

City of Seattle
Department of Planning and Development
Industrial Lands Survey

**Perspectives on the Benefits and Challenges of
Business Opportunities in Seattle's Industrial Lands**

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community attributes

Submitted to:

City of Seattle Department of Planning Development
& ESA Adolfson and Associates

community attributes

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EXECUTIVE SUMMARY

Background and Purpose

This report provides analysis of information gathered through telephone interviews of 50 representatives of Seattle's industrial businesses. The report and the related interviews were designed to supplement a mail-in survey of industrial business activity, conducted by ESA Adolfson and Associates. The mail-in survey asked discrete questions to provide a statistical understanding of the City's industrial employers. The interview supplements the survey data with broader detail derived from the perspectives of industrial lands occupants and provided detail on their perceptions of the key dilemmas and trends associated with Seattle's industrial lands.

The interviews conducted for this report were designed to explore in greater depth the industry and businesses economics that drive location for Seattle's industrial firms. Together, the findings from the survey and telephone interviews provide a foundation of data and analysis to serve the City of Seattle Department of Planning and Development for policy discussions and economic development planning.

All businesses interviewed for this study are located throughout Seattle on land zoned for industrial use by the City of Seattle. The interviewees represent businesses from all of Seattle's industrial areas, including a concentration of representatives of businesses located along Seattle's waterfronts.

About one-third (17 out of 50) of the businesses interviewed for this report are engaged primarily wholesale trade or distribution. Another third of the respondents (16 out of 50) are manufacturers. The remaining third span a range of activities, including industrial support services, fishing and other activities.

Key Findings

Industrial businesses value their location in Seattle for its access to markets, the Port and major transportation corridors. The analysis spans a range of issues and explores the economic considerations associated with Seattle location. Throughout the interviews there is a strong overriding theme that Seattle's industrial businesses value their location in Seattle and possess a strong desire to make Seattle locations work for their business.

Industrial businesses value the centrality of Seattle within their markets and distribution networks. Location decisions are often driven by access to markets and proximity to clients, rather than by costs of production. Many describe a strategy of specialization or niche goods and services that require them to be centrally located both for receiving supplies and for reaching customers.

The bottom-line benefit of a Seattle industrial location is nearly all about access. In particular, *truck access* to their site was most important to industrial

firms. Other ways that access was described as an economic concern include the following:

- Access to and by clients (and secondarily, to suppliers) is the most significant way that accessibility affects the bottom line.
- Access to the local road network and highway system, allowing for both circulation within Seattle and for getting onto the regional transportation network for accessing markets outside of central Seattle.
- Employee access was also cited by respondents as an important factor to their bottom line.

The clustering of industrial businesses provides benefits to many industrial lands users. Increased client attraction can occur through the marketing of a cluster area made up of similar complementary and competitive businesses, and consumers can make one-stop visits to several businesses at once. Businesses are accessible to each other (and to clients), and can trade, share work (orders) easily if desired, and share supplies and vendors. Clustering brings increases in information sharing and communication among the businesses about industry issues which can range from the prices of products on the market to the best contractor for a particular type of job.

However, there are some potential benefits in having *non-industrial* neighbors. While responses were dominated by the potential consequences of non-industrial neighbors, benefits cited include increased client attraction, security, property value gains, service from non-industrial vendors, training and workforce housing.

The need for additional space was the most common reason industrial lands users changed their location. Those who did move, or acquired new space, most commonly cited growth or increased consumer demand as the reasons they moved.

There are significant opportunities for industrial businesses in Seattle. The opportunities that were cited parallel the discussions on the advantages of being in Seattle.

Many feel that the City's land use policy currently constrains their business or other businesses in their industry. Some describe Seattle as "highly regulated" relative to other markets while others cite a particular regulation that constrains their business directly. Some stress that the heavy oversight in Seattle makes the playing field less equal among competitors.

INTRODUCTION

This report presents key findings from surveys conducted as part of the City of Seattle's Industrial Lands Survey. The findings are based on 50 in-depth interviews conducted between January 13th and March 10th, 2007 by Community Attributes.

Background and Context

Interviews were conducted as part of a broader scope of research on behalf of the City of Seattle's Department of Planning and Development (DPD), led by ESA Adolfson and Associates, to whom Community Attributes subcontracted to conduct the interviews and analysis presented in this report. DPD's purpose for the study is aimed at informing a comprehensive dialogue about the City's designation of industrial lands in regards to land use policies and economic development strategies.

Two additional research tasks preceded this analysis. First, ESA Adolfson and Associates conducted a review of comparable cities' strategies for addressing conversion pressures of industrial lands to other uses. Second, ESA Adolfson and Associates administered a telephone survey designed by the City of Seattle of businesses that occupy industrial lands, their vendors and customers, how they use their space, factors important to how they locate a business, their plans for their current location and what areas they would consider for future expansions.

The in-depth interviews were designed to complement the preceding tasks in order to gain a more in-depth understanding of the economics of industrial lands businesses and their current and expected industrial lands needs.

Methods and Approach

The interview instrument is designed to complement rather than duplicate the content covered in the phone survey. In addition, particular consideration was given to investigating further the relation between industrial zoned land and the economics of the businesses interviewed. The interview instrument was developed by Community Attributes and approved by City of Seattle DPD (**Attachment A**).

The survey instrument comprises four sections. Section I examines key concerns and trends in the industry of the respondent. Section II explores the relationship between where businesses are located and the costs of operation. Section III examines the advantages of being in Seattle and the ideal location for the respondent's business. Section IV asks the respondent to assess the opportunities for Seattle industrial users and to advise on what the City could do to encourage growth within their particular industry.

Those who had participated in the survey administered by ESA Adolfson were targeted for the in-depth interview. A total of 85 businesses were contacted and 51 interviews were completed, for a response rate of 60 percent. One interview

was dropped from the sample due to a lack of content that was comparable to the rest of the interviews. Interviews were conducted over the phone at a time convenient for the respondent. The responses were entered directly into a database at the time of the interview.

Extensive notes from the interviews were reviewed in detail to identify the key concepts relayed by interviewees. This review produced a list of key concepts and terms that together capture the breadth of concerns raised across all of the interviews. The interview data were then studied a second time, identifying all instances (referred to as “coding”) in which the key concepts and terms were mentioned throughout each entire interview. The frequency of concepts and terms was tallied across each of the 18 questions. Further analyses focused on building relationships across the various concepts and developing descriptions of major themes and trends that arose from the analysis.

Throughout the report themes are discussed in descending order of the frequency they are mentioned. Sections that are indented represent concepts and content that are drawn from within the topics discussed directly above. This helps to identify the nested relationship of many of the concepts and themes present herein.

Organization of Report

This report includes a profile of the interviewee sample and four sections on findings. The findings sections are organized as follows.

- **Section I: Industry Concerns and Trends.** This section presents the key concerns and trends for the industries represented in the study.
- **Section II: Costs of Operations and Relation to Location Decisions.** This section details the primary costs of operations for interviewees, and how those costs affect where industrial businesses are located or would prefer to locate. The important role of access to markets, clients and by suppliers is also called out because of the significant role access plays in the economics of industrial businesses.
- **Section III: Advantages of Seattle and Opportunities for Industrial Users.** This section describes the relative advantages of Seattle for industrial users, and highlights the aspects of Seattle that are attractive to industrial businesses. The findings identify areas within Seattle and the region that are considered “ideal locations”, or work best, for industrial businesses. For respondents who indicated they had recently moved or were planning to move, further information is presented regarding reasons for their move.
- **Section IV: Improving Seattle for Industrial Lands Users.** This section presents information on interviewees’ assessment of Seattle’s opportunities and constraints as a location for industrial businesses. This

section calls out actions the City can take to encourage industrial growth from the industrial business persons' perspectives.

PROFILE OF INTERVIEWEES

All interviewees are current occupants of industrial lands. **Exhibit 1** lists the ten industries represented by interviewees and the number of interviewees per industry. The most common industry is Wholesale Trade/Warehousing and Storage.

Interviewees are located throughout six industrial areas, as presented in **Exhibit 2**. Among interview participants the most heavily represented areas are the Duwamish East and South area, with 21 interviewees. The least represented area is the Duwamish South Park area with 3 interviewees.

