

NEST Study

A Study of Development Properties Around Seattle-Tacoma International Airport

DECEMBER 2004



ABSTRACT

In 2003, the Cities of Burien, Des Moines and SeaTac, the Port of Seattle (operator of Seattle-Tacoma International Airport) and the Puget Sound Economic Development District created the New Economic Strategy Triangle Partnership (NEST). The partnership was formed to explore the potential for economic growth in South King County communities surrounding Seattle-Tacoma International Airport. The study was funded by a \$96,900 grant (#07-69-05316) from the U.S. Economic Development Administration. The Cities and the Port provided matching resources.

The study identified eight underutilized properties located near the Airport to investigate for future development. In a year-long effort, the NEST partners and consultants worked collaboratively to identify the benefits, opportunities and constraints associated with development. This work included analyzing market conditions, development constraints, the sufficiency of existing infrastructure, vehicle access issues, size and placement of buildings, financial feasibility for development, uses most appropriate for the properties, and job creation estimates.

Based on this work, preliminary development plans and pro forma analyses were prepared for each of the NEST properties considered feasible for future development. The plans are conceptual in nature and represent a single development scenario for each property. The purpose is to provide an indication of the relative development needs and associated development potential for each property.

This study was produced by the Central Puget Sound Economic Development District in cooperation with the Puget Sound Regional Council and GVA Kidder Mathews.

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This NEST Study Final Report is available in paper and compact disc formats. Copies of appendices in paper format are provided for use as reference documents in the PSRC Information Center.

The findings of this study are conceptual in nature; they are based on available information and consultants' judgments. The real estate analysis has been completed as a Broker's Price Opinion and is not an appraisal. Given the preliminary nature of the investigations, further study and verification of all matters deemed to be material is advised.

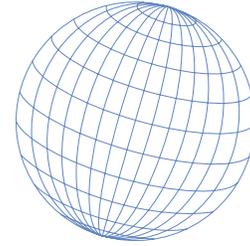
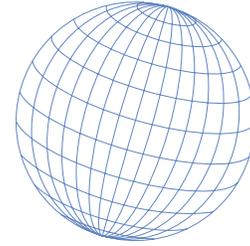


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EXECUTIVE SUMMARY

In 2003, the Cities of Burien, Des Moines and SeaTac, the Port of Seattle and the Puget Sound Economic Development District created the NEST Partnership. The partnership was formed to explore the potential for economic growth in South King County communities surrounding Seattle-Tacoma International Airport. The NEST (which stands for New Economic Strategy Triangle) Partners identified eight underutilized properties located adjacent to Sea-Tac Airport to investigate for future development. After receiving a grant from the Economic Development Administration for \$96,900, the Cities and the Port provided matching funds, established a total project budget of nearly \$150,000 and hired a consultant team headed by GVA Kidder Matthews to begin work. In a year-long effort, the NEST Partners and consultants worked collaboratively to identify the benefits, opportunities and constraints associated with development.

The properties, referred to as the NEST Properties, consist of approximately 600 acres of land situated north and south of the airport, within the city limits of Burien, Des Moines and SeaTac. Of this total, approximately 270 acres have near-term development potential.

The study analyzed market conditions in south King County and immediately around the airport, as well as constraints on development, the sufficiency of existing infrastructure, vehicle access, size and placement of buildings, financial feasibility for development including job creation, and best use. Addendum chapters containing the consultants' detailed analysis and property pro formas are available electronically on the disc attached to this project summary.

Information on the NEST Partnership and consultant team, as well as contact information, are found at the end of the report.

POTENTIAL BENEFITS

Under the proposed development scenarios, the NEST Properties potentially generate substantial economic benefits in both direct and indirect impacts. Direct impacts include private investment and new business spending from development construction and on-going business operations. Potential direct impacts from the NEST properties could range from gross receipts of \$625 million to \$1.4 billion and 6,200 to 9,400 employees, with estimated annual earnings ranging from \$250 million to \$560 million.

Indirect and induced impacts, often called the multiplier effect, include related jobs, new business revenue, assets, and personal income. These in turn create tax revenues for city, county, state, and other jurisdictions. The positive indirect economic impact related to the properties potentially ranges from gross receipts of \$1.1 billion to \$2.4 billion and employment of 10,000 to 19,000, with annual earnings of \$393 million to \$1.5 billion. The potential annual tax benefits produced from the fully developed properties are estimated to range from \$6 million to \$10 million per year.

The communities of Burien, Des Moines and SeaTac lag behind King County averages in median and per capita income. Developing the NEST properties, which are mostly vacant land now, creates an opportunity for the local communities to enhance their economic position in the region through increased tax revenues and employment opportunities.

Additionally, improved air freight logistics, a natural market for these properties, enhances the region's ability to compete globally, reduces congestion on the region's highway system, and achieves substantial economic benefits with a minimum of additional public investment.

EXISTING ECONOMIC CONTEXT

From a trade perspective, Seattle's West Coast location is equidistant from Europe and Asia. Sea-Tac Airport — and the Seattle and Tacoma marine ports — serve as gateways for import and export trade flows. With goods traveling through Seattle by sea and air, Sea-Tac Airport is well-positioned to capture business from the rapidly-growing Asian markets; domestically, Alaska is an important trading partner. Direct rail connections and major interstate highway routes make the Puget Sound area attractive to logistics providers moving goods throughout the US, Canada, and Mexico.

In 2001, Washington State's major airborne exports totaled \$3.8 billion, and included aircraft parts, medical equipment, electronics, telecommunications equipment and machinery. In the manufacturing sector, exporters are in food processing, chemicals, machinery, computer and electronics, electrical equipment and transportation equipment industries. Also in 2001, imports totaled \$5.5 billion. By value, major imports include jet engines, clothing and footwear, televisions, monitors, and electronics. These established industries are natural target sectors for the NEST Properties.

The NEST Properties provide development opportunities for businesses that value proximity to the airport. These include airlines, providers of airport services, airline passenger services and freight-related services. Manufacturers producing goods for export benefit from a near-airport location, as time and distance relationships are increasingly important to business operations. Establishing foreign trade zone status on property also provides a competitive advantage for value-added manufacturers of goods flowing in and out of King County.

