington State Department of Transportation coordinates the activities of the RTPOs. WSDOT participates in the regional planning process through the RTPOs in order to ensure statewide consistency. The GMA requires WSDOT to:

- 1) establish minimum standards for development of a regional transportation plan in cooperation with the RTPOs,
- 2) facilitate coordination between regional transportation planning organizations, and
- 3) through the regional transportation planning process and through state planning efforts identify and jointly plan improvements and strategies within those corridors important to moving people and goods on a regional or statewide basis.

Both Federal and State law require the development of a long-range transportation plan. Federal law requires a 20-year long range plan that provides for the development and implementation of the intermodal transportation system of the state. State law (RCW 47.06. and RCW 47.01) directs the Washington State Transportation Commission to develop a state transportation policy plan that:

1. establishes a vision and goals for the development of the statewide transportation system consistent with the state's growth management goals,
2. identifies significant statewide transportation policy issues, and
3. recommends statewide transportation policies and strategies to the legislature to fulfill the requirements.

State law requires the plan to be a "comprehensive and balanced statewide transportation plan which shall be based on the transportation policy adopted by the governor and the legislature, and applicable state and federal laws." It must also reflect the priorities of government developed by the office of financial management and address regional needs, including multimodal transportation planning.

In addition, state law requires WSDOT to develop a statewide multimodal transportation plan, in conformance with federal requirements, to ensure the continued mobility of people and goods within regions and across the state in a safe, cost-effective manner. The statewide multimodal transportation plan shall consist of:

1. A state-owned facilities component, which shall guide state investment for state highways including bicycle and pedestrian facilities, and state ferries; and
2. **A state-interest component, which shall define the state interest in aviation, marine ports and navigation, freight rail, intercity passenger**

**rail**, bicycle transportation and pedestrian walkways, and public transportation, and recommend actions in coordination with appropriate public and private transportation providers to ensure that the state interest in these transportation modes is met. (*emphasis added*)

A primary emphasis for the plan is the relief of congestion, the preservation of existing investments and downtowns, ability to attract or accommodate planned population, and employment growth, the improvement of traveler safety, the efficient movement of freight and goods, and the improvement and integration of all transportation modes to create a seamless intermodal transportation system for people and goods.

State law designates certain transportation facilities and services to be of statewide significance, including “marine port facilities and services that are related solely to marine activities affecting international and interstate trade.” WSDOT, in cooperation with regional, local and private transportation agencies, is required to plan for improvements to these facilities in the statewide multimodal plan. State law declares improvements to facilities and services of statewide significance identified in the statewide multimodal plan to be essential state public facilities under GMA.

The statewide transportation plan, known as the Washington Transportation Plan, was last updated in November 2006. The Plan recognizes the importance of the Seattle and Tacoma ports to the manufacturing, transportation, construction, and wholesale trades in Washington State. It also acknowledges their need for solutions to interstate congestion in Central Puget Sound. The Plan calls for identifying transportation system elements that are critical to maintaining and improving Washington State’s global competitiveness, and determining the state’s role in making the necessary investments. It also calls for ongoing funding for regional economic development freight projects, port and intermodal access improvements, grade separations, short line rail improvements, and truck route programs to optimize freight mobility in metro areas.

## **Port Plans**

### SUMMARY

The planning framework applicable to ports requires public and local review of port development plans and identification of mitigation for adverse environmental impacts. Port plans must be consistent with city and county comprehensive plans and shoreline master programs. Port Management Agreements allow port districts to manage certain state-owned aquatic lands and improvements. The port must comply with all applicable federal and state regulatory programs.

### COMPREHENSIVE PLANS AND SCHEMES

Under state law (Chapters 53.20 and 53.25 RCW), all development of lands and submerged lands owned or managed by a port must be described in the port’s

comprehensive plan or *comprehensive scheme*. The primary purpose of these plans is to require communication between the port Commission and the public regarding spending for capital improvements that the port is planning.

Comprehensive planning conducted by port districts for port-owned and managed land and tidelands involves developing a Scheme of Harbor Area Improvements or Comprehensive Plan for future port growth and/or redevelopment. Port plans often address a variety of land use considerations, such as public access and transportation. These plans may also identify environmental programs (i.e., for habitat and water quality protection), environmental impacts, and mitigation measures to address adverse impacts. A SEPA review (environmental checklist and potential programmatic EIS) is sometimes required, so public notification, comment, and appeal periods apply. Of course, port plans must also be consistent with city and county Comp Plans and any applicable SMP.