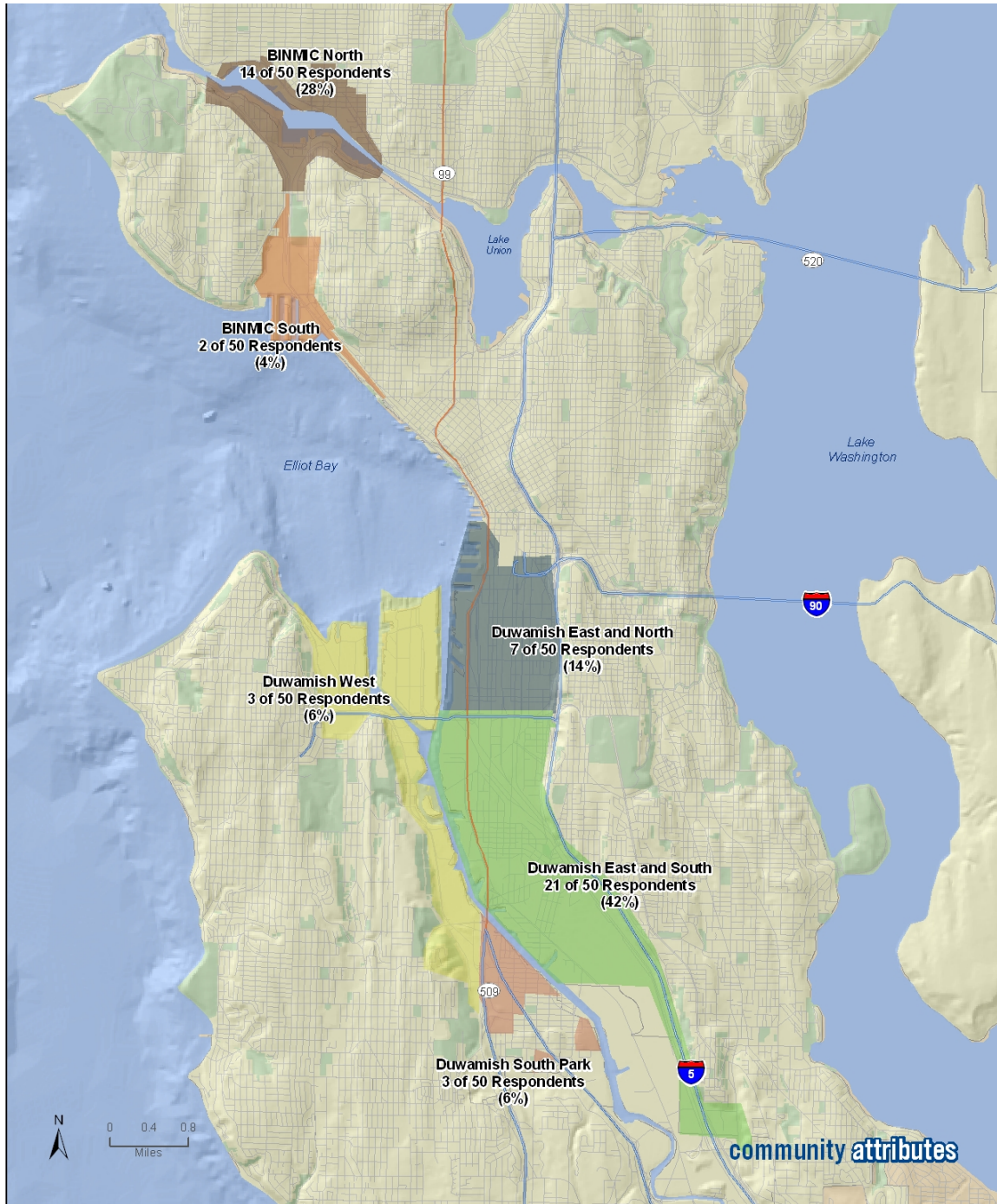
Including the perspective of water-dependent industries is an important element to this study. Eleven of the interviewees are located on the water, while nearly a fifth of the businesses interviewed considered their businesses to be water access-dependent (9/50 interviewees). These businesses report that they would be unable to operate if they did not have direct access to either the water or other water-related businesses.

Exhibit 1 Distribution of Interviewees by

| Industry | Number of Interviewees |
|--|------------------------|
| Wholesale Trade/ Warehousing and Storage | 17 |
| Manufacturing * | 16 |
| Professional, Educational, and Administrative services | 4 |
| Building, Developing, and General Contracting | 3 |
| Transportation related firms (including water transport) | 3 |
| Printing and Related Support Activities | 2 |
| Repair and Retail of Motor Vehicles and Boats | 2 |
| Fishing, Hunting and Trapping | 1 |
| Furniture and Home Furnishings Stores | 1 |
| Building Materials, Garden Equipment, and Safety Dealers | 1 |

3 of the interviews counted as Manufacturing could also be classified as Artists*

Exhibit 2 Locations of Industrial Land Users Interviewed



SECTION I: INDUSTRY CONCERNS AND TRENDS

The interviews began with a few questions asking the interviewee to respond on behalf of his or her industry. The responses offer a high-altitude perspective on the key concerns of industries represented on Seattle's industrial lands as well as information on the current trends within industrial businesses.

Industry Key Concerns

Each interviewee was asked what they consider to be the key concerns for their industry. The most common responses were related to transportation issues, labor concerns, the regulatory environment, and land constraints.

Transportation

More than half of the industrial lands stakeholders mention transportation issues as a concern (31/50 interviewees). Transportation affects both the cost of production—especially with regards to product or service delivery—and the ability for clients and customers to reach industrial businesses. Many respondents distribute to clients outside of central Seattle and transportation challenges add to the costs of production.

Congestion of surface streets and highways. More than half of the respondents who cited transportation as a primary concern in their industry made specific reference to challenges associated with traffic congestion (12/31 interviewees). Truck access and ease of movement on the surface streets is of primary importance for deliveries as well as access by clients. For instance, congestion caused by business employee parking on surface streets can negatively impact the flow of truck traffic. Additionally, in some neighborhoods surface congestion has been further aggravated by the sporadic timing of train traffic. New bike trails in industrial areas can also cause congestion and safety issues in busy traffic areas.

The Viaduct is an important transportation link for industrial lands users. Two-fifths of all interviewees mentioned the Viaduct during their interviews (19/50 interviewees). Of those who mentioned the Viaduct, almost all felt that their businesses were dependent on the Viaduct as a primary transportation route and many were concerned over potential changes to its capacity.

The Viaduct is necessary to many. In comments related to key industry concerns, many describe the Viaduct as necessary to the operations of their business. A fifth of respondents describe their business as being dependent on the Viaduct (10/50 interviewees) and express concern over its repair and potential changes. Several state the importance of its North-South orientation for deliveries to or from their facilities.

Changes to the Viaduct could jeopardize some industrial businesses. Out of those who mentioned the Viaduct, a quarter felt their business might have to close or leave Seattle if the Viaduct was to lose capacity (5/19 interviewees). Others express concern about the repair process and mention the impact of its timing on their businesses' operations. Most are against a tunnel option because of its reduction of lanes and the bulk of time needed for its assembly.

Changes will have unequal impacts. The industrial businesses or markets that are thought to have the most at stake in the future of the Viaduct are West Seattle, Interbay and Ballard. These neighborhoods were cited as particularly vulnerable to changes in the traffic capacity of the Viaduct. For example, one interviewee felt that West Seattle will no longer be a market they could serve if they were not able to use the Viaduct. Others would be prevented from servicing markets north of Ballard because of the loss north-south traffic flow capacity.

Transportation improvements. As a corollary, transportation infrastructure improvements are the most commonly cited way that the City could help its industrial businesses. Half of respondents cited transportation infrastructure improvements as a means to encourage growth in industry (23/45 interviewees). For many industrial businesses, ease of transport on local highways and surface streets is critical to their operations. Interviewees stress that the road infrastructure must be improved to accommodate increases in population. They add that improving surface streets, especially in industrial areas, would make Seattle more attractive to additional businesses.

Improved mass transit could help employees travel to and from work. While mass transit improvements are not a priority for day-to-day operations of industrial businesses, improved mass transit could improve the ability of employees to travel to and from work, mentioned by a tenth of respondents (5/50 interviewees). Several mention the need for more direct routes from the Eastside to their place of work that would bypass Downtown Seattle.

Labor Concerns

Interviewees consistently highlight the connections between the availability of skilled and unskilled labor forces and the cost of both living in and commuting to Seattle. The ability of labor forces to locate or work in Seattle appears to be dependent on employers' ability to pay high enough wages to cover the associated costs of living or commuting to Seattle. This, in conjunction with increased wages and costs of benefits (such as health benefits), all add to the importance of labor in industrial businesses' assessment of their fit in Seattle and the long-term outlook of their position within Seattle.

