

**Director’s Report and Recommendation**  
**Industrial General (IG) Zone Land Use Code Changes**  
*Strengthening Protections for Industrial Uses on Industrially-Zoned Land*

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September 2, 2021  
City of Seattle Office of Planning and Community Development (OPCD)

## 1. INTRODUCTION

In November of 2019, Mayor Durkan assembled an Industrial and Maritime Strategy Council (Strategy Council) to develop an Industrial and Maritime Strategy that is future-orientated and centers opportunities for working people, especially Black, Indigenous, People of Color (BIPOC), youth, and women. The Strategy Council included a citywide group and four neighborhood groups (Ballard, Interbay, Stadium/SODO, Georgetown/South Park) and was directed to develop a holistic and comprehensive approach to supporting the industrial and maritime sectors. In May of 2021, the Strategy Council reached a strong 80%+ consensus on a set of eleven recommended strategies. Mayor Durkan released a report and launched a program to implement several of the strategies.

One of the eleven strategies is titled Stronger Protections for Industrial Zoned Land, and full text of the strategy reads:

*“Stronger Protections for Industrially Zoned Land: Strengthen protections for industrially zoned lands within Seattle by establishing higher thresholds to remove industrial land designations and closing loopholes that have allowed significant non-industrial development within industrially zoned lands.”*

To implement the recommendation, the proposed legislation would establish new maximum size of use limits and a Floor Area Ratio (FAR) limit for some stand-alone non-industrial uses in the Industrial General 1 (IG1) and Industrial General 2 (IG2) zones, including certain office and retail. The legislation would also prohibit new mini-storage facilities in IG zones.

We are pursuing this legislation now because further establishment of significant non-industrial uses in industrial zones could foreclose on future steps to strengthen and grow Seattle’s Industrial and Maritime sectors. Activating the proposed changes now would limit further disruption by intended industrial uses in the near term, preventing potential foreclosure of opportunities to reach a vision for a more complete update of all industrial zones in the longer term.

While the City is evaluating broader changes to industrial zoning not contained in the currently proposed legislation, those much broader potential changes are a different proposal than the current proposal. The scope of potential broad future changes requires analysis in an Environmental Impact Statement (EIS) that is currently underway. The broader changes would include Comprehensive Plan policy text amendments and new land use concepts that would translate to new zones with substantially different development standards and features than the existing suite of industrial zones. By contrast, the current proposed legislation is a narrow modification of three development standards already in the current industrial zones. The changes would curtail forms of significant non-industrial development that have been constructed in industrial zones in recent years.

Previously, in 2007, the City passed Ordinance 122601 that took similar steps to reduce maximum size of use limits for non-industrial uses in industrial zones. It was preceded by studies that found industrial

occupancy rates of industrial land to be very high and that non-industrial uses, such as offices and retail stores, were displacing industrial uses. After passage, the legislation curtailed unintended types of incompatible development to some degree. In the last 5-10 years, however, development practices have re-emerged, and several large retail developments have been constructed that appear to be incompatible with industrial areas and displaced industrial uses from industrial land. The proposed legislation addresses this wave of recent unintended and incompatible development in industrial zones.

## 2. ISSUE

Large, stand-alone office and retail development and mini-storage warehouses are types of development that do not meet the intention of city or regional policies for Manufacturing Industrial Centers (MICs). Particularly relevant Comprehensive Plan goals and policies are summarized below.

Seattle Comprehensive Plan page 23. *Manufacturing/industrial centers are home to the city's thriving industrial businesses. Like urban centers, they are important regional resources for retaining and attracting jobs and for maintaining a diversified economy.*

Seattle Comprehensive Plan Growth Strategy Policy: *GS 1.15 Designate areas as manufacturing/industrial centers consistent with the following characteristics and with the Countywide Planning Policies:*

- *Existing zoning that promotes manufacturing, warehousing, and distribution uses*
- *Zoning that discourages uses that pose short- or long-term conflicts with industrial uses, or that threaten to convert significant amounts of industrial land to nonindustrial uses*

Seattle Comprehensive Plan Growth Strategy Policy: *GS 1.18 Promote the use of industrial land for industrial purposes.*