## FACILITY MASTER PLANNING

To facilitate future development, including permitting, a port may prepare a facility master plan prior to having a completely designed project. ***Master plan review and approval under SEPA, if accurately reflecting elements of the future development proposal, might essentially “pre-qualify” some components of the project.*** For example, at this level, the SEPA review might show consistency with the local Comp Plan and SMP, the provision of adequate resource protection (by keeping the build-out area to a portion of the site) and the avoidance of historic or archaeological sites, potentially resulting in an MDNS. The project-specific SEPA review will reference the prior programmatic review and provide details regarding employment, traffic, and view corridors, also potentially resulting in an MDNS. This approach might be considered a *phased* SEPA review.

## PORT MANAGEMENT AGREEMENTS

State law allows port districts to manage certain state-owned aquatic lands and improvements on behalf of the state, pursuant to the requirements of a specific Port Management Agreement (PMA). A PMA places a port in the role of aquatic lands steward and holds a port responsible for meeting the state’s general aquatic management goals, which are to:

- Foster water-dependent uses.
- Ensure environmental protection.
- Encourage direct public use and access.
- Promote production on a continuing basis of renewable resources.
- Generate income from the use of aquatic lands in a manner consistent with the above goals.

***Lands that qualify for inclusion under a PMA are those abutting or “used in conjunction with and contiguous” to uplands controlled by the port.*** These include uplands owned or leased by the port where such lands are “filled aquatic lands,” as well

as lands controlled by a formal management agreement between the port and a third party.

## **City Plans**

### PLANNING AUTHORITIES

The constitutional basis for planning in Washington's cities is provided in the police power provisions of the Washington State Constitutions: *Any county, city, town or township may make and enforce within its limits all such local policy, sanitary and other regulations as are not in conflict with general laws* (Art. XI, Sec. 11). Additionally, the Constitution allows for cities to adopt "home rule," using a charter (Art. XI, Sec. 4). There are two statutory enabling acts for planning in cities and towns: the Planning Commission Act (Chapter 35.63 RCW) and the Optional Municipal Code (Chapter 35A.63 RCW).

Within these enabling acts, the state's Growth Management Act (GMA, Chapter 36.70A RCW) specifies that all cities in all Washington Counties must 1) designate and protect wetlands, frequently flooded areas and other critical areas; 2) designate farm lands, forest lands, and other natural resource areas; and 3) determine that new residential subdivisions have appropriate provisions for public services and facilities. In addition, the GMA specifies the elements and goals that must be planned for as well as additional criteria to be followed for the cities in the 29 counties fully planning under the GMA.

Additional statutes that primarily guide planning in all of Washington's cities include: the State Environmental Policy Act (SEPA, Chapter 36.70 RCW), the Shoreline Management Act (SMA, Chapter 35.63 RCW), and the Subdivision Act (Chapter 58.17 RCW). Together, these laws provide the primary policy framework that guide planning activity in Washington's cities.

### CITY DEVELOPMENT REGULATIONS

Cities in counties fully planning under GMA must adopt development regulations to implement their comprehensive plan, including their chapter on "land use." For cities in non-GMA planning counties, authority and direction for a city's development land use regulations stem from the Planning Commission Act (Chapter 35.63 RCW), the Optional Municipal Code (Chapter 35A.63 RCW), and the state's other primary planning environmental laws noted above.

Two types of development regulations are typically found in communities:

1. zoning ~ text and maps that define permitted uses of property, and
2. development and subdivision ~ regulations dealing with development and division of land.

The basic purposes of zoning is to regulate land use to promote the general development of the community and to put into practice the goals and policies of a community's comprehensive plan. The courts have recognized that a community is not required to have specific enabling legislation to adopt regulations that meet community needs. The test is whether the action bears "a substantial relation to the public health, safety, morals or general welfare," a traditional police power formulation whose authority derives from the state's constitution.

The authority of cities to enact development regulations for the development and subdivision of land, including platting and permitting, derives from the Subdivision Act (Chapter 58.17 RCW), in force since 1969. These development regulations are also subject to the GMA and the state's environmental laws noted above. Principally, plats and other development regulations must be consistent with the city's comprehensive plan.