After transportation concerns, labor concerns were the next most frequently cited concern of industry. Two-fifths of respondents mentioned labor-related issues as a key concern within their industry (21/50 interviewees). Concerns include the

limited supply of both skilled and unskilled labor as well as the rising costs of labor (related to the rise in cost of living).

Limited skilled labor. Many cite a limited supply of skilled labor as a key industry concern. Given the overall growth in a number of industries, many struggle to find enough employees with the right skills (15/21 interviewees). One respondent cited the aging demographics of his industry and concern that there were not enough younger workers entering the field; another stated explicitly that employee constraints means he has to turn down contracts.

Non-skilled labor is also in short supply. Some respondents cited a difficulty in finding entry-level workers with limited skills. The limited unskilled labor pool has led to problems of high turnover. This was attributed to the high cost of living in Seattle.

Related to limited supply, some cited costs of labor as a concern in their industry. One-quarter of those who mentioned labor supply cited the cost of labor as a concern in their industry (4/21 interviewees), although the specific comments on the cost of labor varied amongst the industries represented. Firms that require intensive “hands-on work” or were facing offshore competition were particularly concerned about the cost of labor.

Each interviewee was asked where they found new employees. Labor sources vary, but the most employees are found through word of mouth as well through ads both online and in newspapers.

Word of mouth. The most common method for finding new employees was word of mouth, mentioned by two-fifths of respondents (22/50 interviewees). Many reported that word of mouth was the most economical and reliable method for locating potential employees. Current employees were often cited as making good referrals for new employees.

Commercial placement services. Many interviewees use commercial placement services such as Labor Ready, temporary agencies for clerical functions, and other professional placement associations (18/50 interviewees). Often “temps” would turn into permanent employees.

Want Ads. Want Ads are another common strategy for locating new employees (mentioned by 17/50 interviewees).

Union labor. For those that are a “union shop” or have union-determined contracts, new employees are found through union halls and associated networks (mentioned by 12/50 interviewees).

Online or Craigslist.com. Some interviewees place want ads through online venues (10/50 interviewees). Craigslist.com was mentioned explicitly by three interviewees.

Universities or colleges. A small number of interviewees place ads or hang signs at universities or colleges (4 interviewees). Most that use this strategy are in the arts.

Land Constraints

Many industrial lands users are concerned about the availability of space that fits their needs and the rising costs of land and rent in Seattle (mentioned by 29/50 interviewees). While some stood to gain as landowners from the increase in values of industrial lands, many were concerned about the impact the increase in industrial land values may have on their ability to stay in their current location.

The increase in *land costs* increases the overall cost of doing business in Seattle. The high cost of space, and related limited availability of space, was an explicit concern for more than a fifth of respondents (14/50 interviewees). The high price of land limited the ability of businesses to expand in Seattle and increasing rents cut into profit margins. Some expressed the concern that they may be “priced out of the city.” A lack of affordable warehouse space was specifically cited by a number of respondents.

There is also a concern that recent development in areas adjacent to industrial lands or the introduction of office-based, high tech operations or retail onto industrial lands will further drive up the cost of industrial rents.

Related to rising land costs, the loss of lands for industrial use in Seattle is also a primary concern. Of those who expressed concerns related to land (29 interviewees), about two-thirds cited the loss of industrial lands or the “encroachment” of non-industrial uses into industrial areas as a key concern to their industry (18/29 interviewees). Many associate the loss of industrial land with a more general rise in land costs which is detrimental to industrial businesses who rent their spaces. The decreased amount of industrial space has forced some businesses to move repeatedly when their buildings were sold or renovated for non-industrial uses. This trend is alarming for some who stress that once industrial lands are gone, they are gone for good. Encroachment by non-industrial uses has led to decreases in accessibility due to increased traffic for retail operations. It has also brought competition over parking and nuisance complaints from non-industrial neighbors about industrial business operations.

Another outcome of the loss of land in industrial use is the loss of business cluster support that once existed in strong industrial areas. Some respondents mention this as a negative consequence to changes in the kind of businesses found in industrial areas.

However, a concern over industrial land was not universal among respondents. At least one interviewee felt that in close-in neighborhoods, such as Ballard, the best and highest use of currently underutilized industrial lands would be high density multifamily.

Limited opportunities for expansion. High costs coupled with the reduction in suitable space limits industrial businesses' ability to expand in Seattle. The limited space for expansion in industrial lands was one of the most commonly cited limits to opportunities for industrial lands users (mentioned explicitly by 8 interviewees). As companies outgrow their current space, they are concerned that they will not be able to stay in Seattle. This is further exacerbated by the loss of building space suitable to industrial operations. Some feel the lack of space jeopardizes their ability to stay in Seattle in the long term.

For those in maritime industries the limited availability of waterfront or dock space is a constraint. The finite amount of waterfront space makes it irreplaceable for waterfront-dependant businesses. Moorage is at a premium, for example.

The City can encourage growth in industry by preserving industrial lands. Following the concern over loss of industrial lands, some feel the City could encourage growth in their particular industries by protecting industrial land from redevelopment or conversion to non-industrial uses (mentioned by 5 interviewees). Some feel that preserving industrial lands is important to preserving livable-wage jobs and the tax base in Seattle.

Regulatory Environment

A key concern for many of the respondents are current trends in the regulatory environment that have the potential to negatively affect costs of key inputs or operations (mentioned by 20/50 interviewees). Interviewees cited specific regulations from increased safety standards required by federal security regulations, additional environmental regulations, regulatory impacts for energy costs, and changes in rules related to regulated substances. Concerns related to general regulations of the overall industry are discussed here, while the ways that Seattle's particular land use policies constrain businesses and industry are discussed in the next section.

Many firms cite a City, State, or Federal regulation as a key concern within their industry. Seattle was considered to be more regulated than other cities, which is thought to limit its attractiveness for expanding or beginning new industrial firms.

New or potential changes in environmental regulations were commonly cited as negatively impacting industry. Respondents discussed regulatory changes set by different levels of government (environmental regulations were discussed by 10/50 interviewees). For example, heavier industrial operations tend to have concerns about stormwater run-off or air pollution criteria while industries related to fishing mentioned regulations that impact their ability to access fish

One respondent further explained that while environmental regulations are "necessary", their enforcement was "rather heavy handed without much discussion for solutions."

Many respondents cited changes to the regulatory environment as a way that the City of Seattle could encourage growth in industry.

Changing taxes was the most common suggestion for encouraging growth in industry. About one-fifth of respondents felt that changes in taxes would encourage growth within their industry (10/45 interviewees). The amount of taxation in Seattle was thought to impede many manufacturing firms' interest in locating within Seattle.

However, some acknowledged the importance of tax funds to the City and suggested tax breaks for small or start up companies rather than blanket reductions. Another suggestion was for bid preferences to go to businesses that are located within Seattle, and thereby pay the higher taxes. Several mention the Business and Occupation Tax as a burden, and one respondent believes that the City should tax profits, rather than gross volume.

Costs of Materials and Operations

Some industries are experiencing rising costs of materials and operations. About one quarter of interviewees cited a rising cost of key materials or factors of production as a primary concern within their industry (12/50 interviewees). While some were experiencing a decline in the availability of materials and supplies, others were experiencing an increase in the costs of materials. Additionally, two respondents mentioned limits to fish and crab stocks as a key industry concern.

Fluctuations in fuel prices are also a concern. Of those who cited the costs of materials or operations as a major industry concern, about one quarter mentioned the rising costs of fuel (3/12 interviewees). One respondent noted the higher price of fuel in Seattle relative to other markets. Additional detail on the relation between operating costs and location decisions is discussed below under *Costs of Operation*.

Other Industry Concerns

In addition to the themes listed above, other concerns of industrial lands users include:

Competition from abroad. Some interviewees mentioned competition from off-shore (3/50 interviewees). Off-shore manufacturing, fish-processing, and the production of wood products were specifically cited. Others were concerned about the impacts of off-shore competition on their local client base.

Security and policing. Several respondents (3/5) mention the need for improved law enforcement related to vandalism and criminal activity in industrial areas.

Current Industry Trends

Trends in industries currently occupying Seattle industrial lands have implications for the long term demand for industrial lands. In order to assess the long-term demand, each interviewee was asked what areas in their respective industry are growing and what areas are declining. In addition, follow-up questions asked interviewees to comment on what they thought was driving the growth or decline.