Seattle Comprehensive Plan Land Use Policy: *LU 10.2 Preserve industrial land for industrial uses, especially where industrial land is near rail- or water-transportation facilities, in order to allow marine- and rail-related industries that rely on that transportation infrastructure to continue to function in the city.*

Seattle Comprehensive Plan Land Use Policy: *LU 10.10 Limit the density of development for nonindustrial uses in the manufacturing/ industrial centers to reduce competition from nonindustrial activities that are better suited to other locations in the city, particularly urban centers and urban villages, where this Plan encourages most new residential and commercial development. Permit commercial uses in industrial areas only if they reinforce the industrial character, and strictly limit the size of office and retail uses not associated with industrial uses, in order to preserve these areas for industrial development.*

Seattle Comprehensive Plan Land Use Policy: *LU 10.26 Restrict or prohibit uses that may negatively affect the availability of land for industrial activity, or that conflict with the character and function of industrial areas.*

## **A. LARGE-SIZED HOUSEHOLD-SERVING RETAIL USES**

For the reasons listed below, large-sized, household-serving retail uses do not have a connection to industrial and maritime uses, are not compatible with industrial areas, and their presence detracts from the policy intent for Manufacturing Industrial Centers. Examples of large-sized, household-serving retail uses include grocery stores, pet stores, home décor stores, sporting goods stores, office supply stores, apparel stores, and multi-purpose box retailers. The proposed legislation intends to reduce maximum size of use limits for the land use categories these types of stores would fall into. (See also Development Standards section below).

- *They attract high volumes of visitors to the industrial areas.*  
Large-sized, household-serving retail uses depend on attracting high volumes of shoppers from surrounding neighborhoods. Shoppers usually are not employed in the industrial area and do not patronize industrial companies during their visit. The shoppers do little to support maritime and industrial sectors and may lead to associated incompatibilities described below.
- *They may cause incompatibilities concerning mobility.*  
Trips generated by large-sized, household-serving retail uses in industrial areas cause congestion and may impede efficient movement of freight to and from industrial, maritime, and manufacturing businesses. Vehicle trips by shoppers often use designated major truck streets. Where pedestrian and bicycle infrastructure is not yet complete, high volumes of cyclists and pedestrians to stores can cause time delays for safely-moving freight vehicles.
- *They may cause incompatibilities concerning exposure to noise, odors, and aesthetics.*  
Visitors to large-sized, household-serving retail uses increase physical proximity between members of the general population and the sites of active industrial businesses. Many industrial businesses cause noise from machines and odors from industrial processes. The general population includes sensitive receptors such as seniors, young children, and persons with respiratory conditions and assisted hearing devices. These close contacts can impact the comfort of visitors and can lead to complaints against operating industrial businesses.
- *They may cause displacement of industrial activities.*  
A 2017 study documented how commercial rents are two to three times higher than industrial rents, and residential rents are even higher. Non-industrial uses outcompete industrial businesses on price in competition for use of land. Because of this cost dynamic, industrial businesses are often displaced and relocate to lower land-cost areas of the region.
- *They can locate in many other areas within the city.*  
Large-sized, household-serving retail uses are better located in many other areas of the city. Residents of urban villages and dense residential neighborhoods are better served by retail uses close to their home or non-industrial job. All commercial, neighborhood commercial, and Seattle Mixed zones allow a wide range of retail uses.

## Large-sized, household-serving retail in an Industrial General zone

### Example 1: W. Armory Way shopping center



- Located in the Industrial General 2 zone in the BINMIC
- A large, formerly industrial site was subdivided into six separate parcels that run between buildings and through the central parking lot in the photo above
- Each separate parcel contains a retail store or other use at the currently allowed maximum size of use limit
- Contains three 25,000 sq. ft. retail box stores (Michael's, HomeGoods, and Total Wine)
- Contains a 30,000 sq. ft.+ office / childcare use. (Childcare has no maximum size of use limit.)
- Two parcels do yet have a completed development
- Nearby industrial activities include the BNSF rail line and Port of Seattle's Terminal 91 uplands
- Industrial uses that were on these sites previous to development included a furniture manufacturer and bicycle constructor.