## **APPENDIX E: CURRENT LAND USE PLANS AND PORT SCHEMES**

### **City of Tacoma – Port of Tacoma Land Use and Port Planning Coordination**

Over the past twenty years the City of Tacoma and the Port of Tacoma have conducted coordinated land use planning and port planning in an effort to create an environment conducive to the achievement of community goals relative to growth management planning, improved freight mobility and economic development.

The following is a brief description of these coordinated planning activities.

#### **Land Use Projects**

##### **Foss Waterway Design and Development Plan**

This planning effort dates back as far as the City of Tacoma's adoption of its original Master Plan for Shoreline Development in the mid-1970s. The Foss Waterway Design and Development Plan, in its current form, was adopted in 1990 and then updated in 1999. The Plan outlines a redevelopment vision for the Foss Waterway that includes a mix of land uses, improved shoreline access and pedestrian vibrancy. A key element of the Plan was the creation of the Foss Waterway Public Development Authority as the designated development agency for the City owned properties on the waterway.

The Port of Tacoma has a long history of involvement in the planning for the Foss and participated in stakeholder groups and committees during the development of the Foss Plan. As Port operations have expanded, the Port of Tacoma has continued to be engaged in the development of the Foss Waterway and has representation on the Foss Waterway Public Development Authority board. In 2004 the Port was involved in amendments to the Foss Plan that were designed to improve the compatibility of land use development on the eastside of the waterway. Currently the Port of Tacoma owns property on the waterway and is in the process of analyzing development scenarios for the property. This effort is being coordinated with various departments of the City of Tacoma.

##### **Port Maritime and Industrial District (PMI)**

In 2002 the City of Tacoma partnered with the Port of Tacoma in an effort to update and streamline the industrial portion of the City's Land Use Regulatory Code. Known as the "Zoning Code Update" project, the Port of Tacoma provided funding to assist in the review and assigned staff to work with City staff on the project. The project's primary purpose was to revise the City's M-3 Heavy Industrial Zoning District to a zoning classification that promoted Port, terminal maritime uses and industrial development. As an outcome, the Port Maritime and Industrial District (PMI) was developed that emphasized maritime industrial as a preferred use and restricted land use categories deemed incompatible with Port and heavy industrial operations. This designation provided a clearer demarcation of boundaries for Port expansion to prevent incompatible uses. The PMI zoning classification was adopted by the Tacoma City Council in 2003.

## **Comprehensive Strategy to Facilitate Thea Foss Redevelopment and Continue Port Operations and Growth**

*Completion Date: July 2003*

The purpose of this study was to assist the Port of Tacoma to evaluate the impact changing land uses on the Thea Foss Waterway may impact Port Operations, other industrial land uses and freight mobility. The goal of the study process was to identify strategies which could support both sustainable commercial development and the needs of the Port and heavy industrial users on the Thea Foss Peninsula.

The primary themes framing the study's recommendations include:

- More can be achieved through an alignment of interests with as many stakeholders as possible, focused on supporting both sustainable Thea Foss commercial redevelopment and sustainable continued Port operations and growth in the Port District;
- A clear separation of industrial uses and commercial uses on the Foss-Puyallup Peninsula would provide for higher quality development in each area, enhanced freight mobility, and more cost effective transportation solutions than if not separated;
- This separation of uses could most likely be achieved primarily through transportation infrastructure design and secondarily through land use regulation and site-specific strategies;
- One of the most effective and direct ways to provide a long-term separation of industrial uses within the Port and commercial redevelopment along the Thea Foss Waterway would be through transportation improvements.
- Transportation improvements reflecting current north-south traffic patterns and which separate commercial redevelopment and pedestrian traffic from ongoing industrial and Port operations traffic would have the greatest impact on achieving the Port's objectives and
- With this transportation-based strategy, additional methods could be employed by the Port to proactively engage in and/or control land use decision making in the area, particularly through jurisdictional review assistance, landowner relationship building efforts, active property marketing and/or acquisition efforts.

### **Transportation Projects**

#### **Tacoma Central Business District to Port Connection Study**

*Completion Date: August 2003*

This study was a collaborative effort by the City of Tacoma, Port of Tacoma, and Washington State Department of Transportation to consider the connection alternatives between the Tacoma Central Business District (CBD) and Port Industrial Area (Tideflats). The purpose of this study was to assess the condition and function of the existing 11<sup>th</sup> Street connection as part of the overall transportation system and evaluate options for meeting future transportation needs.