A total of 40 interviewees offered comment on this topic. The majority of respondents could cite both areas of decline and growth in their industry, though in general responses were more frequently weighted towards growth. An area of growth within the respondents industry was identified by thirty five (35/40) interviewees. A third commented explicitly that no areas in their industry were in decline, while only five respondents felt that all of their industry was in decline. The five who felt their entire industry was in decline were spread across five industries including water transportation, government, metal fabrication, fishing and wholesale trade, thus suggesting no trend for a particular industry.

More than half of respondents report growth in their industry and that their businesses are doing well. The majority of interviewees were able to cite at least one area in their industry that is growing (35/40 interviewees). Only an eighth of interviewees felt that their industry on whole was either not growing or in decline (5/40 interviewees), while a quarter felt that no part of their industry was in decline (12/40 interviewees).

The biggest area of growth across all industries was in construction and construction-related services and products. The local growth in commercial construction has been a boon to local industrial land businesses: almost half of interviewees who cited growth in their industry had businesses that are benefiting from the increase in construction activity (13/35 interviewees).

Some accredited the growth in their industry to the increase in high-rise construction. The increase in high-rise construction was attributed to the lifting of height restrictions downtown or general limits on space that required higher buildings. While some benefited more broadly from construction, others served needs for specialized services and products for high-rise construction.

Some felt that the Seattle economy was driving the growth in the construction related fields, while others felt that there was growth beyond that driven by Seattle's economy such as from population growth.

Local industries have also seen an expansion in the retail dimension of their industry. About a fifth of those who were experiencing growth in their industry cited a growth in the retail part of their industries (7/40 interviewees). Specific examples include,

among others: a fish processor who describes a trend towards smoked-salmon and other “retail ready products”, a furniture maker who is shifting towards customized furniture pieces, and a printer who sees an increase in “off the shelf” products.

Increased consumer demand was cited as driving increases in the retail end of industrial businesses. For some, the growth in the retail end of their business has required increased shelf and storage space because of the need to keep more product on hand.

Many are also experiencing growth in higher-end and luxury products. Interviewees report increased sales in higher-end or customized products, as well as products and services related hobby or lifestyle purchases. For example, products and services for pleasure boats are strong, as well as custom furniture and higher-end tile and other materials for home renovations. Interviewees saw the increase in higher-end products and services as being driven by the local impact of high-tech employment and other factors that increase the affluence of local consumers.

The food industry in particular cited increased demand for higher-end products. In general, interviewees felt that consumers were becoming more educated and interested in quality food and that in general there has been a rise in terms of food expectations.

Increases in international trade are driving growth in some industries. Some industries are experiencing growth due to the increase in imports and exports from the Port of Seattle, while others benefit from less expensive inputs from China and other markets abroad. One interviewee explained that storing products in foreign ports and then shipping to the U.S. has lowered the distribution costs of offshore shipments.

While most industries were growing, more than half were also experiencing declines in some parts of their industry. More than half of the respondents described some part of their industry as in decline (26/40 interviewees). Some industries were experiencing more decline than others.

Fishing and related industries are experiencing a decline. Almost a quarter of interviewees who cited a decline in their industry was either in the fishing industry, or served clients in the fishing industry (6/26 interviewees). Interviewees cited a reduction in the amount of fish, a decline in the profitability of fishing due to competition and the rising costs of operation, and a decline in the interest in being a fisherman.

In addition, related to the maritime industry, firms that build or repair boats are negatively impacted by the decline in the local fishing

industry. Furthermore, boat builders are also seeing a decline in the number of boats, as shipping increasingly focuses on larger ships. However, those who service the recreational boating and yachting markets are doing well in the Seattle market.

The local industrial manufacturing sector is also in decline. Of those who cited a decline in their industry, more than a quarter referenced a decline in manufacturing (7/26 interviewees). While manufacturing is thought to be in decline in U.S. markets due to competition from offshore locations, some cited a trend towards manufacturing leaving Seattle for rural areas. In addition, some accredited the decline in local manufacturing to “industry consolidation.”

Other areas of decline mentioned by interviewees were more idiosyncratic, such as the move away from incandescent bulbs due to cheaper prices for newer technologies, a reduction in some chemical processes due to the growth in more environmentally friendly processes, the availability and trade of raw goods such as timber, “by hand” processes that have been replaced by computer driven processes, and automotive repair services that are seen as moving out to rural areas for cheaper operating expenses and labor.

Trade Associations

Each interviewee was asked if they participate in any professional trade associations.

The majority of respondents participate in professional associations. A large majority of respondents participate in at least one professional association (36/50 interviewees), while many participate in more than one. A total of 57 different trade associations were cited by interviewees.

About a third of respondents do not participate in any trade associations (14/50 interviewees). The most common reason for not participating in a trade association was being too busy (4/14 interviewees). Following limited time, other reasons for not participating in trade associations cited by respondents include: no associations apply to the business, the respondent does not expect that participating would be beneficial to the business, or the company does not want to pay the costs associated with participation.

SECTION II: COSTS OF OPERATIONS AND RELATION TO LOCATION DECISIONS

Devising policies that best serve industrial lands users requires an understanding of the economics of industrial firms. To that end, each interviewee was asked about their most significant costs of operation and how those costs affect where their business is located. The survey instrument was designed to solicit information on why individual business are located where they are, and to understand more fully the location criteria for the industries represented.

Most respondents do not frame their location decisions in terms of costs, even though the microeconomics of businesses would dictate that location decisions are based on maximizing the profits through decreasing the costs of production or accessing favorable markets,. Instead, key factors of proximity and inertia were the most commonly cited reasons for why industrial businesses are located where they are. The following three themes are explored in greater detail in this section:

- **Access is of primary importance to location decisions.** A theme throughout the interviews is the important role that access plays in respondents' evaluation of their location and their assessment of the benefits and consequences associated with locating within Seattle.
- **In general, direct costs do NOT affect location decisions.** About two-thirds of respondents do not believe that their location decisions are affected directly by their costs (34/50 interviewees) and a fifth of respondents felt that their location decisions were affected by their costs (12/50 interviewees). A small minority (2/50 interviewees) felt that their location was possibly or slightly affected by their costs. Instead location decisions are reportedly dependent on the business' need to be within or near Seattle and its proximity to clients. Other attributes considered in location decisions include water access and ease of access to the wider geographic area.
- **Industrial businesses value Seattle's central location.** The most commonly cited criteria for location decisions was the need to be in a central location (10/50 interviewees). Location decisions were often driven by access to markets and proximity to clients, rather than by costs of production. Many describe a strategy of specialization or niche goods and services that require them to be centrally located both for receiving supplies and for reaching customers. Others felt that Seattle was the central location for their area of service, which ranged from central Puget Sound to the entire Pacific Northwest (Oregon to Canada).

The Role of Access in the Economics of Industrial Businesses

A common theme throughout the interviews is the importance of accessibility of the firm's site or location for its bottom line. Each interviewee was asked how their company's bottom line is affected by access to their particular location. Forty-seven respondents gave an indication of the role access plays in their business.

Responses were mixed on whether access to their location impacted their bottom line. Out of those who answered the question directly, more than half (27/47 interviewees) said that access to their location has a direct impact on their company's bottom line. Likewise, slightly less than half felt that access to their location had no or a minimal impact on their bottom line (20/47 interviewees). Those who felt that access had a minimal impact were more likely to serve clients outside of the immediate region, only required infrequent visits by clients, or required some other site amenity that drove their business model such as direct access to water. Many mention that while outlying locations may have favorable rents and amenities, the negative impact on access to their operation or additional costs associated with freight and delivery would outweigh the benefits of moving.

At least one interviewee split his operations across two locations to maintain the needed access to one part of his business, while limiting rent expenses for the other part of his business. He has expanded his showroom at his previous location in SODO, and has moved his warehouse to a location southeast of Seattle. This way he maintains easy access to the part of his business that requires access by clients while limiting costs associated with storage and warehousing.

Access to and by clients is the most significant way that accessibility affects the bottom line. Almost two-thirds of respondents emphasized the importance of access *to their* customers in terms of the economics of their businesses (31/47 interviewees). Increased difficulty in reaching clients due to congestion drives up the costs of vehicles, maintenance, fuel, labor and insurance. For those in construction-related fields, access to their clients' job sites all over the region is important. Additionally, for those whose clients come to their location, being in remote or difficult to reach locations has a negative impact on business.