**Large-sized, household-serving retail in an Industrial General zone**  
**Example 2: Ballard Blocks 2**



- Located in the Industrial General 2 zone in the BINMIC
- One whole city block
- Site is divided into three parcels for development with a maximum amount of retail on each
- Shared, contiguous underground parking structure is below the buildings
- Two maximum allowable size of use, 25,000 sq. ft. retail spaces
  - PCC grocery store
  - West Marine. (Marine supply, however, is functionally related to the MIC)
- The third site with maximum allowable retail is broken into smaller tenant spaces:
  - Sephora (cosmetics and fragrances) ~5,000 sq. ft.
  - Seattle Sun Tan: ~2,500 sq. ft.
  - FedEx pack and ship shop: ~2,500 sq. ft.
  - Vacant restaurant space: ~2,000 sq. ft.
  - Vacant storefront: ~700 sq. ft.
- Floors 2-5 of the building on the northeast corner contains about 37,000 sq. ft. of space
  - Floor 2, Trufusion (gym): ~10,000 sq. ft., (maximum allowed.)
  - Floors 3 and 4, Bright Horizons childcare: ~26,000 sq. ft. (childcare is not size limited)
  - Floor 5, Kaiser Permanente: ~10,000 sq. ft. (maximum allowed for medical services)

Ballard Blocks 2 was permitted under existing regulations, but Ballard Blocks 1, located across the street, was permitted before the 2008 effective date of the current maximum size of use limits.

**Large-sized, household-serving retail in an Industrial General zone**  
**Example 3: Former New Seasons Grocery, Ballard**



- Located in the Industrial General 2 zone in the BINMIC
- One whole city block
- Site is divided into two parcels for development with retail on each
  - Maximum allowable size, 25,000 sq. ft. grocery store space (formerly New Seasons)
  - 14,600 sq. ft. of strip retail containing a hamburger restaurant, a nail salon and an AT&T store

**B. LARGE-SIZED OFFICE USES**

For the same reasons listed for large-sized, household-serving retail uses, large-sized office uses do not have a connection to industrial and maritime uses, are not compatible with industrial areas, and their presence detracts from the policy intent for Manufacturing Industrial Centers. Examples of office uses include law firms, accountants, financial services, and engineering firms. In the preceding 5-10 years, unintended development of office uses in the Industrial General zones has not occurred to the same extent as retail, but like retail, office uses command significantly higher rents than industrial uses. It is likely that the proposed reduction of the maximum size of use limit for retail could increase demand for office development in the IG zones. Therefore, the proposed legislation recommends a corresponding reduction of maximum size of use limit for offices in IG zones.



## Large-size office example in an Industrial General zone: Interbay Work Lofts



- Located in the Industrial General 2 zone in the BINMIC
- 89,000 sq ft office building with individual tenant office rental spaces. (The development vested to prior regulations before the 2008 code change further limiting maximum size of use for offices to 25,000, but construction did not start until ~2014).
- 102 parking spaces in a structured garage
- Achieved the maximum 2.5 FAR on the 35,600 sq. ft. lot

### C. MINI-STORAGE WAREHOUSES

For the reasons listed below mini-storage warehouses do not have a connection to industrial and maritime uses, are not compatible with industrial areas, and their presence detracts from the policy intent for Manufacturing Industrial Centers. Mini-storage warehouses are increasingly common. They are most frequently used by individuals for storage of household items and personal belongings. The trend is towards multiple story facilities that contain 4 – 6 floors.

- *They attract high volumes of visitors to the industrial areas.*  
Large-sized mini-storage warehouses attract a high volume of visitors from surrounding neighborhoods. Storage users usually are not employed in the industrial area and do not patronize industrial companies during their visit. The storage users do little to support maritime and industrial sectors and may lead to associated incompatibilities described below.
- *They result in a very-low density of jobs.*  
A key policy objective for MICs is to generate quality job opportunities and a diversified economy. Mini-storage warehouses result in very few onsite jobs, and sometimes are automated so there are zero onsite jobs.
- *They cause strong pressure for displacement of industrial activities.*  
Because of the density of storage units, which rent for over \$24/ sq. ft./year and can be stacked on multiple floors, mini-storage warehouse facilities command significantly higher rental rates than industrial uses. Therefore mini-storage facilities place intense economic pressure on industrially zoned land. Mini-storage facilities compete for land in even more expensive mixed-use zoned areas of the city.
- *They may cause incompatibilities concerning mobility.*  
Trips generated by mini-storage facilities cause congestion and may impede efficient movement of freight to and from industrial, maritime, and manufacturing businesses. Vehicle trips by storage users often use designated major truck streets.
- *They can locate in other areas within the city.*  
Mini-storage uses are better located in many other areas of the city. Residents of urban villages and dense residential neighborhoods are better served by storage facilities that close to their home. Mini-storage facilities are allowed by zoning in most commercial and Seattle Mixed zones.