#### **City of Tacoma Heavy Haul Industrial Corridor**

*Completion Date: October 2004*

The Heavy Haul Corridor project was a collaborative effort by the City of Tacoma, Port of Tacoma and the State of Washington to allow for the designation of the Heavy Haul Industrial Corridor with the Port of Tacoma Tidelands area. The designation of various streets within the Tidelands allows the City of Tacoma to issue special permits for movement and operation of vehicles in excess of the legal weight limits within the designated heavy haul industrial corridor. The City's permitting authority only applies to circumstances wherein the load is a sealed ocean-going container and an applicant can show good cause for such movement. Revenues generated by the Heavy Haul Corridor are intended to be used for transportation infrastructure improvements within the designated corridors.

### **Comprehensive Tidelands Transportation Study**

*Completion Date: January 2005*

This study was funded by the Port of Tacoma to examine the overall need for road and rail improvements in the Tidelands that could enhance the economic benefits, improve circulation, and reduce congestion. The major goal of the study was to determine a long-term growth forecast of the Industrial Tidelands area, to analyze road capacity and level of service, and determine the magnitude of transportation improvements to accommodate the anticipated growth. The study was based upon analyses and studies, which incorporates the Port supplied container growth rates, Industrial users located in the Tidelands planned growth projections, planned rail infrastructure improvements, and meets the Port's land use planning objectives.

The project team who performed the study included representatives from the following firms and/or agencies:

- Port of Tacoma
- Jacobs Civil, Inc.
- City of Tacoma Public Works
- City of Tacoma Fire Department
- City of Tacoma Economic Dev. Dept.
- Tacoma Municipal Beltline Railroad
- Washington State Department of Transportation
- City of Fife
- Puget Sound Regional Council

### **East Thea Foss Waterway Transportation Corridor Study**

This study is currently underway and is expected to be completed in early 2008. The purpose of the study is to develop transportation corridor recommendations for the East Thea Foss Peninsula that is defined roughly on the west by the Thea Foss Waterway, on the east by the Puyallup River, on the north by Commencement Bay, and on the south by Interstate I-5. It is intended that the recommendations for the corridor will serve three primary functions:

1. Improve vehicular and pedestrian access to two distinct development areas (industrial and non-industrial uses).

2. Provide for a functional separation between the two uses.
3. Create a transition between the study area's functional differences of freight mobility and public access; and physically distinguish the areas with unique signage, limited access, and landscaping buffers.

The study is funded by the City of Tacoma and is being coordinated with the Port of Tacoma, Tacoma Pierce County Chamber of Commerce, Foss Waterway Public Development Authority and property owners in the area.

### **On-going Coordination Activities**

#### **City – Port Working Group**

The City/Port Working Group is a management level group of City and Port staff, including representatives from WSDOT that meet every six weeks to discuss coordination needs and issues associated with land use, economic development, and transportation and utility improvements. Organized in recognition of an increase need for coordination, the group focuses on policy and project level issues that relate primarily to the interaction of the two agencies in the Tacoma tidelflat area. However, regional planning issues as they relate to Port/Industrial development are also included in the topics discussed by the group. Currently key topics of discussion include specific transportation improvement projects in the tideflats such I-5 interchange improvements, rail improvements and bridge replacement projects.

### **On-going and Emerging Planning Issues**

*Transportation Funding:* Both the City and Port continue to seek to identify funding sources at the local, state and federal level to improve transportation infrastructure and transportation connections within and outside the Port tidelflat area. Both jurisdictions have successfully partnered on a number of transportation projects for this purpose, including the “D” Street overpass and other grade separation projects, rail projects and bridge improvement projects. However, an ongoing issue remains regarding the funding of street improvements and maintenance for existing streets within the tidelflat area.

*Open Space Buffers:* Continued residential development along the steep slope areas of Northeast Tacoma has created a need to begin to creatively look for ways to preserve open space properties for the purpose of “buffering” existing residential neighborhoods from Port industrial activities. The City and the Port are partnering to acquire large tracks of privately owned undeveloped land for the purpose of preserving it as open space and to buffer noise, odor and other attributes associated with Port industrial activities. This approach is viewed as both a method of preserving the City's threatened green spaces while simultaneously protecting the interests of the Port industrial users and their residential neighbors. Currently a 31.66 acre purchase is underway for this purpose.