The ability for suppliers to reach industrial businesses also impacts the bottom line. About one third of respondents cited the economic importance of being accessible by suppliers (16/47 interviewees). Furthermore, being in a central location also offered the benefit of being accessible for multiple suppliers.

In addition to access by suppliers, almost a fifth of businesses require access by third party shippers such as Federal Express and UPS (8/47 interviewees).

Access to the local road network and highway system is a common critical factor of industrial locations. Accessibility by roads is an important factor for clients and suppliers alike. More than a quarter cited access to the local road network and good proximity to local highways as important to their business (14/47 interviewees). Many cited the benefits of their central location for

accessing markets outside of central Seattle. Many firms serve clients all over the region and need to travel in and around the city on a regular basis.

Employee access is also a critical economic factor. About two-fifths of respondents felt that ease of employee access to their location was an important factor to their bottom line (9/47 interviews). One respondent explained that when employees must live further outside of Seattle due to Seattle's cost of living, it wastes a lot of time when they are forced to sit in traffic.

Important Modes of Transportation

To gain further insight into the type of access to their locations required by industrial businesses, each interviewee was asked what types or modes of transportation are most important. A total of 47 respondents specified the types or modes of transportation that are most important to their business.

Truck access to their site was most important to industrial firms. More than two-thirds of respondents cited truck access as the most important mode of transportation (36/47 interviewees). This parallels the above discussion on the role of freight and accessibility as a primary concern among industrial businesses. Truck access was important for both the inputs and outputs of many of the businesses interviewed and compromised truck access due to surface street congestion has a negative impact on the economics of industrial lands businesses.

Following truck access, the use of personal vehicles was the next most commonly used mode of transportation. While some businesses use personal vehicles for deliveries and other firm functions, many cite the importance of accessibility by personal vehicle in terms of employee access and access by clients (14/47 interviewees).

In addition, access by mass transportation was important to some firms in terms of accessibility on behalf of employees (mentioned by 7 interviewees). Other modes of transportation that were cited, in the order of frequency mentioned, include rail (8 interviewees), boats and ships (6 interviewees), air transport (including air freight) (4 interviewees), and vans (2 interviewees) for deliveries and supplies.

Costs of Operations

Labor costs. The significant costs of industrial businesses are dominated by labor. Almost two-thirds of interviewees cited labor and personnel costs as either their most significant cost of operation, or one of the most significant (32/50 interviewees).

Increasing costs of labor. Most have seen increases in the costs of acquiring and retaining labor with the necessary skills. Some businesses have moved towards higher skilled labor, and in some industries skilled labor is becoming more of a scarcity. Others cited

“general inflation” as driving up the costs of their labor as well as standard changes to negotiated contracts.

Many mention that increases in the cost of living in the Seattle area, as well as the added costs of employee transportation, contribute to the pressure for higher wages. These conditions are further aggravated by rising fuel costs and congestion. Several detail the relationship between labor cost and labor supply by emphasizing that competition for a small labor pool necessitates paying higher salaries in order to attract the desired workers.

Additionally, increased costs of benefits add to overall labor costs. Of those who cited labor costs as a significant cost of operation, one quarter specifically mentioned benefits such as health care and retirement plans contributing to the high cost of employees (7/32 interviewees).

However, labor costs do not appear to drive location decisions. Despite its importance to the majority of the respondents’ costs of doing business, only three mention labor costs as having an impact on their location decisions.

Land and building costs. Acquiring and retaining industrial land or renting space on industrial land is also a significant cost of operation. Following costs related to labor, rising land values and the associated increases in rental prices were the next most frequently cited cost of operation (21/50 interviewees). Some have accredited the recent rise in industrial rents due to land use changes in neighboring parcels.

Only a small number of the businesses interviewed stated that the cost of land *directly* affects their location decisions. Of those who felt their location decisions were affected by their costs of operation, three-quarters cited the cost of land or rent as affecting their location decisions (8/12 interviewees). Out of these 8 interviewees, seven were renters and one owned their current building. While many acknowledged they could find cheaper land or rents elsewhere, moving would impact their businesses in negative ways.

Rather than cost, key factors of proximity determine where businesses locate. Many who cited rent as a significant cost of operation explained that they chose their current location based on its proximity to certain areas such as freight companies, the airport, or the owners’ home. If rents continue to rise, they may be forced out of their current location and have to accept higher transportation and commuting costs. Others felt that the consequences of leaving their current location in terms of networks and client access would be too onerous.

Material and operating costs. The costs of materials, supplies and operating inputs are also a significant portion of the costs of operation. More than half of respondents cite the costs of materials, operating input costs, or transportation costs as a significant cost of production (28/50 interviewees).

Transport and Fuel. Significant costs of production were dominated by transportation and fuel costs. Approximately a quarter of the businesses interviewed cite transportation and fuel as their most significant cost of operation (12/50 interviewees). Most mention fuel in relation to the increases in transportation costs for their freight deliveries or for their own delivery costs made to clients. Others link the cost of fuel directly to the personal vehicles of employees and the associated rising costs of labor.

Many cited transportation and freight costs as significant costs of operation that are currently growing. These costs have not only increased due to the costs of fuel inputs, but also because of the growing congestion of the highways and surface streets in and around Seattle. This impacts delivery to clients as well as the delivery of supplies and freight to the businesses themselves.

Costs of materials. One-fifth of respondents cited materials or supplies as one of their most significant costs of production (10/50 interviewees).

Many site increased costs in metals (such as steel and copper) or other products that are of limited supply (such as fish). Business proximity to materials plays an important role for those importing heavier metal supplies. In addition, the importance of lower land costs can play a role in inventory and holding costs as some businesses benefit from increasing their storage rather than more frequent shipments.

Utilities and other operating expenses. In addition to fuel and the costs of other supplies, almost a quarter of respondents cited other operating costs as a significant cost of production (12/50 interviewees). These include: utilities, insurance, financing, office space, regulation costs, and taxes.

Building and Site Needs

Another factor hypothesized to impact industrial firms' location decisions is their particular needs for their building and site. Each interviewee was asked to describe the characteristics of a building and site that are important to their industry.

Accessible sites and buildings are of primary importance to industrial land users. Almost all interviewees cited accessibility as a key building or site characteristic (43/50 interviewees). This includes discussion of site characteristics that allow for easy access as well as building characteristics that allow for ease of

loading and unloading goods into the building. Truck access to and from the site of the business for delivery purposes was mentioned by one quarter of the respondents (13/50 interviewees) and ease of truck circulation within the immediate area of the business is also very necessary for operations (mentioned by 3/13 interviewees who cited access by trucks).

Loading docks and drive in bays. In addition to an accessible site, many specified building requirements that facilitated access for deliveries and shipping such as loading docks and drive-in bays (28/50 interviewees).

Parking. Parking options are important for many respondents' business needs. Related to the accessibility of a firm's building, some respondents stress the need for parking (10/50 interviewees). While industrial lands users mention employee parking the most, there are also needs for client/customer parking as well as parking for the trucks associated with business operations.

Water access. For to nearly a fifth of all the businesses interviewed, access to water frontage is a key building and site need (9/50 interviewees). Most who cited the need for access to the water, docks or piers specified that such access was critical to their operation..

Spaces for particular business functions. About half of respondents cite a particular space need driven by a business function (27/50 interviewees). The most commonly cited space needed was storage space , including both inside and outside/yard storage (8/27 interviewees). Following storage space the most common types of space mentioned include: manufacturing/heavy industrial space, warehouse space (including open areas), retail space and light industrial space. Some also express the need for larger than average square footage, and others discuss the need for cranes to be operated out of their facilities.

Location attributes. Some respondents framed their discussion of their site and building needs in terms of a general location attribute as necessary to their business' operations(8/50 interviewees). Location attributes mentioned include proximity to clients, access to highways and wide surface streets, being near the port, and locating near the Seattle and Tacoma areas.

Characteristics of Neighborhoods and Neighbors that are Important to Industrial Users

In addition to questions regarding site and building needs, each interviewee was asked what industries or business would be their ideal neighbors. Follow-up questions queried about the benefits and consequences of being next to other industrial operations and the benefits and consequences of being next to non-industrial operations. Only four respondents felt that their neighbors had no bearing on their business.

Most industrial lands users feel that their ideal business neighbors are either within the same industry or serve as complementary businesses in some way. For this reason, most industrial businesses see greater benefits to being next to other industrial businesses rather than non-industrial businesses.