## Mini-Storage Warehouse Example: Interbay Self Storage



- Located in the IG2 zone in the BINMIC
- 89,000 sq. ft. of self-storage space in a 4-story structure
- 102 storage-oriented parking spaces
- Achieved the maximum allowable FAR of 2.5
- Current listings show rents of \$2 - \$3+ / sq. ft. per month per storage space depending on space size. These rates appear similar to some rental rates for residential uses in Seattle.

## **PREVALENCE OF UNINTENDED DEVELOPMENTS**

OPCD conducted an analysis to determine the approximate extent of sites and locations where unintended development of retail, office and mini-storage has occurred. The methodology focused on Industrial General 2 zones and consisted of a block-by-block scan of most blocks in the IG zone in Ballard; Interbay/Armory Way corridor; west Georgetown; and the Airport Way corridor in SODO. (See attachment 1). The analysis identified specific developments or occupancies in the last 15 years<sup>1</sup> with large-scale, household-serving retail or large-scale office that approached or exceeded the 25,000 sq. ft. in size and new mini-storage warehouses. OPCD reviewed the land platting and permitting records. The analysis, summarized below, shows the number of developments/uses that we identify as potentially inconsistent with intentions of the zone.

### *Ballard Analysis Area*

- Seven developments/uses closely clustered, and all south of Leary Way NW.
- Ballard Blocks 1, Ballard Blocks 2, former New Seasons, UW Medical, Big 5 Sports, Office Depot, Fred Meyer.
- Development/uses occupy 22 acres of land.

### *Interbay/Armory Way Analysis Area*

- Four developments/uses closely clustered in the vicinity of W. Armory Way.
- Interbay Whole Foods and strip retail, W. Armory Way Shopping Center, Interbay Self Storage, Interbay Work Lofts.
- Development/uses occupy 15.2 acres of land.

### *West Georgetown Analysis Area:*

- No notable examples of unintended developments in this area.

### *SODO / Airport Way Corridor Analysis Area:*

- Two large autodealership development/uses. (Toyota/Honda; and Mercedes Benz)
  - Constructed large combined facilities with large ancillary structured garages.
- Note: in a nearby IG1 zone a 158,000 sq. ft. Costco store was built in 2005 before the current maximum size of use limits.

In Ballard and the Interbay area there are clear clusters of unintended uses. Clustering exceeds the degree of mixing between non-industrial and industrial uses that might be considered appropriate and consistent with the intent for the IG2 zone. Concentrations in some areas have displaced any agglomeration of industrial activity in localized nodes.

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<sup>1</sup> Some of these developments preceded the 2008 code change reducing maximum size of use limits to current levels, but are included in the analysis to illustrate the clustering of unintended development.

### 3. PROPOSED DEVELOPMENT STANDARDS

#### A. Maximum Size Use Limit Reductions

The proposed legislation would reduce maximum size of use limits (SMC 23.50.027) for the defined land use categories of “Sales and Services, General”, “Sales and Services, Major Durables”, and “Office”.

Land Use Code Category	Current Max. Size of Use Limit		Proposed Max. Size of Use Limit	
	IG 1	IG 2	IG1	IG2
<b>Sales and Services, General</b>	10,000 sq. ft.	25,000 sq. ft.	7,500 sq. ft.	10,000 sq. ft.
<b>Sales and Services, Major Durables</b>	10,000 sq. ft.	25,000 sq. ft.	10,000 sq. ft.	10,000 sq. ft.
<b>Office</b>	10,000 sq. ft.	25,000 sq. ft.	10,000 sq. ft.	15,000 sq. ft.