*Tacoma Dome areas redevelopment:* Originally adopted in 1995 and amended in 2001, the Tacoma Dome Area Plan is the long-range planning document for the area around the Tacoma Dome generally from Interstate 5 on the south, Dock Street and the BNSF

railyard on the north, Pacific Avenue on the west, and Portland Avenue on the east. The Plan establishes a vision for the area that includes components of a multi-modal transportation center containing mixed use development, entertainment uses and light to medium industrial development. Mid-rise office and/or housing development, entertainment and light-industrial uses are envisioned to “coexist” in the “core development area” which is located in close proximity to the Tacoma Dome. To this purpose, the planning area contains both mixed use and industrial zoning classifications. Both the 1995 and 2001 plans contain policies encouraging the maintenance of industrial uses in the area primarily east of the Tacoma Dome. Referred to in the 1995 plan as “industrial sanctuary zoning” the 2001 plan recommends limiting the size of commercial uses in this area to 10,000 square feet to prevent the displacement of industrial uses that might occur as a result of rising property values. To date, this recommendation has not been implemented and the Plan does not contain polices relative to industrial/residential compatibility.

*SMP/Foss Waterway Plan Update:* In 2006 the City of Tacoma initiated its required update to the City’s Master Program for Shoreline Development (SMP). Although the City is not required to complete the update until 2011, the City decided to proceed early with the update process to address shoreline development issues that were expressed by the community during the City’s 2004/2005 critical areas ordinance update. In addition, issues associated with redevelopment occurring on the City’s Foss Waterway, led the City to hire the firms ESA Adolfson and Reid Middleton to assist in both an update to the SMP and its subarea plan, the Thea Foss Waterway Design and Development Plan. This planning effort is currently underway, with public outreach beginning this fall and adoption by the Tacoma City Council scheduled for late fall 2008.

*Blair-Hylebos Peninsula Redevelopment:* The Port of Tacoma has begun a nearly \$1 billion redevelopment of the Blair-Hylebos Peninsula on Tacoma’s Tideflats to make way for additional container terminals. As the Port undertakes this project, it is working closely with the City and city-owned utilities to coordinate the redevelopment.

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## **City of Seattle – Port of Seattle Land Use and Port Planning Coordination**

During the 1990’s Land Use and Planning coordination between the City of Seattle and the Port of Seattle focused in large part on transportation related efforts. In 1991 the Port issued its Container Terminal Development Plan which called for major expansions of Terminal 18 and Terminal 5. However, these proposed expansions were within well established industrial zones and coordination between the two agencies principally focused on issuance of permits and street vacations.

Since 2000, both agencies continue to work extensively on coordinating transportation projects. Unlike the 1990s, a number of land use issues now exist based on proposed changes sought after by each agency. These proposals have generated divergent views

related to pressures of expanding commercial and residential uses into currently zoned industrial areas.

## **Land Use Projects**

### **Industrial Manufacturing Centers**

In response to implementation of the state's Growth Management Act, Seattle developed Manufacturing Industrial Centers to lessen the pressures of gentrification and enhance preservation of industrial businesses. Two major industrial zones were established.

The Ballard - Interbay Manufacturing Industrial Center (BINMIC) is located mostly along Seattle's Ship Canal/Salmon Bay and the Interbay area. Port properties within this zone include Fishermen's Terminal, The Manufacturing Industrial Center and Terminals 90 and 91. Within BINMIC are various industrial businesses and clearly a large concentration of fishing service companies and maritime training institutions.

South of downtown is the Greater Duwamish Manufacturing Industrial Center (Duwamish MIC). Duwamish MIC covers a wide swath of Seattle lands. The Duwamish MIC ranges from properties adjacent to the Duwamish River on the west to Interstate 5 on the east and from the stadium area on the north, south to the City Line. The Duwamish MIC contains all of the Port's container terminals in Elliott Bay as well as various Port cargo facilities located on the Duwamish River. Further, the Duwamish MIC is home to a large assortment of heavy and light industrial users. Warehousing that supports both City retail establishments and trans-loading of international cargo moved through the Port is very prevalent in the Duwamish MIC.