Complementary businesses either have direct relationships with the interviewees as vendors or contractors, or provide some added benefit from the clustering of their businesses within a geographic area.

Industrial Neighbors

Out of the 46 interviewees who felt that their neighbors had some bearing on their business, almost all cited at least one benefit to having industrial neighbors (44/46 interviewees). The two respondents who did not see a benefit to having industrial neighbors had a significant retail dimension to their operation and felt that non-industrial neighbors would bring them better visibility and customer traffic.

Benefits to being near “like” operations. Respondents most commonly cited businesses like their own as their ideal neighbors (22/44 interviewees). In some cases this included business in the same industry such as the marine-related industry, distribution and warehousing, or small manufacturing industries. For others “like businesses” were defined by the general activities on site rather than the industry.

Some of the benefits of being near like businesses include the belief that similar businesses will have shared priorities, that there would be less traffic congestion conflicts, the opportunity to share tools, supplies, or equipment, and for smaller businesses the opportunity to swap or combine orders if it makes sense or the workload is too great.

Access to industrial services. Easy access to other industrial operations for supplies or services is another benefit to having industrial neighbors (cited by 19/44 interviewees). Ease of access is the greatest benefit to being near suppliers or service providers. For some this meant getting parts more quickly and efficiently, for others it meant reducing the lead time needed to procure raw goods.

Attracting or serving clients. About a quarter of those who cited benefits to having industrial neighbors discussed benefits associated with servicing their clients (12/44 interviewees). Some respondents had industrial clients and benefit from having close proximity to the operations they serve. Others felt that being near other industrial operations helped them attract new clients through the marketing of a cluster area made up of similar complementary and competitive businesses. As a result, consumers can make one-stop visits to several businesses at once. This also has the benefit of creating greater visibility for the area as a place to visit for the products offered.

Less congestion and better ease of access. About a fifth who cited benefits to having industrial neighbors felt there are benefits related to ease of access to their site (9/44 interviewees). These respondents felt that neighboring office and retail uses would present conflicts in terms of access to their site by semi trucks. Other industrial businesses were seen as having similar attitudes and needs as far as trucking and transport were concerned.

Less conflict with neighbors. Some respondents feel that in general there is less conflict with industrial neighbors than non-industrial neighbors (cited explicitly by 7/44 respondents). Other industrial operations were seen as having similar concerns and issues, which could potentially facilitate better communication. Some respondents appreciated not having to worry that their activities would be a nuisance to their neighbors.

Information sharing. Some interviewees also cited information exchange as a benefit to having industrial neighbors (3/44 interviewees). Respondents felt that clustering brought increases in information sharing and communication among the businesses about industry issues ranging from the prices of products on the market to the best contractor for a particular type of job.

Positives outweigh the negatives in having industrial neighbors. Only two respondents felt there were no benefits to having industrial neighbors, however about a third of respondents cited some negative aspect of having industrial neighbors (17/46 interviewees).

Problems related to traffic congestion. The most commonly cited negative associated with having industrial neighbors was problems associated with truck or train traffic (cited by 10/17 interviewees). Most who cited traffic issues related to industrial operations had some retail or direct-to-consumer component to their business. Challenges include the timing of movement that is necessary in congested industrial areas in order to deal with the competing circulation of trains and trucks. In addition the parking of semi trucks on surface streets was also cited as a problem because of the safety implications of blocked sight lines for vehicles.

Nuisances such as pollution, dust, and noise. After traffic, nuisances related to pollution, dust and noise were the next more commonly cited consequence of having industrial businesses as neighbors (7/17 interviewees). Negatives associated with noise, smells, air quality, and dust were specifically cited.

Non-Industrial Neighbors

Of the 46 respondents who felt that their neighbors had some bearing on their operation, 34 associated some consequence to having non-industrial neighbors.

Incompatibility with non-industrial operations. The most commonly cited consequence of having non-industrial neighbors was the view that the respondents' operation was simply not compatible with non-industrial activities (11/34 interviewees) or that the respondent was concerned that non-industrial neighbors would have complaints about his or her operation (8/34 interviewees).

For example, industrial businesses that operate 24-hours per day could negatively impact non-industrial neighbors, some have operations that are not necessarily “pretty”, and others make noise that they feel would disrupt office, retail or residential neighbors.

Many framed their concerns over the incapability of their operation with non-industrial users in terms of “complaints” that could be made by potential non-industrial neighbors. Many were concerned that complaints from non-industrial neighbors would limit their ability to operate freely and thus would prove harmful to their business.

Access and parking. After general comments about incompatibility, the next most commonly cited consequence for having non-industrial neighbors were problems associated with access for trucks and conflicts over parking (mentioned by 10/34 interviewees).

Other consequences of non-industrial neighbors included increased congestion, the rise in land costs associated with residential or retail uses, and higher crime.

However, there are some potential benefits in having non-industrial neighbors. While responses were dominated by the potential consequences of non-industrial neighbors about a third of respondents cited some benefit to having non-industrial neighbors (17/46 interviewees).

Client attraction. The most common benefit was ease of access to clients who may be non-industrial businesses as well as the public in general. About half the respondents who cited a benefit to having non-industrial neighbors described some benefit related to increasing access to clients, attracting new clients or marketing benefits (8/17 interviewees).

Other benefits to having non-industrial neighbors cited by respondents include the belief that non-industrial businesses can provide a night-time security benefit to employees who are otherwise in isolated, unpopulated areas, that having more non-industrial neighbors would lead to increased policing of all trucks which would help congestion issues, and increases in property values would be of benefit to business property owners.

SECTION III: ADVANTAGES OF SEATTLE AND OPPORTUNITIES FOR INDUSTRIAL USERS

Each respondent was asked a series of questions designed to solicit information on the firm's preferences for locating in the region. In general Seattle ranked high as a desirable location for industrial businesses, and most of the industrial businesses interviewed were satisfied with their location in Seattle.

Many industrial land users in Seattle feel that they are in the “ideal” location for their business. Each interviewee was asked to describe the ideal location for his or her business. Half of the interviewees who responded felt that they were in their “ideal location” (23/44 interviewees).

In addition to those citing their current site as the ideal location, other locations considered “ideal” include areas close to the respondents' own home or where their employees live, or locations that allowed them to limit transportation and access constraints.

Other cities and neighborhoods that were potentially ideal include: Bremerton (due to the reduced rent with continued access to Seattle markets), Georgetown, the Auburn Valley, Richland, and the SODO area.

Advantages and Opportunities in Seattle

Each respondent was asked what they saw as the opportunities for Seattle industrial users. Interviewees responded in many ways including more generalized advantages associated with being in the largest metropolitan center of the region as well as qualities more specific to Seattle's current market. While five respondents initially replied that Seattle lacked any advantages for industrial businesses, all but two were able to cite at least one advantage or opportunity for industrial businesses in Seattle.

While respondents framed their comments on the advantages of being located in Seattle through various concepts—such as the presence of many transportation corridors, being near clients, being easily accessible to their employees, and the ability to receive supplies and products from Alaska and Asia—most of the benefits relate back to the concept of *access*. This suggests that accessibility plays an important part of the economics of local industrial businesses.

Seattle is valued for its proximity to clients. Respondents cited the proximity to clients as the primary advantage for locating or expanding an industrial business in Seattle (28/50 interviewees). Some advantages for being located near their client base include: the greater visibility that it offers, the ease of inspections, locating near other similar firms to attract more clients, and the ability to provide customized services to local consumers. Close proximity to clients was especially important for firms that provided boutique or customized services such as in the arts and custom manufacturing, as well as firms in well-established industrial clusters such as the maritime industry.

Access to suppliers and employees. Easy access to suppliers and for employees is also an advantage of locating in Seattle. Following proximity to clients, proximity to suppliers (9/50 interviewees) as well as ease of access on behalf of employees (6/50 interviewees) were cited as advantages of locating in Seattle. Having already developed networks of suppliers in Seattle was an important benefit for firms and contributed to their interest in staying in Seattle. The central location of Seattle within Western Washington was seen as advantageous for employees, who may live either north or south of Seattle.

Regional center. Seattle is considered to be the regional “center” for a number of industries. Eight (8/50) respondents felt that Seattle was the center of their industry. For these industries, being in Seattle offers firms the advantages of being “at the center of what’s happening” and efficiencies due to the proximity of markets and suppliers. This was particularly true for firms engaged in creative or artistic disciplines, the seafood industry and some specialty food and beverage industries.