Levels of reduction are set to continue allowing the uses, while reducing pressures and incentives for proliferation of them. According to analysis and examples, retail has been the most prevalent of the non-industrial development types in recent years. The current 25,000 sq. ft. size limit for Sales and Service is conducive to formula development of grocery stores and retail box stores. Reduction to a proposed 10,000 sq. ft. maximum size in the IG2 zone would result in smaller sizes than formula retail developments. For even stronger protection in the IG1 zone - found on the city’s most important water- and rail-dependent adjacent industrial land – a smaller 7,500 sq. ft. limit for General Sales and Services is proposed.

A reduction in maximum size of use for office in the IG2 zone is recommended along with the maximum size reductions for sales and service uses. This will avoid potential shifting of the incentive to proliferation of new office uses in the IG2 zone. Formula office floor space sizes are usually in the 25,000 – 28,000 range. Reduction to the proposed 15,000 sq. ft. maximum would still allow new office uses in the zone, but at a smaller size than typical formula developments of new offices. This would reduce the potential pressure for expansion of non-industrial office development.

Development would continue to be allowed to divide a maximum size of use among multiple businesses on the same site (i.e., two or three retail stores totaling a combined 10,000 sq. ft.).

## **B. Floor Area Ratio (FAR) Reductions**

The current maximum floor area ratio in IG zones is 2.5. Proposed legislation would introduce a reduced Floor Area Ratio (FAR) of 0.4 that would apply only to the following subset of uses.

- Sales and Services, General
- Sales and Services, Major Durables
- Office
- Medical Services
- Restaurant

The standard is intended to achieve two things. Development may locate multiple uses (i.e. sales and services general, plus office) in the same project. Ballard Blocks 2 is a good illustration of a development combining multiple allowed uses in a single project to arrive at a shopping center style development that is inconsistent with the intent of the IG zones. The proposed 0.4 FAR standard would limit the total amount of combined floor area in the listed uses within a development. Developments could continue to achieve the overall 2.5 FAR with other allowed uses. Medical services uses and restaurant uses are included in the list because multiple examples of unintended combined-use developments included these in addition to retail and office. (Medical services and restaurants already have appropriate maximum size of use limits in the IG zones at 10,000 sq. ft. and 5,000 sq. ft. respectively.)

Second, the proposed FAR limit would disincentivize subdivision of large sites into multiple small sites to achieve numerous parcels that each contain a use at the maximum size limit. The W. Armory Way shopping center for example, subdivided a large site into multiple parcels and located a maximum-sized retail use on each new lot. The FAR limit would ensure that total allowed floor area (for the listed uses) on a very large site would be the same if the large site were divided into multiple smaller parcels.

## **C. Limitation of Mini-Warehouse Storage Uses**

Under the current code, “Mini-Warehouse” is an outright permitted use in IG1 and IG2 zones, except within IG1 zones in the Duwamish MIC it is a prohibited use. Proposed legislation would change “mini-warehouse” to a prohibited use in all IG1 and IG2 zones. This change is intended to prohibit the location of new mini-warehouses for personal storage facilities that do not have a connection to industrial / maritime activities in the IG zones, and reduce the acute competitive pressure on industrial lands by the use. Mini-warehouse would continue to be an allowed use in other zones in the City including Commercial zones and Seattle Mixed zones.

### ***No change to allowances for ancillary retail or office uses***

The proposed legislation does not change existing limitations on ancillary retail and office uses. Retail uses that are ancillary to an industrial activity do not cause the same incompatibilities and are more consistent with MIC policies than stand-alone household-serving retail uses. Examples of ancillary retail uses include a brewery tasting room, a retail store for an on-site bakery, or a showroom for an on-site apparel manufacturer. Under current practice, up to 49% of the business’s floor area can be an ancillary retail use. These mixed arrangements provide a positive synergy that supports economic vitality of bona-fide manufacturing and production uses in industrial areas. Owners of industrial businesses are

more likely to steward the ancillary components of their operations in a manner amenable to other industrial uses in the area.