### **Harbor Development Strategy-21 (HDS-21)/Terminal 91 Uplands**

In 2001, the Port of Seattle completed a comprehensive strategic review of the Seaport's assets and operations aimed at developing strategies for the 21<sup>st</sup> Century. Given an assortment of trends in cargo movement, a key recommendation of HDS-21 called for developing the Terminal 91 uplands to maximize financial return, among other objectives. Between 2003 and 2006, the Port completed site planning and environmental review work that eventually led to the Port and Mayor's Office collaboration in 2007 on a zoning overlay that would have kept the site's existing industrial zoning in place while changing certain development standards to accommodate both future industrial and non-industrial development on the site. However, the proposed overlay was never formally transmitted to the City Council for review and action, in part to address continuing concerns raised by stakeholders in the maritime industrial and labor communities. The Port is currently assessing options for how best to proceed with development of this site.

### **Livable South Downtown**

In pursuit of smart growth strategies, the City launched its Livable South Downtown initiative in 2005. The main feature of this planning endeavor is to stimulate housing and

jobs through zoning and land use decisions. While the Draft Environmental Impact statement included an alternative to rezone industrial land to allow mixed use, the Final EIS did not include that alternative.

### **Industrial Jobs Initiative**

In recent years there have been numerous applications requesting changes to the City's Comprehensive Plan to allow a wider array of uses on land that is currently zoned industrial. Consequently, in 2006, the City commenced research to identify the key issues facing industrial businesses in the city, to see how other cities have addressed similar issues, and to work with the community to develop approaches that can help Seattle meet its objectives for industrial land. As a result of this effort, the City Council in 2007 passed legislation that actually reduced the size of stand-alone retail and office uses allowed in industrial zones. The Port of Seattle was a key supporter of this legislation.

In addition to these new regulations, the City Council also adopted a resolution laying out an industrial workplan for the City in 2008. This workplan calls for the City's Office of Economic Development to update two industrial studies, the Basic Industries Cluster Study, and the Maritime Study. In addition, the workplan calls for the City's Department of Planning and Development to look at potential changes to other parts of Seattle's Industrial Land Use and Zoning Code, including industrial definitions and industrial zoning outside of the two MICS.

### **Shoreline Master Program update**

As required by the state's Shoreline Management Act, the City is commencing its Shoreline Master Program Update. City Council approval of the Update is scheduled for 2010. The process includes a variety of avenues for public input and the Port is a member of a Citizens Advisory Committee.

As a means of communicating Port needs within the shoreline to the City, the Port Commission passed its own Seaport Shoreline Plan in February 2008. Additionally, the Port has commenced an exhaustive public outreach planning endeavor to establish a comprehensive plan for habitat restoration in the Duwamish River.

### **Transportation Projects**

Access Duwamish 2000 was a collaborative planning endeavor between the City and the Port to develop a freight mobility and economic strategy for the Duwamish area. The plan called for specific highway access, arterial and rail operations improvements.

For over a decade the City and the Port have collaborated on the completion of a series of transportation projects collectively referred to as the FAST Corridor. Projects within Seattle related to FAST are: SR-519 grade separation, East Marginal Way grade separation, Spokane Street Viaduct widening, Lander Street grade separation and

Duwamish ITS. In addition, the City and the Port are very engaged with the State Department of Transportation over the future of the Alaskan Way Viaduct.

City and Port of Seattle staff also work together on freight mobility issues in general. A member of the Port's Seaport transportation planning staff is an appointed member of the City's Freight Mobility Advisory Committee.

### **On-going and Emerging Planning Issues**

Clearly industrial zoned lands are under immense pressure from forces of gentrification.

The Port's container business and an array of critical support businesses lay within the Duwamish MIC. Gentrification pressures remain intense in the area. There are currently three Comprehensive Plan Amendment Proposals due for City Council consideration in 2008 that would alter and decrease the boundary of the Duwamish MIC. Two of these proposals would allow for residential uses adjacent to container terminal facilities. Such proposals and the potential for their approval by City Council remains a deep concern for the Port.

Though there has clearly been recent and strong regulatory action to protect industrial businesses, there is recognition that as business innovate new models for use and development will emerge that will not necessarily be consistent with traditional notions of industrial uses and that more nuanced regulatory approaches will be examined.

Shoreline planning is an emerging issue that is, in the Spring of 2008, just now increasing in importance. Proposed changes to the City's Shoreline Master Program can have significant impacts on the Port in terms of permitting, protection of existing water dependent uses, habitat restoration and the promotion of public access.