Seattle’s central location and multiple transportation options are an advantage for industrial firms. Transportation and accessibility figure prominently in respondents’ view of the advantages of Seattle for industrial firms. About a third of respondents described a transportation benefit to locating in Seattle (16/50 interviewees). The Port of Seattle was the most commonly cited transportation asset (10/16 interviewees), which offers industrial firms access to Alaskan, Asian and other markets.

Following the port, access to multiple freeways was the next most commonly cited transportation advantage of Seattle. In addition, intermodal transport (rail to truck, truck to barge), surface street options, access by barge and reduced transportation costs due to proximity to clients and suppliers were also cited as transportation advantages of locating in Seattle.

Additional qualities of Seattle that make it advantageous or present opportunities for industrial users include:

Population Growth. Many respondents cited the current growth in Seattle as presenting opportunities for industrial users (9/50 interviewees).

New Construction. Many cited the recent construction boom in Seattle as advantageous to local industrial operations (8/50 interviewees).

Seattle offers its industrial firms a “metropolitan” market. Some respondents stressed the importance of being located in a “metropolitan” area because of the connection between the products and consumers (7/50 interviewees). Some firms require a diversity of clients who demand customized services, and thus the breadth of small companies and the large population of Seattle offer a sound market. In addition, some firms require more affluent consumers who desire a customized product.

A good place to live. Some respondents cited the high quality of life in Seattle as an advantage to industrial firms because it makes Seattle a desirable place to live on behalf of employees (6/50 interviewees).

Skilled labor. For some industries, Seattle offered a labor pool with specialized skills. The presence of creative or artistic skills was particularly mentioned (5/50 interviewees).

A good reputation. A smaller number of businesses cited Seattle's reputation as an advantage to locating here, as opposed to other locations further south or east. One respondent explained that in this region Seattle is the "hip place to be" (mentioned by three respondents)

Areas that work best for industrial users

Each respondent was asked which areas within Seattle work best for their type of business and why. A total of forty-six respondents offered responses on the areas they felt were best for their business—three did not respond and one interviewee felt there was no "best area" due to the nature of his or her operation.

Answers varied widely among the individual respondents and the industries they represented. However, a dominant theme through the responses was the importance of being "close-in" for the purposes of having access to customers and suppliers.

Areas that work best within Seattle

Areas close-in and south of the city were most commonly cited as "working the best". SODO, Georgetown, and near Boeing Field were particularly cited by almost half the respondents as the areas that work best for their type of business (22/46 interviewees). For some these areas represented the right "type of community" with industrial land and a desirable proximity to transportation hubs such as the airport and port. In addition, these areas were seen as not being quite as congested as other industrial areas and offered good access to the freeways and a grid road system that was easy to navigate. The lower cost per square foot was also cited as an advantage.

Following close-in areas to the south, Interbay and Ballard were the next most frequently cited areas. These areas were mentioned with particular reference to the water access they offer and were particularly desirable for those in the maritime industry (mentioned by 12/46 interviewees). Ballard was also thought to be easier to navigate than the more southern areas because of fewer train conflicts.

Areas further south such as Tukwila and South Park, as well as areas further to the north, were also cited but less frequently so. The "north end" was mentioned for its lower cost of land and energy.

Some respondents did not specify an actual neighborhood or answered in more general terms such as any industrial location (6 interviewees), their current location (6 interviewees), or on the water (6 interviewees) as the best areas for their type of business. Industrial locations in flat areas with less population density were important for those who needed long-haul truck access.

Outside of Seattle

As a follow up question to the areas that work best in Seattle, each respondent was asked which areas work best for their business outside of Seattle. Many stressed that they were not interested in moving, but still offered their opinions on other industrial areas (a total of 31 interviewees). Many of the places outside of Seattle were mentioned for the same reasons that particular areas in Seattle were desirable, such as proximity to suppliers and access to water, for example.

Cities to the south were most desirable. The most commonly cited area outside Seattle was the Kent Valley (cited by 14/31 interviewees). The Kent Valley was described as having a growing number of customers, and some respondents mentioned that they were increasingly doing more business in neighboring cities such as Auburn, Bellevue, Kirkland, and Woodinville. In addition, Kent offered easy access to the major highways, offered ample room for large trucks, and also had an advantage over Seattle with its room for industrial expansion and the availability of industrial space.

Following the Kent Valley, Tukwila and Tacoma were cited as the “best areas” outside of Seattle for their business because of the increasing customer base and lower rent costs (mentioned by a combined total of 9/31 interviewees). Increases in housing costs in central Seattle were often linked to the desirability of these markets further south because employees could afford to live near those communities.

Other areas mentioned include Bellingham, Portland, Woodinville, Everett, Alaska, Hawaii, and central Washington.

Types of Businesses that would find Seattle Attractive

Each interviewee was asked if they thought there were specific businesses or types of economic activity that would find Seattle attractive. Most of the respondents referenced their earlier descriptions of the advantages of locating in Seattle and the opportunities Seattle offered its industrial users, as well as the constraints to industrial uses in Seattle. About a quarter of respondents did not mention a specific industry either because they could not think of any, did not feel that any specific business would find Seattle attractive or because they did not wish to offer comment (13/50 interviewees).

Out of those who did suggest a business that would find Seattle attractive, about a third felt that any or all businesses would find Seattle attractive (12/37 interviewees). The high quality of life in Seattle, its size and diverse marketplace,

its recent growth, the climate and the variety in the workforce were all cited as reasons that businesses would find Seattle attractive.

The two most commonly cited industries that respondents felt would find Seattle attractive include the high-tech industries of software development and biotech (8 mentions) as well as businesses involved in shipping, warehousing, and import and export (5 mentions). Other businesses mentioned include artists, marine-related, aerospace-related, construction, recreation-related and businesses with a retail or showroom component.

Reasons for Moving or Expanding

About one fifth of those interviewed were planning to, or had recently, moved or expanded their operations (11/50 interviewees). Additionally, another six of the respondents were considering a move in the near future (a total of 17 interviewees had either moved, were planning to move, or were considering a move).

The need for additional space was the most common reason industrial lands users changed their location. Those who did move, or acquired new space, most commonly cited growth or increased consumer demand as the reasons they moved (9/11 interviewees). The types of growth include increased demand as well as the expansion of services or products. Some respondents were able to respond to demand by expanding in their current location, while others had to move to a new location to gain more square footage.

Following the need for additional space, the opportunity to reduce costs was also a common reason for changing locations. More than half of those who were moving, or had recently moved, did so to reduce costs (7/11 interviewees). This included reducing fixed costs by consolidating their Western Washington operations.

In addition to meeting needs for increased space and to reduce costs, other reasons for moving included the high costs of housing in Seattle which caused longer commute times for employees, having operations close to the owners home, and the opportunity to own their own building.

Only five of the interviewees stated that they were moving, or considering a move, to a location outside of Seattle. The reasons for leaving Seattle were related to costs. In addition, one respondent explained that adding a location outside of Seattle allows them to access new markets and also limits risks associated with having all of their investments in one market.

SECTION IV: IMPROVING SEATTLE FOR INDUSTRIAL USERS

Interviewee Assessment of Opportunities for Industrial Users in Seattle

Each interviewee was asked what they felt were the opportunities for Seattle industrial businesses and to comment on what they felt the City could do to encourage growth in their industries.

Forty-five respondents offered comment on the question: What do you see as the opportunities for Seattle industrial users? Their responses can be grouped into three categories: those who felt there were opportunities for industrial users in Seattle, those who felt that there were limited or no opportunities for industrial users in Seattle, and those who felt there were potentially opportunities for industrial users in Seattle if certain problems were addressed.

There are significant opportunities for industrial businesses in Seattle.

More interviewees felt there were opportunities for industrial businesses in Seattle than in the other two categories (20/45 interviewees). The opportunities that were cited parallel the discussions on the advantages of being in Seattle. For example, the close proximity to markets and the growth in local markets were considered opportunities for industrial businesses. Others emphasize the importance of being at the center of an industry and that Seattle has a good reputation as a city that was “happening.” In addition the port, the local labor force, transit, and the fact that many find Seattle as a nice place to live were all cited as opportunities for industrial businesses.