Office uses that are ancillary to an industrial activity do not cause the same incompatibilities and are more consistent with MIC policies than stand-alone office uses. It is common for a manufacturing and industrial business to have on-site offices for administration, design, marketing etc. As described above for retail, these mixed arrangements provide a positive synergy that supports economic vitality of bona-fide manufacturing and production uses in industrial areas.

***No change to allowances for retail uses that do have a functional relationship to industrial areas***

The proposed legislation does not intend to reduce size of use limits for retail uses with functional relationships to industrial areas. Some retailers such as hardware and building supply stores, appliance distributors, paint stores, salvage shops, and automotive sales and repair businesses have economic interdependencies and are part of supply chains with other construction, manufacturing, or maritime uses in industrial areas. These types of retailers often require frequent transport of goods by large vehicle or trucks commensurate with industrial areas. These retailers often need outdoor storage and utilitarian structures like garages and warehouses that are consistent with an industrial context. Therefore, the proposed legislation avoids alteration of maximum size of use limits for land use categories of business with functional relationships to industrial areas, including “Automotive Sales and Service”.

#### **4. OVERALL EFFECTS AND CONSISTENCY WITH CRITERIA AND POLICIES**

An overall effect of the proposed changes would be a slight decrease in the differentiation between the IG1 and IG2 zone standards because maximum size of use limits for some uses would become closer in size, or the same. In general, the IG1 zone is intended as the city’s zone with the strongest protections on industrial lands.<sup>2</sup> The IG2 zone is intended to allow slightly more mixing with complementary non-activity.<sup>3</sup> However, as analysis shows individual unintended developments and clusters of non-industrial development have created conditions that conflicts with industrial activity and do not substantially improve employment opportunities. Therefore, changes to the IG2 zone that make the zone more similar to IG1 are appropriate to maintain functioning MICs. Incorporating these changes into the code now prevents foreclosure of future opportunities to fully reevaluate industrial zones during an interim period when the City is evaluating broader updates to industrial zones.

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<sup>2</sup> SMC 23.34.092 zone function description is: “An area that provides opportunities for manufacturing and industrial uses and related activity, where these activities are already established and viable, and their accessibility by rail and/or waterway make them a specialized and limited land resource.”

<sup>3</sup> SMC 23.34.092 zone function description is: “An area with existing industrial uses, that provides space for new industrial development and accommodates a broad mix of activity, including additional commercial development, when such activity improves employment opportunities and the physical conditions of the area without conflicting with industrial activity.”