DEVELOPMENT POTENTIAL

Industries that import and export goods are target users for the NEST Properties. The NEST Properties are subject to noise impacts and safety concerns from aircraft operations, and are best used for product-oriented businesses involving fewer people and compatible with other property constraints. When fully developed, the NEST Properties, although subject to assemblage in some cases, could accommodate approximately 3.8 million square feet of flexible industrial space valued at approximately \$260 million.

Demand for the NEST Properties exists in two real estate market segments: the off-airport, and general industrial markets. The off-airport industrial market is a subset of the larger general industrial market and currently measures approximately 3.5 million square feet. It includes users who value proximity to the airport. The large Southend general industrial market, located between Seattle and Tacoma, is dominated by businesses who value the location for its proximity to regional population centers and transportation hubs. This market currently measures over one hundred million square feet and continues to grow.

Demographic information shows that the airport acts as a regional employment and travel density generator for the local cities, and that the local cities' economic growth aligns more closely with state forecasts, emphasizing the importance of the airport and trade to the local economy. Available properties in the cities offer close-in location and convenience to trade-related development, key to both the cities' and the airport's financial success.

IMPLEMENTATION

The overall strategy for development of the NEST Properties involves three steps. First, those jurisdictions with authority should reach agreement on and implement those actions that result in the completion of the entitlement process for each property. Second, a marketing plan should be created with the off-airport industrial market as the primary target and the general industrial market as the secondary target market. The third step will be implementing the marketing plan and obtaining commitments from developers or users.

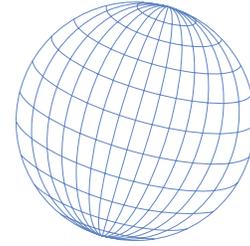
The properties are located in areas that are subject to noise and safety concerns. In most cases land use is regulated by multiple jurisdictions, including compliance with Federal Aviation Administration (FAA) use restrictions. In many cases, work is needed to entitle the properties for development, including agreement on jurisdictional authority; identifying permitted uses; defining height and bulk requirements; completing SEPA review and documentation; and agreement on timeframes and process for development review. The Cities and the Port, as they have in this study effort, will be best served by continuing to work together to bring beneficial development to the NEST properties.

Study results show the off-airport market generates potentially the greatest benefit in the long-term, while the general industrial market offers the opportunity for immediate benefits. The best strategy will target both segments and encourage development that is designed to flexibly meet the long-term needs of off-airport uses. Flexible design includes large square or rectangular development sites capable of accommodating similarly shaped buildings that can be occupied by multiple tenants or users. Conceptual development plans presented in the report show one example of how the properties could be developed. Because of prior assemblage and location, some of the properties are ready to be prepared for development; others are more feasible further out into the future.

Study analysis concludes that, in the near term and barring unusual situations or uses, general infrastructure and existing roadways are adequate to support development. In the long term, roadways may likely need to be analyzed for concentrations of vehicle activity at key intersections and load wear on roadways near the study sites. Visual impacts of new development can be addressed through careful access planning and building design, examples of which are included in this report.

To fully realize the opportunities presented by the NEST properties, it will be most productive to entitle the properties for development, as described above, prior to bringing them to the marketplace. Also, development is more likely to be successful if the group of businesses targeted for marketing values an airport location, but the NEST properties are priced to compete with other properties in the general industrial category. This will allow optimal development related to the airport market to be phased in and prices to increase as the market and land use evolves. Another consideration will be using, whenever possible, site and building design to support general industrial development uses while not precluding a shift in future development to more specific, off-airport uses.

In conclusion, the analysis confirmed that the benefits of preparing the feasible properties for development would outweigh the cost, providing new job creation, investment and tax base. In addition, development of the NEST properties would provide prospects to meet increasing opportunities in global trading through air freight, logistics, manufacturing and trade-related technology. Appropriate development of the NEST properties, through continued collaboration by the Cities and the Port, offer a key to the economic success of the local cities, as well as Sea-Tac Airport's ability to grow in both domestic and international trade activity.



INTRODUCTION

In 2003, the Cities of Burien, Des Moines, SeaTac and the Port of Seattle, the owner and operator of Seattle-Tacoma International Airport, joined together to explore the potential for economic development around the airport. Working with the Puget Sound Economic Development District (EDD), the Cities and the Port received a grant for \$96,900 from the U. S. Economic Development Administration and provided local matching funds. The study effort was known as NEST, for New Economic Strategy Triangle, and was overseen by a task force of representatives of the funding partners. The partners then contracted with a consultant team and identified underutilized properties located adjacent to the Sea-Tac Airport to investigate for future development.

The EDD acted as the study project manager and facilitator of the NEST task force meetings. Study efforts also benefited from a regional resource group, which included representatives of other government entities, the University of Washington, cargo industry representatives and business groups.

In a year-long effort, the NEST partners and consultants worked collaboratively to identify benefits, opportunities, and constraints associated with the properties' development. The study included analyzing market conditions in south King County and immediately around the airport, as well as constraints on development, the sufficiency of existing infrastructure, vehicle access, size and placement of buildings, financial feasibility for development, job creation and best use.

A sub-component of the study methodology was to better understand the competitive position and forces affecting the development potential of these properties. To assist this effort, two steps were taken. First, the consultants examined 34 major airport real estate markets located throughout the U.S. Second, a workshop was held and interviews were conducted. The workshop, held on November 21, 2003, was attended by business executives from firms that regularly do business with Sea-Tac Airport, airport consultants, trade consultants, Sea-Tac International Airport administrators, and the NEST partners. In addition, a number of formal and informal interviews took place at various times during 2003 and 2004. A record of these activities is included in *Addendum 2 – Market Analysis*.

This report consists of the following sections: the potential economic benefit if the properties are developed, as well as the existing economic context of the development area. Sections on market analysis, highest and best use and the effect of airport operations on property uses follow. The final section on development potential provides direction on strategy, implementation and timing, followed by an overview of each site's characteristics, conceptual development plan and implementation checklist.

Information on the NEST Partnership and consultant team, as well as contact information, are found at the end of the report. Addendum chapters containing the consultants' detailed analysis and property pro formas are available on the disc attached to this report.