## **APPENDIX F: Freight Corridor Planning, Designation and Funding**

### **Background**

#### *Local Government*

Planning: Cities planning under the Growth Management Act are required to have a transportation element of their comprehensive plan that is consistent with their land use element.

The GMA transportation element requires setting level of service standards, inclusion of certain state highways in the local plan, and other criteria, such as a bicycle and pedestrian element, but does not expressly require cities to include a “freight element.”

#### Designation:

Although not expressly required by GMA, many cities designate freight corridors (heavy haul industrial truck routes and rail lines) as part of the development of the transportation element in their comprehensive plan. Freight corridors are designated in order to reroute freight traffic away from residential areas, establish a higher design standard for the corridor, and establish an access management standard to enable through movement of freight traffic.

Freight corridors are designated according to the following factors:

- 1) the identification of the origin or destination of freight as it moves through a city (i.e. to a port, or to a state highway);
- 2) adjacent land use zoning, such as a commercial or industrial park area;
- 3) the percentage of heavy haul freight (three or more axles) relative to total average daily traffic and the Freight and Goods Transportation System tonnage classifications.

In addition, cities participate in the Washington State Department of Transportation Freight and Goods Transportation System designation process for state highways, city streets, and county roads (RCW 47.05.021). The FGTS classifies corridors by tonnage and serves as a key criterion when applying for Freight Mobility Strategic Investment Board grant funds.

#### Local Funding:

Cities do not have a dedicated revenue stream to fund freight projects. Instead, they rely on their city transportation budget. City transportation budgets vary, but typically include a combination of city general fund dollars (approximately 70%), direct state gas tax distributions, and state and federal grant dollars. In practice, cities tend to fund maintenance and improvement of freight corridors similarly to all other major arterials. Improvements at identified freight bottlenecks are typically funded using regional, state and federal grants, with local matching funds.

### Local freight corridor challenges:

A primary challenge is that freight projects typically have extensive infrastructure needs and associated high costs that exceed the local capacity to fund the improvements. Cities must seek state, regional, federal and partner funding to improve significant freight routes, including routes serving port container functions.

Adequately addressing high volume freight traffic requires a higher standard of pavement or concrete than a typical arterial or residential street. For example, for heavier classes of freight vehicles, every truck trip has a virtual impact on pavements of roughly 2000-2500 car trips. The net result is that many freight corridors have degraded to the point that they require costly reconstruction instead of a preservation treatment. Cities that have researched local options, such as Transportation Benefit Districts, have found that it would require the revenue base of an entire city to partially fund a few select corridors or projects; consequently, local options are limited in their ability to fund freight corridors.

Another challenge is maintaining the planned level of service for a freight corridor. As cities continue to accommodate more growth, traditional freight corridors are experiencing increasing residential, commercial and other traffic congestion associated with urban growth. This results in delayed freight movement and increased (safety) conflicts between trucks and automobiles. Delayed freight movement affects the viability and attractiveness of designated industrial and commercial areas that cities rely upon for a balanced city economy. This also may affect current and future investments for adjacent ports that rely on a city freight corridor for the efficient movement of freight and goods.

### *Regional*

#### Planning:

State law (RCW 47.80.026) requires Regional Transportation Planning Organizations (RTPOs), such as the Puget Sound Regional Planning Council, to ensure that state, regional, and local transportation goals for the development of a transportation system are met. A factor to be considered is freight transportation and port access.

#### Designation:

RTPOs designate freight corridors based on tonnage, access to industrial and commercial centers, and submittals from its membership. Puget Sound Regional Council has the following definition for the freight component of the Metropolitan Transportation System (MTS):

- State and local principal arterials, as identified per the MTS Roadway criteria
- National Highway System routes within the region.
- T1 and T2 Freight and Goods Transportation System routes, as defined by the Washington State Transportation Commission in 1999.
- Routes providing access to the designated Urban Centers, other major industrial and commercial sites.
- Port of Everett, Seattle and Tacoma facilities.

- Mainline and branch rail lines, as well as intermodal rail yards associated with Burlington Northern/Santa Fe and Union Pacific railroad facilities.
- Air Cargo Facilities (Sea-Tac and King County International Airports)

Puget Sound Regional Council is also the lead entity for the Freight Action Strategy-the Everett-Seattle-Tacoma Corridor or FAST Corridor. FAST is a partnership of 26 local cities, counties, ports, federal, state and regional transportation agencies, railroads and trucking interests, intent on solving freight mobility problems with coordinated solutions.