However, many are concerned that the opportunities for industrial users in Seattle are either very limited or declining. One third of respondents described Seattle as having limited or declining opportunities for industrial businesses (14/45 interviewees). Factors that limited the opportunity for industrial businesses include:

Limits and pressures on industrial lands. As discussed above, many industrial businesses are concerned about the declining amount of industrial lands. Some feel that industrial businesses are leaving Seattle due to space constraints. For those in the maritime industry there is the added concern of reduced access to waterways.

Reduced support of industrial businesses with a rise in focus towards non-industrial industries. Of those who cited a decline in opportunities for industrial users in Seattle, many felt that Seattle in general was moving away from industrial users. This was related to the issue of industrial lands, with older industrial buildings being replaced with buildings for different uses. In addition, some felt that the

cultural and business climate in Seattle was increasingly less friendly towards industry.

Lack of a low-cost labor force. The limited availability for suitable labor also reduces the opportunities for industrial businesses in Seattle.

Others felt that there were opportunities for Seattle’s industrial users under certain conditions or policies. Some interviewees cited opportunities in Seattle that, if managed right, could represent opportunities for the City’s industrial businesses (9/45 interviewees). Specific mentions include the expansion of the port or improved water way access for industry, infrastructure and design upgrades that enhance the ability to have rail and freight operations in south Seattle, as well as transportation improvements in general.

Encouraging Industrial Growth in Seattle

Each interviewee was asked how Seattle’s land use policy currently constrains their business, or other businesses in their industry. As a follow up question, each was asked what the City could do to encourage growth within the respondent’s industry in Seattle.

Policy Constraints

Many interviewees did not comment on the ways that Seattle’s land use policy constrained their business either because they had no direct experience with the City’s policies or declined to comment for some other reason. A total of ten interviewees offered no response, and fourteen felt that the City’s policies had no effect on their business either because they were so small, were not interested in moving, or did not create large impacts. A total of thirty-three respondents cited a specific concern about how Seattle’s land use policies could constrain their business.

Many feel that the City’s land use policy currently constrains their business or other businesses in their industry. About two thirds of those who responded view the City’s regulatory environment as constraining their business in some way (33/50 interviewees). Some describe Seattle as “highly regulated” relative to other markets while others cite a particular regulation that constrains their business directly. Some stress that the heavy oversight in Seattle makes the playing field less equal among competitors.

Building regulations limit businesses’ ability to modify their buildings and sites. About one quarter the respondents discuss the restrictive nature of the building permitting process when attempting expansions of their operations, or in order to gain variances on the uses of their land and/or building (9/33 interviewees). Many feel that the process is cumbersome and time-consuming while some have even chosen to locate elsewhere rather than expanding because of the dynamics of the building process. Some who had tried to modify their

buildings or modify their lot boundaries described the process as “horribly difficult” and complained about the inordinate amount of red tape involved.

Seattle is seen as having high taxes relative to other locations.

One-fifth of respondents who felt that Seattle’s land use policies constrained their business mentioned the high rate of taxation in Seattle (6/33 interviewees).

Outside of explicit regulations or policies, some feel that there is a negative attitude towards industrial businesses on the part of the City or the public. Approximately one fifth of the interviewees mention some kind of negative attitude by either the City Administration or the public that constrains their business or other businesses in their industry (11/50 interviewees). These interviewees stress that industrial businesses and their needs need to be considered in balance of other values and needs.

Some felt that industrial businesses and operations were being “forgotten” or overlooked in favor of more “white-collar” industries. One respondent suggested that City office appointments should be made with an intent to keep industry “on the forefront” along with the environmentalism that is currently popular. Another described the need for better communication and education about their businesses to the general public so that there is greater understanding and support for their work.

Recommendations to the City

As a follow up question to how the City’s land use policies constrain respondents’ businesses, each interviewee was asked what the city could do to encourage growth within his or her industry in Seattle.

A total of 40 interviewees offered some suggestion as to what the City could do to encourage growth in his or her industry. Some of the remaining ten declined to respond because they felt that city policy was not applicable to their business, that the City could not do anything to help their industry, or that it was not the City’s place to try and encourage change in the marketplace.

Solving the City’s traffic problems. The most common suggestion for helping Seattle’s industrial businesses is solving the City’s transportation challenges (21/40 interviewees). This includes suggestions for repairing surface streets and other infrastructure improvements to ease the circulation of traffic within and around Seattle.

In addition, improving transit options was cited as a way to reduce demand on local roads and highways (4/40 interviewees).

Efforts towards affordable housing could help industrial businesses by increasing the supply of the labor force. Across all of the interviews, about a fifth discussed the relation between the rising cost of living and housing in Seattle

and the economics and location decisions of their business (discussed by 10/50 interviewees).

Many attributed challenges in the labor supply and profitability of their enterprises to the high housing costs in the city. The high costs of housing in Seattle make competing markets more attractive (mentioned by 7/50 interviewees). Kent, Auburn, Tacoma, locations in Oregon and the Skagit Valley were all cited as being favorable to Seattle because of lower housing costs for employees. Oregon in particular was attractive to those dependent on water access.

Reduce tax burdens on small businesses. A quarter of those who offered recommendations to the City focused on taxes (10/40 interviewees). Many felt that the current tax system was unfavorable to small or start-up businesses and recommended devising tax incentives to encourage the development of new businesses.

The City and administrators must incorporate a future for industrial businesses in their visions for Seattle. Some interviewees feel there is a negative attitude towards industrial businesses on the part of the City and a general lack of support for industrial businesses and industrial areas. As a corollary some respondents suggested additional efforts on the part of the City to preserve industrial lands as a method for encouraging industrial business (5/40 interviewees).

Make land-use regulations more user-friendly. Some respondents suggest reducing land-use regulations and speed up permitting processes to allow industrial users to make the most out of their sites (6/40 interviewees). Respondents note the low vacancy rates for small industrial spaces and feel that if permitting was easier for developers to obtain there would be more industrial space available. This would also reduce the upward pressure on rents.

ATTACHMENT A: INTERVIEW INSTRUMENT

SEATTLE INDUSTRIAL LANDS STUDY INTERVIEW

Section 1: General Industry

1. What do you consider to be the key concerns for your industry right now?

2. What are the growing areas in your industry?

2.b. What is driving that growth?

3. What are the declining areas in your industry?

3.b. What is driving that decline?

4. Do you participate in any professional trade associations?

If yes: 4.b.1. Which ones?

If no: 4.b.2. Why not?

5. What are your sources for labor?

Prompt: Do you use trade fairs, vocational schools, high schools or help wanted ads?

Section 2: Location Attributes

6. What are your most significant costs of operation?

6.b. How do these costs affect where you locate your business?

6.c. Have there been any changes in these costs?

If yes: 6.c.2. How will these changes affect where you prefer to locate?

7. How is your company's bottom line affected by access to your location?

7.b. Access to what or by whom is most important?

7.c. What types or modes of transportation are most important? Why?

8. What are the characteristics of a building and site that are important to your industry?

Prompt: Could you explain your particular building and site needs?

9. How about the characteristics of your neighbors: what industries or businesses would be your ideal neighbors?

9.b. What benefits or consequences do you incur from being next to other industrial operations?

9.c. What benefits or consequences would you incur from being next to non-industrial operations?

Section 3: Regional Preferences

10. What are the benefits or advantages to locating or expanding a business like yours in Seattle?

10.b. Within Seattle, what areas work best for your type of business and why?

Prompt: Are there areas or systems of activity that might be advantageous to be near?

10.c. How about outside Seattle?

11. Where is the ideal location for your business?

If someplace other than where they are:

11.b. What is preventing you from locating there?

Section 3 B: For those who are relocating

12. Why are you currently moving or expanding?

13. Why are you seeking a location outside of Seattle?

13.b. Will this be your primary location, or will it be in addition to others?

If there are multiple locations:

13.b.2. Do you see a benefit to spacing out your activities?

Section 4: Assessment of Seattle as an Industrial Location

14. What do you see as the opportunities for Seattle industrial users?

14.b. Are there specific businesses or types of economic activity that would find Seattle attractive?

14.c. Are there certain industrial businesses you'd like to come to Seattle?

14.c.2. Why would this be of benefit to your industry or person?

14.d. Are you aware of other firms that may be interested in expanding or locating in Seattle?

15. What can the City do to encourage growth within your industry in Seattle?

16. How does Seattle's land use policy currently constrain your business or other businesses in your industry?

17. What do you see as the constraints for your industry within Seattle's business and cultural environment?

18. And lastly, is there anybody in particular you recommend we speak to about these issues?