The NEST study focused on vacant or underutilized properties within the NEST cities. It identified eight property areas, some owned by the Port but not all, with a total gross area of approximately 600 acres, as shown on the following map. Of this total, approximately 270 acres have economically feasible development potential identified in the foreseeable future. The balance of the land is encumbered by existing improvements that currently represent the highest and best use, or sensitive areas such as wetlands and steep slopes, and roadways.

The NEST Properties are mostly located within the noise contours and pathways of Sea-Tac Airport's two existing runways and planned third runway. In most cases, property has been or will be purchased by the Port for noise mitigation purposes, consistent with FAA requirements. The location within the noise contours creates limitations on permitted land uses. Some of the properties have been targeted for soil extraction for constructing the airport's third runway. For the purposes of this study, the properties have been named as follows:

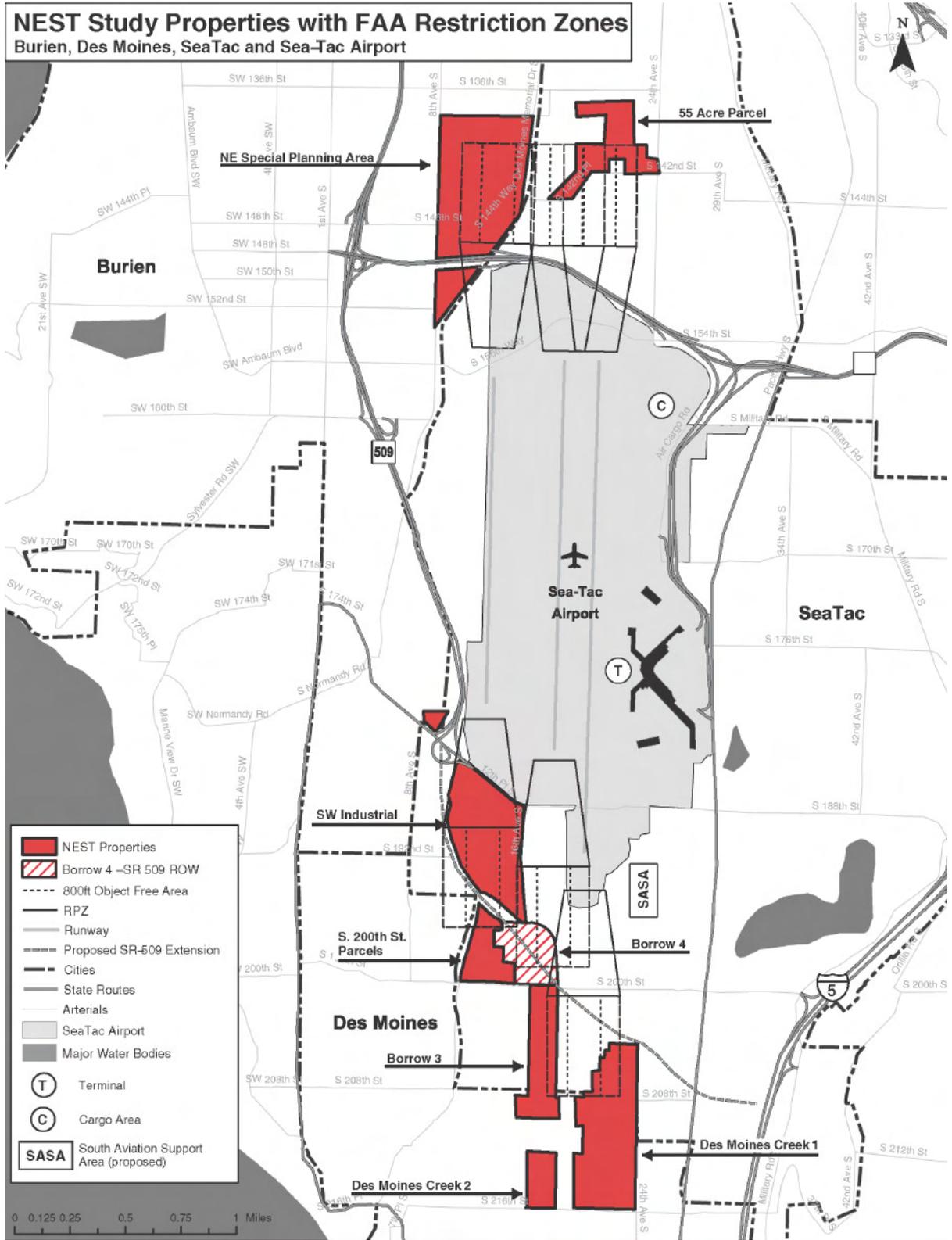
Name	Net Usable Acreage	Location	City	Street Reference
Des Moines Creek #1	97.8	South of Airport, east of Des Moines Creek	Des Moines/SeaTac	North of S. 216 th St. and west of 24 th Ave S.
Des Moines Creek #2	21.7	South of Airport, east of Des Moines Creek	Des Moines	North of S. 216 th St. and west of 18 th Ave. S.
Borrow #3	16	South of Airport, west of Des Moines Creek	SeaTac	South of S. 200 th St. and west of 18 th Ave. S.
S. 200 th St. Parcels/ Borrow #4	22.6	Southwest of Airport	SeaTac	East of Des Moines Memorial Dr. and north of S. 200 th St.
SW Industrial Properties	48.3	Southwest of Airport	SeaTac	South of S. 188 th St. and east of Des Moines Memorial Dr.
North East Special Planning Area (NESPA)	64	Northwest of Airport	Burien	West of Des Moines Memorial Dr., east of 8 th Ave. S., south of S. 138 th St.
55 Acre Parcel	46.3	North of the Airport	SeaTac	North of S. 142 nd , west of 24 th Ave. S, south of S. 136 th St.

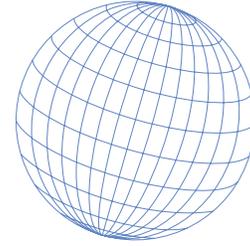
The NEST Partners established the following global assumptions to guide the study consultants:

- The Airport's third runway will be completed.
- The extension of SR 509 will be completed.
- The Cities and the Port of Seattle will consolidate the unused road right-of-ways, located on many of the properties, with the adjoining Port-owned lands.
- The Port of Seattle will complete noise and safety mitigation land acquisitions for the third runway.
- Allowed land use(s) will be driven by the market.
- When a limited number of parcels are vested in private ownership, assemblage is presumed completed.