The FAST Partnership has shared information and funding resources - sometimes shifting federal funds from projects that were delayed to those that were ready to begin - to benefit the program as a whole. Because of this team approach, projects were built which otherwise might never have been completed. Since 1998, the partners have identified and assembled \$568 million of public and private funding to build nine strategic infrastructure improvements and start four more.

Funding:

PSRC has recently used its FAST Corridor freight related federal funds for supporting the FAST corridor planning and data collection. The PSRC does not have dedicated regional funding to invest in freight.

In addition to FAST corridor projects, cities, counties, and the state compete for federal PSRC surface transportation program funding that can be used for freight transportation purposes.

Regional Freight Corridor Challenges:

FAST corridor funding has dramatically decreased since the authorization of the 2005 Highway Act, SAFETEA-LU. In Phase I for the FAST corridor, funding was \$65 million, Phase II has received only \$15 million to date. In addition, overall available regional funding has decreased since 2006. FAST federal funds have diminished to the point that federal implementation funds are no longer being granted to the FAST partners. This has the net effect of reducing PSRC's ability to partner with cities and ports to fund regional projects that benefit freight movement in cities.

Regional freight corridor projects also have funding complexity challenges due to the respective matching requirements between public agencies or public agencies matching with private sector funds. For example, a port that contributes to a freight corridor that is external to its physical boundaries has to ensure its investment has a tangible benefit. Absent a tangible benefit, the use of port funds would be considered a gift of public funds. Public agency's that partner with the private sector, such as Burlington Northern Santa Fe Railroad, must be sensitive to their ability to reserve project funding in Washington State when they have capital intensive investment needs statewide.

## *State*

### Policies and Programs:

Since 1993, the state has instituted a number of policies and programs addressing freight movement in Washington State:

- A 1994 Cost Responsibility Study that focused on identification of freight and goods system deficiencies and a needs estimate for all weather roads;
- A 1996 Freight Mobility Advisory Committee (FMAC) appointed by the Legislative Transportation Committee for development of freight policy recommendations;
- A 1997 WSDOT Freight Mobility Project Prioritization Committee formed to provide criteria for ranking freight mobility projects;
- A 1997 Eastern Washington Freight Mobility Advisory Committee appointed by the Legislative Transportation Committee to focus on freight corridors and investments in eastern Washington;
- The 1998 creation of the state Freight Mobility Strategic Investment Board (FMSIB)
- A 1994-1999 Eastern Washington Intermodal Transportation (EWITS), a research and survey effort to forecast future freight needs, identify gaps and pinpoint critical system improvements in eastern Washington and elsewhere in the state;
- The 2001 creation of the WSDOT Office of Freight Strategy and Policy to provide leadership and coordination of the agency's freight activities;
- 2001 to Present- A Strategic Freight Transportation Analysis (SFTA), a statewide research effort patterned after EWITS, gathers truck commodity flow and origin/destination information and other information highlighting freight movement in the state;
- A Marine Cargo Forecast study conducted every 5 years conducted by the Washington Public Ports Association (WPPA) and WSDOT, the first in 1985 and the most recent in 2004;
- A WPPA Freight Rail Capacity Study completed in 2004;
- The Washington State Transportation Commission's Statewide Rail Capacity and System Needs Study;
- The 2005 Freight Report of the Washington Transportation Plan Update, a data driven analysis of the state's freight system, freight customers, economic relevance, and prioritized needs.
- The 2008 Freight Mobility: Joint Report on Washington State Freight Highway and Rail Projects.

### Funding:

Direct state funding for freight projects is from the Freight Mobility Strategic Investment Board (FMSIB) at \$12 million per biennium. Although FMSIB has dedicated revenues, it is insufficient to meet the freight funding needs on their adopted project list. FMSIB currently has 71 active projects statewide that have a total cost of \$3.3 billion. FMSIB's share of this cost is \$362 million. FMSIB will not have a call for additional projects until the 2009-11 biennium.

FMSIB's project selection criteria are based on readiness to proceed, tonnage, and several other criteria. Port access related projects have been funded in Puget Sound.

Additional state freight funding is identified in specific Washington State Department of Transportation projects, and the Transportation Improvement Board partners with FMSIB and local jurisdictions on freight projects.



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