## 5. FINDINGS AND RECOMMENDATION

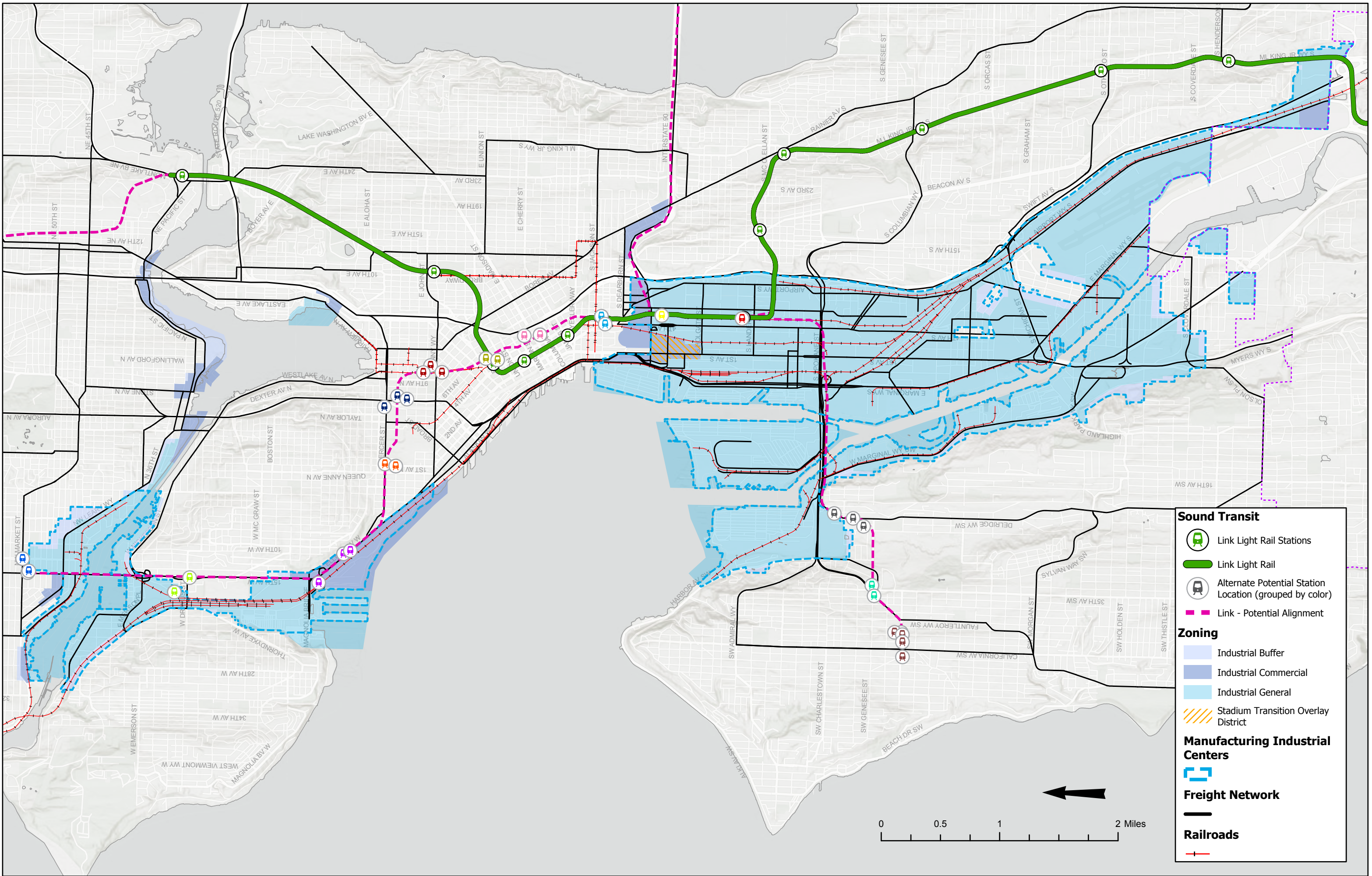
OPCD makes the following findings concerning the proposed legislation.

- ***The proposal would advance stated policy priorities including the Industrial and Maritime Strategy.*** The zoning changes implement recommendation 6 from Mayor Durkan’s Industrial and Maritime Strategy report: Stronger Protections for Industrially Zoned Land.
- ***The proposal will strengthen Seattle’s industrial and maritime sectors.*** The proposal will decrease pressure for development of non-industrial uses in industrial general zones, which will maintain land for industrial purposes.
- ***The proposal is consistent with city Comprehensive Plan Goals and Policies.*** The proposal is consistent with numerous growth strategy and land use policies summarized on page two of this report concerning designation of MICs and the policy intention for industrially-zoned areas.
- ***The proposal would maintain viable property use and development options.*** Property owners whose land the proposal affects would continue to have numerous development options. The same overall allowed floor area may be achieved with or without the proposal. All currently allowed uses are maintained, (albeit with some new maximum size limits), except for mini-storage warehouses. Ancillary use allowances remain unchanged.
- ***The proposal is based on data and information and responds to observed conditions.*** The proposal is based on analysis of individual permitted developments that may be regarded as inconsistent with the intent of IG zoning or incompatible with an industrial area, as well as the concentration of such developments.
- ***Appropriate SEPA environmental review is underway.*** In September of 2021 OPCD issued a SEPA Determination of Non-Significance (DNS) finding that the proposal would not be likely to have significant adverse impacts on the environment, and that an EIS is not required.

Based on these findings, information in this report and other related studies, OPCD recommends adoption of the proposed land use code changes.

### Attachment 1: Industrial Zoning Map





**Sound Transit**

- Link Light Rail Stations
- Link Light Rail
- Alternate Potential Station Location (grouped by color)
- Link - Potential Alignment

**Zoning**

- Industrial Buffer
- Industrial Commercial
- Industrial General
- Stadium Transition Overlay District

**Manufacturing Industrial Centers**

- Freight Network

**Railroads**

- Railroads