NEST Study Properties with FAA Restriction Zones

Burien, Des Moines, SeaTac and Sea-Tac Airport





POTENTIAL BENEFITS

ECONOMIC BENEFITS

Developing the NEST Properties could generate potentially substantial economic benefits in the form of direct and indirect impacts. Direct impacts consist of private investment and new business spending during construction and from on-going business operations. The direct impacts include gross receipts of approximately \$620 million to \$1.4 billion, 6,200 to 9,400 employees, and annual earnings of \$250 to \$560 million.

The indirect and induced impacts, often called the multiplier effect, take the form of new business revenue, assets, jobs, and personal income, which in turn create tax revenues for city, county, state, and other jurisdictions. If the NEST properties are developed, the positive indirect economic impacts could include gross receipts from \$1.1 to \$2.4 billion, additional employment of 10,000 to 19,000, and annual earnings from \$393 million to \$1.5 billion.

The table below summarizes the total potential economic impact for the NEST Properties, if fully developed according to the conceptual development plans found in this study. The results illustrate lower benefits from lower intensity uses and higher benefits from higher intensity uses.

POTENTIAL ECONOMIC BENEFITS

	Low	High
Direct Impacts		
Gross Receipts	\$624,725,000	\$1,405,000,000
Employees	6,247	9,371
Earnings	\$249,890,000	\$563,252,000
Indirect and Induced Impacts		
Gross Receipts	\$1,061,907,000	\$2,447,344,000
Employees	10,105	18,865
Earnings	\$392,952,000	\$1,464,948,000

In Burien, the potential exists to build over 900,000 square feet of space with construction costs of approximately \$57 million (for the NESPA #1, NESPA #2, and NESPA #3 properties). In terms of direct economic impacts, the properties could generate \$154 million to \$346 million in gross receipts, 1,500 to 2,300 jobs, and \$61 million to \$138 million in annual earnings. Indirect impacts would range from \$261 million to \$602 million in gross receipts, 2,500 to 4,600 jobs, and \$97 million to \$360 million in annual earnings. Estimated tax revenues flowing from the properties would range between \$1.5 million and \$2.6 million annually. The City's share could range from \$165,000 to \$336,000 per year.

The Des Moines properties, Des Moines Creek #1 and #2, could accommodate 1.8 million square feet of space with construction costs of approximately \$108 million. The direct economic impact is estimated at \$302 million to \$681 million of gross receipts, and 3,000 to 4,500 jobs with \$121 million to \$272 million in annual earnings. Indirect and induced impacts could equal between \$514 million and \$1.2 billion in gross receipts, 4,900 to 9,100 jobs, and \$190 million to \$709 million in annual earnings. Tax revenues flowing from the properties range from \$2.9 to \$5.0 million annually, with the City's share ranging from \$204,000 to \$400,000. Given the shared jurisdiction, approximately 25% of the Des Moines Creek #1 property is located within the City of SeaTac and that portion of the benefits would flow to SeaTac.

The SeaTac properties, Borrow Area #3, South 200th Street Parcels and 55 Acre Parcel, could accommodate one million square feet of space with construction costs of \$58 million. In terms of direct economic impacts, the properties could generate between \$169 million and \$379 million in gross receipts, 1,700 to 2,500 jobs, and \$67 million to \$152 million in annual earnings. The indirect or induced impacts could generate between \$287 million and \$661 million in gross receipts, between 2,700 and 5,100 jobs, and \$106 million to \$395 million in annual earnings. Tax revenues flowing from the properties range from between \$1.6 to \$2.6 million annually, of which the city's share would be \$185,000 annually. Unlike the other two cities, the figure for tax revenue is not a range, given SeaTac's tax structure.

It is important to recognize the conceptual nature of the study and understand that these figures assume 1) the global assumptions are accurate, 2) property assemblages occur (although it is unclear that the owners would be willing to sell their properties), and 3) certain types of businesses will choose to locate on NEST Properties. Nonetheless, the NEST properties could contribute significantly to economic development in South King County. From a regional perspective, the properties enable Washington's industries to compete in world markets through the development of state-of-the-art logistics capabilities and foreign trade zones. NEST properties provide unique opportunities for attracting new manufacturing facilities with immediate connections to supply and distribution chains. Finally, the NEST properties provide a focal point for Seattle's participation in the emerging global market.

The following table presents a breakdown of the potential economic benefits for each of the NEST Partner cities.

NEST PROPERTIES – BENEFIT ANALYSIS

Summary of Benefits-Potential Buildout-Low Contribution Uses

	Burien Properties	Des Moines Properties	SeaTac Properties	Total
Site Acres	65.9	130.7	193.2	389.8
Site Acres – Curb to Curb	30.5	76.4	50.9	157.8
Building Sq. Ft.	921,800	1,814,750	1,011,800	3,748,350
Total Project Cost	\$57,016,551	\$108,285,608	\$58,039,648	\$223,341,807
Direct Benefits – Ongoing				
Gross Receipts	\$153,633,333	\$302,458,333	\$168,633,333	\$624,725,000
Employees	1,536	3,025	1,686	6,247
Earnings	\$61,453,333	\$120,983,333	\$67,453,333	\$249,890,000
Direct Indirect and Induced – Ongoing				
Gross Receipts	\$261,145,940	\$514,118,675	\$286,642,940	\$1,061,907,555
Employees	2,485	4,892	2,728	10,105
Earnings	\$96,635,367	\$190,246,292	\$106,070,367	\$392,952,025
Direct Tax Revenues – Annual Ongoing				
City	\$165,175	\$203,635	\$185,318	\$554,127
County (incl. Criminal Justice)	\$92,289	\$196,830	\$109,741	\$398,859
Port	\$14,049	\$29,964	\$14,794	\$58,807
Other Local	\$327,495	\$726,655	\$263,037	\$1,317,188
State	\$896,057	\$1,789,085	\$997,490	\$3,682,632
Total	\$1,495,065	\$2,946,169	\$1,570,380	\$6,011,613

Summary of Benefits-Potential Buildout-High Contribution Uses

	Burien Properties	Des Moines Properties	SeaTac Properties	Total
Site Acres	65.9	130.7	193.2	389.8
Site Acres – Curb to Curb	30.5	76.4	50.9	157.8
Building Sq. Ft.	921,800	1,814,750	1,011,800	3,748,350
Total Project Cost	\$57,016,551	\$108,285,608	\$58,039,648	\$223,341,807
Direct Benefits – Ongoing				
Gross Receipts	\$345,675,000	\$680,531,250	\$379,425,000	\$1,405,631,250
Employees	2,305	4,537	2,530	9,371
Earnings	\$138,270,000	\$272,212,500	\$151,770,000	\$562,252,500
Direct Indirect and Induced – Ongoing				
Gross Receipts	\$601,854,743	\$1,184,872,959	\$660,616,868	\$2,447,344,569
Employees	4,639	9,133	5,092	18,865
Earnings	\$360,262,485	\$709,249,669	\$395,436,735	\$1,464,948,889
Direct Tax Revenues – Annual Ongoing				
City	\$335,861	\$399,628	\$185,318	\$920,807
County (incl. Criminal Justice)	\$92,289	\$196,830	\$109,741	\$398,859
Port	\$14,049	\$29,964	\$14,794	\$58,807
Other Local	\$327,495	\$726,655	\$263,037	\$1,317,188
State	\$1,825,539	\$3,618,958	\$2,017,722	\$7,462,219
Total	\$2,595,233	\$4,972,035	\$2,590,611	\$10,157,879

EXISTING ECONOMIC CONTEXT

Economic base data indicates that the population of NEST partner cities increased by 8.5% from 1990 to 2000; however, the cities still lag behind the county in terms of median and per capita

income. At the same time, the average household size in the NEST cities is larger than the county average. These factors point to a need for increased economic activity in these cities.

The best opportunities for economic development of the NEST Properties are regional off-airport industries, which can be described as businesses shipping products or receiving components by air. Washington State's major airborne exports totaled \$3.8 billion in 2001 and included aircraft parts, medical equipment, electronics, telecommunications equipment, and machinery. Washington's imports totaled \$5.5 billion in 2001, and included jet engines, clothing and footwear, televisions and monitors, and electronics. These industries represent a natural starting point for further economic development in the region.

National distribution facilities in the Puget Sound area face two challenges: 1) the local consumer market is far smaller than the market in Southern California; and 2) this location is not central to other population centers of the U.S. For these reasons, the opportunities related to re-export via a Foreign Trade Zone (FTZ) are stronger than those related solely to domestic distribution. The major target sectors are largely the same for the export-related manufacturing sectors.

Seattle's West Coast location is equidistant from Europe and Asia. Sea-Tac Airport, and both the Seattle and Tacoma marine ports, serve as gateways for import and export trade flows. The Puget Sound region has an important domestic trade relationship with Alaska, supplying the state with many of its consumer goods and receiving fish and other Alaskan exports. Major trucking routes also extend through Seattle, serving as a connection to Canada and Mexico. Some portion of Asian cargo that arrives in Seattle is exported to the smaller Canadian market via truck, and, to a lesser extent, to Europe via aircraft. These operations could benefit from FTZ designation.

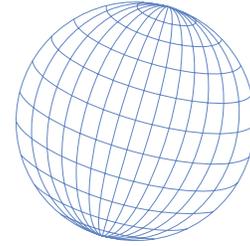
The economic impact of regional trade connections is evident in the dependency the State has on trade. Washington State's per capita exports were \$5,771 compared to the US average of \$2,290 (according to the Trade Development Alliance of Greater Seattle Web site). Accordingly, growth in Washington's overall industrial base is likely to create demand for the NEST properties.

ECONOMIC CLUSTER ANALYSIS

This study used economic cluster analysis as one of the methods to examine potential options for the use of NEST properties. Cluster analysis was used to identify trends in business relatedness and the flow of goods and services among companies in the Puget Sound region. Major Puget Sound economic clusters included: aerospace, technology, maritime, wood products, producer services, computer components and peripherals, and agriculture. This analysis was useful because many of these industries depend on air cargo for their supply and distribution functions.

The analysis led to a closer examination of airport-related business clusters. This in turn led to a focus on five business types: (1) Airline Industry; (2) Distributors/Warehousing which are structured, technology-based operations (e.g., Boeing Spares); (3) Logistics Specialists (e.g., Global Expeditors and other air transportation arrangement companies); (4) Integrators, both formal and informal types (e.g., Federal Express); and (5) High Value-to-Weight ratio manufacturers for whom an airport-proximate location may make strategic sense (e.g., Grakon, Nintendo). This group of businesses exhibits common themes, such as the importance of accessibility to the airport and an emphasis on shipment of perishables, time-sensitive items and high value-to-weight ratio products.

Overall trends in Puget Sound clusters, as well as cluster concepts and information regarding airport-related businesses, were useful in projecting demand for NEST properties and will provide a strong foundation for developing NEST business recruitment strategies.



MARKET ANALYSIS

The uses best suited for the NEST Properties are ones that support air freight operations, create family wage jobs, and provide economic benefits to the local communities. These uses are broadly defined as industrial uses and include flex space (buildings with at least 50% office space), on-airport industrial, off-airport industrial (whose users still must be near the airport), and general industrial consisting of light manufacturing, value-added assembly, distribution, and warehousing.

The on-airport industrial market is shrinking and rental rates are high. The Port of Seattle is moving air freight facilities off of the airport to make room for aircraft movement and parking. Over time, it is likely that the only air freight facilities located on the airfield will be cross-dock buildings used to transfer freight from trucks to air cargo containers. In the future, the warehousing function is likely to move increasingly to off-airport locations.

The flex space market is a specialized market that is overbuilt currently with a region-wide vacancy factor of approximately 20%. The market for flex space is small and easily over-supplied. While the near-term prospects are poor, in the long-term a modest amount of space will be needed to meet increasing demand.

The off-airport industrial real estate market consists of users that consider proximity to the airport essential to business operations. At this time, there are 100 buildings in the market measuring 3.4 million square feet. Vacancy is currently 7%, indicating the market is near equilibrium. It is important to note that the off-airport market also is not large and could easily be over-built. However, three factors suggest there is long-term demand in this segment:

- Continued growth in the air freight business, with a projected need for 30,000 to 40,000 square feet of new space each year.
- Movement of warehousing/distribution functions off the airfield.
- The need to relocate approximately 300,000 square feet of space that will be displaced by development of the Airport's third runway project.

Overall, the *general industrial* markets in the South King County are soft, but with vacancies below 10%, they are poised to recover as the economy improves. The NEST area's proximity to the airport, seaports, and major transportation corridors make it a highly desirable location for general industrial real estate. Providing the NEST properties are properly priced, they can compete effectively for South King County industrial space users. The South King County industrial market is large, measuring 108 million square feet. It is reasonable to suggest that new modern facilities, located on the NEST properties, could capture a large share of the over one million square feet of absorption that has occurred annually over the long-term in the South King County industrial market.

Historically, demand for off-airport industrial use has been strong enough to support rental rates which are substantially higher than those achieved in the Kent Valley industrial market. However,

the developable square footage represented by the NEST Properties is equivalent to many years of supply if used only for off-airport uses. If the NEST Properties are positioned to compete in the general industrial market, the land could be absorbed in a relatively short period of time and, in the short run, development would begin to immediately generate benefits. In the long run, as the demand for off-airport uses increases, space created for general industrial uses can be converted to capture the higher and better off-airport uses.



HIGHEST and BEST USE

The aerial image on the next page shows the highest and best use locations for the NEST area. The potential uses can be characterized as product-oriented and people-oriented. The people-oriented markets are where office, retail, hospitality, residential, and entertainment uses are naturally located and would be expected to experience long-term growth. The product-oriented markets are characterized by the industrial nature of the businesses that logically locate in these areas. The location of these markets is influenced primarily by noise and safety issues. Market demand, Washington State's Growth Management Act, the comprehensive plans for the Cities, proximity to amenities, and transportation infrastructure are other important factors. The diagram below shows the general location of the markets.

Noise and safety factors resulting from airport operations determine the uses that are legally permissible and physically possible for the NEST Properties. The FAA places restrictions on properties that are purchased with noise mitigation funds. These restrictions eliminate uses that involve high concentrations of people. Further, they limit development to airport related uses. The noise impacts can be mitigated to a certain extent by insulating buildings, however, the outdoor spaces are subject to noise impacts between 60dnl and 70dnl. In terms of legal permissibility and physical possibility, the NEST properties are best suited for product oriented uses.

The product-oriented uses that are financially feasible include manufacturing, logistics, distribution and warehousing. Feasibility is subject to property entitlement, assembly if necessary, appropriate marketing and adequate demand in the market to support new development. As discussed in the *Addendum 7 – Strategic Recommendations* report, the right combination of these uses is maximally productive and results in substantial benefits to the NEST area.

Integrating a large amount of industrial activity into a community could be viewed as disruptive, but can also be mitigated. Traffic impacts can be minimized through careful planning. Visually, the



facilities that support product-oriented uses can be attractive when thoughtful consideration is given to design. The images of the buildings below represent examples of design that is attractive and enhances the character of the communities in which they are located.

Pacific Gateway, Kent, WA





Canyon Park East, Bothell, WA

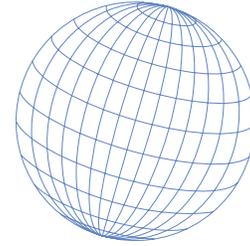


CIS, Redmond, WA



Grakon, Des Moines, WA

In conclusion, the overall highest and best use for the NEST properties is development for product-oriented uses that include manufacturing, logistics, value-added assembly, distribution, and warehousing.



DEVELOPMENT POTENTIAL, STRATEGY, and IMPLEMENTATION

OVERVIEW

Preliminary development plans for each of the NEST properties have been prepared. The plans are conceptual in nature and represent a single development scenario for each property. The purpose is to indicate which properties have near-term development potential. It also illustrates that a similar set of tasks will need to be implemented for each property to be brought to market.

Those properties that have only long-term potential or are currently infeasible are not presented in this section; however, a complete discussion is located in the *Addenda* of this report. Redevelopment of the property known as the Southwest Industrial Properties, located south and east of S. 188th and Des Moines Memorial Drive is not feasible now, given that it is currently built-out with industrial buildings. It is also infeasible at this time to redevelop the NESPA #4 and NESPA #5 properties, primarily due to the high value of the existing improvements. The remaining net usable land area of the NEST properties is approximately 270 acres, with a value of roughly \$46 million.

The achievable building area for those NEST properties that have near-term development potential is approximately 3.8 million square feet. The overall value of the projects is potentially \$260 million. As is discussed in *Addendum 5 – Development Potential*, fluctuations in development cost and market rents will have a significant impact on implied land values and project feasibility. The table below summarizes the development potential for each property.

DEVELOPMENT POTENTIAL

	Net Usable Area		Building Area	Prospective Values		New Direct Employment	
	Acres	SF	SF	Project	Land	Low	High
Des Moines Creek #1	97.80	4,259,995	1,523,350	\$101,880,000	\$20,264,000	2,539	3,808
Des Moines Creek #2	21.70	945,252	291,400	\$19,931,000	\$2,629,000	486	729
Borrow #3	16.00	696,960	164,000	\$11,217,000	\$1,423,000	273	410
S. 200th St./Borrow #4	22.60	984,456	384,250	\$26,282,000	\$4,438,000	640	961
NESPA #1	10.46	455,458	154,000	\$10,767,000	\$1,846,000	257	385
NESPA #2	27.20	1,184,832	367,800	\$25,716,000	\$4,769,000	613	920
NESPA #3	26.40	1,149,984	400,000	\$27,968,000	\$4,629,000	667	1,000
55 Acre Parcel	46.30	2,016,828	463,550	\$33,820,000	\$5,954,000	773	1,159
	268.45	11,693,765	3,748,350	\$257,581,000	\$45,952,000	6,248	9,372

The following pages present a conceptual development plan and summary for each of the NEST Properties with near-term development potential.

OVERALL STRATEGY

The off-airport market generates the greatest overall benefit in the long-term, while the general industrial market offers opportunities for immediate benefits. The best strategy will target both segments and encourage development designed with flexibility to meet the long-term needs of off-airport uses. Flexible design includes large square or rectangular development sites capable of accommodating similarly shaped and appropriately located buildings that can be occupied by multiple tenants or users, including general industrial, while not precluding a shift in future development to more specific, off-airport uses. Conceptual development plans presented later in this report show one example of how the properties could be developed.

IMPLEMENTATION

In most cases, land use for the NEST Properties is regulated by multiple jurisdictions, including the Federal Aviation Administration (FAA). In many cases, additional work is needed to entitle the properties for development, including agreement on jurisdictional authority, identification of permitted uses, definition of height and bulk requirements, SEPA review and documentation, and agreement on timeframes and process for development review. To fully realize the opportunities presented by the NEST Properties, it will be most productive to entitle the properties for development prior to bringing them to the marketplace, requiring continued collaboration between the Port as the property owner and the cities. This priority is reflected in the implementation section for each property.

The overall strategy for development of the NEST Properties will involve three steps. First, those jurisdictions with appropriate authority should reach agreement on and implement those actions that result in completion of the entitlement process for each property. Second, create a marketing plan with the off-airport industrial market as the primary target and the general industrial market as the secondary target market. The third step would be implementing the marketing plan and obtaining commitments from developers or users. Throughout all stages of implementation, opportunities will exist for the NEST partners to work together on joint efforts in planning, marketing and development as the properties are brought to market and leased.

TIMING

The timing of development of the NEST Properties could generally occur as follows, subject to the study's global assumptions:

Time Period	Property	Approximate Potential Building Square-Footage
2005-2007	Des Moines Creek #1 (Phase 1) Des Moines Creek #2 Portions of NESPA #1 55 Acre Parcel	+ 1,300,000
2008-2009	Des Moines Creek #1 (Phase 2 & 3) Borrow Site 3 South 200 th Street Parcels Remaining portions of NESPA #1	+ 1,650,000
2010-2011	NESPA #2 NESPA #3	+ 770,000
Beyond	NESPA #4 NESPA #5	Not applicable - revisit market in 2015

DES MOINES CREEK #1

Overview

The 97.8 acre Des Moines Creek #1 property is located south of Sea-Tac Airport, in the cities of Des Moines and SeaTac. The property lies north of S. 216th Street and west of 24th Avenue South. Ownership is vested in the Port of Seattle with the exception of unused road right-of-ways owned by the cities.

Development Plan

The conceptual development plan below is a scenario developed as one option for the site. It represents moderately intense development and assumes that some of the wetlands are removed with existing permits during borrow activity for the Airport's third runway. The site slopes from east to west and drops sharply to the north into the Des Moines Creek drainage. Extensive grading will occur when soil is removed for airport construction projects. For purposes of conceptual planning, grading activity in this study is assumed to remove 2.0 million cubic yards of soil. However, since the study began, the amount to be removed continues to be refined; therefore 2.0 million cubic yards serves as a placeholder in this conceptual plan analysis, but may not indicate the amount of dirt eventually removed. The majority of the soil would come from the east side of the site, which should create a flatter site overall. Approximately 63 acres of the site are planned for buildings, paved parking, and truck circulation areas. Three building pads would be large and generally rectangular, capable of accommodating a wide range of building types and configurations. Stormwater detention/filtration ponds would be located along the western boundary of the property and approximately 60,000 cubic yards of material will be moved to create the facilities. Street frontage improvements would total 3,500 feet in length. The plan assumes the Port of Seattle completes and pays for the mass grading.

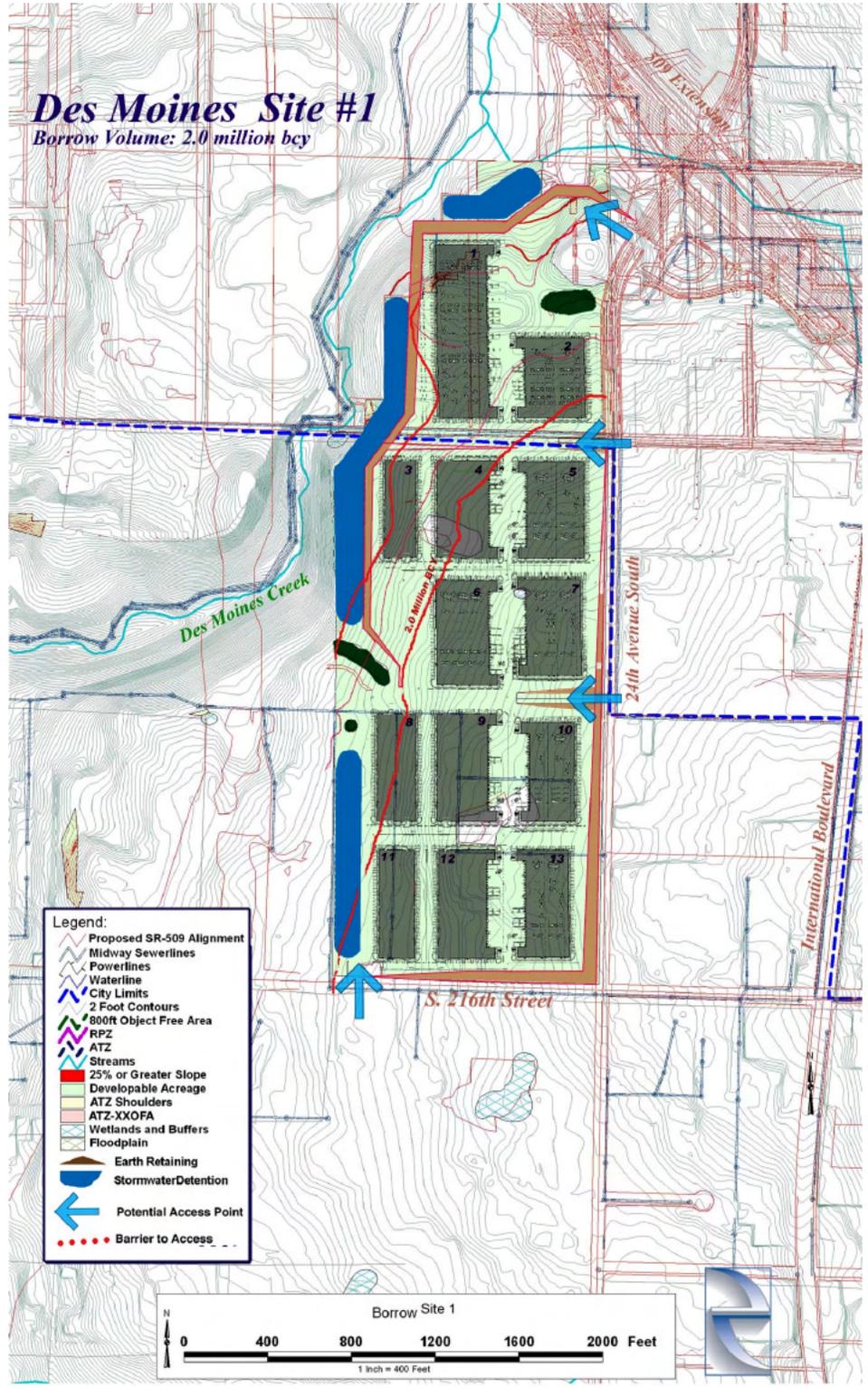
The plan shows thirteen buildings, totaling over 1.5 million square feet ranging in size from 69,000 to 196,000 square feet. The land to building ratio, based on the net usable land, is 36%, well within the expected range of 30% to 40% for the site. The buildings are double and single loaded industrial buildings that are flexible in terms of design and can be occupied by single users or multiple tenants. The buildings can be combined to create larger facilities if needed. The plan calls for 10% of the buildings to be office space, a figure that is slightly higher than that found in the general industrial market, reflecting the Des Moines/SeaTac market's tendency toward a higher percentage of office space than found outside the area. The design orients the loading docks away from S. 216th Street and 24th Ave South. The project costs, including land, total approximately \$91 million or over \$60 per square foot of building area.

PROJECT DATA

Land		Improvements	
Location:	S. 216 th St. & 24 th Ave. S.	Property Type:	Industrial
City:	Des Moines & SeaTac	# of Buildings:	13
Access:	24 th Ave. S.	Square Feet:	1,523,000
Usable Area:	97.8 Acres	Land to Bldg. Ratio:	36%
Utilities:	Typical to site	Development Costs:	\$91 million
Mass Grading:	Assumed complete	Development Costs/SF:	\$60
Entitlements:	Removal of wetlands only	Capitalized Value:	\$102 million
	Dated EIS	Value/SF:	\$67

Strategy

The strategy with the greatest likelihood for success in both up and down markets involves positioning the property for the off-airport market and the general industrial market. It encourages development



that is designed with flexibility. It creates an opportunity to capture those uses that generate the greatest long-term benefits and at the same time provide for interim uses that generate immediate benefits.

Implementation

The City of Des Moines, City of SeaTac, Port of Seattle, and the FAA all have some level of jurisdictional authority over the site. An interlocal agreement between parties that allows grading to move forward and the subsequent development to occur is essential to maximizing the property's value.

The following is a check list of recommended tasks that need to be completed to facilitate the development of the property:

1. Execution of an interlocal agreement (ILA) between the City of Des Moines, City of SeaTac and Port of Seattle, including coordination with FAA, that provides certainty by resolving all entitlement issues and includes implementation of the following:
 - a) Agreement on jurisdictional authority.
 - b) A timeline for completing tasks.
 - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
 - d) Identification of allowed uses.
 - e) Coordination with FAA for review and approval of development planning.
 - f) Completion of SEPA review and documentation.
 - g) Identification of mitigation requirements.
 - h) A binding methodology for vacating streets.
 - i) A plan to connect 24th Ave. South to the property.
 - j) Resolution of parkland set-asides issues.
2. Amend City of Des Moines zoning to broaden the range of allowed uses under the Business Park zoning designation.
3. Borrow soil and grade the property.
4. Market the property.
5. Pre-application meeting.
6. Execute development agreement with the developer.
7. Issue construction permits.
8. As needed, vacate the unused road right-of-ways, utilities easements and/or obtain out parcels.
9. Completion of the 509 Freeway Extension.

Schedule Acceleration

The site could be developed prior to the completion of the 509 Extension, although the analysis of that change in assumptions is beyond the scope of work for this assignment. If the traffic impact were acceptable to the surrounding communities, International Blvd. could absorb the traffic until such time as the 509 Extension is completed. The property's development schedule could be accelerated by several years if not linked to the completion of the 509 Extension. When the 509 Extension is completed the property will be highly desirable to potential investors, developers and users; however, prior to its completion access to the site is likely to be viewed as less than perfect.

A primary assumption of this study is that the 509 Extension is completed; this has a major influence on the development of the site. The 509 Extension Environmental Impact Statement is complete, the design is finalized, and some property acquisitions have taken place; however, to date the project has not been funded.

DES MOINES CREEK #2

Overview

The Des Moines Creek #2 is a 21.7 acre property located in the City of Des Moines with frontage on S. 216th Street. Ownership is vested in the Port of Seattle with the exception of unused road right-of-ways owned by the City of Des Moines. The majority of the property slopes gently from east to west, except along the northern boundary where it drops sharply into the Des Moines Creek drainage.

Development Plan

The conceptual development plan below represents moderately intense development. Grading is assumed to remove roughly 140,000 cubic yards of material from the eastern property boundary and place it along the north and west property lines creating a single level rectangular site capable of accommodating a wide range of building types and configurations. Approximately 13.4 acres of the site would be used for buildings, paved parking, and truck circulation areas. Approximately 14,000 cubic yards of material would be moved to create stormwater detention/filtration ponds located along the northern boundary of the property in an area where the topography slopes downward toward Des Moines Creek. Retaining walls totaling 40,000 square feet would be used to support the grading. Access to the site is from S. 216th Street and street frontage improvements would total 700 feet in length.

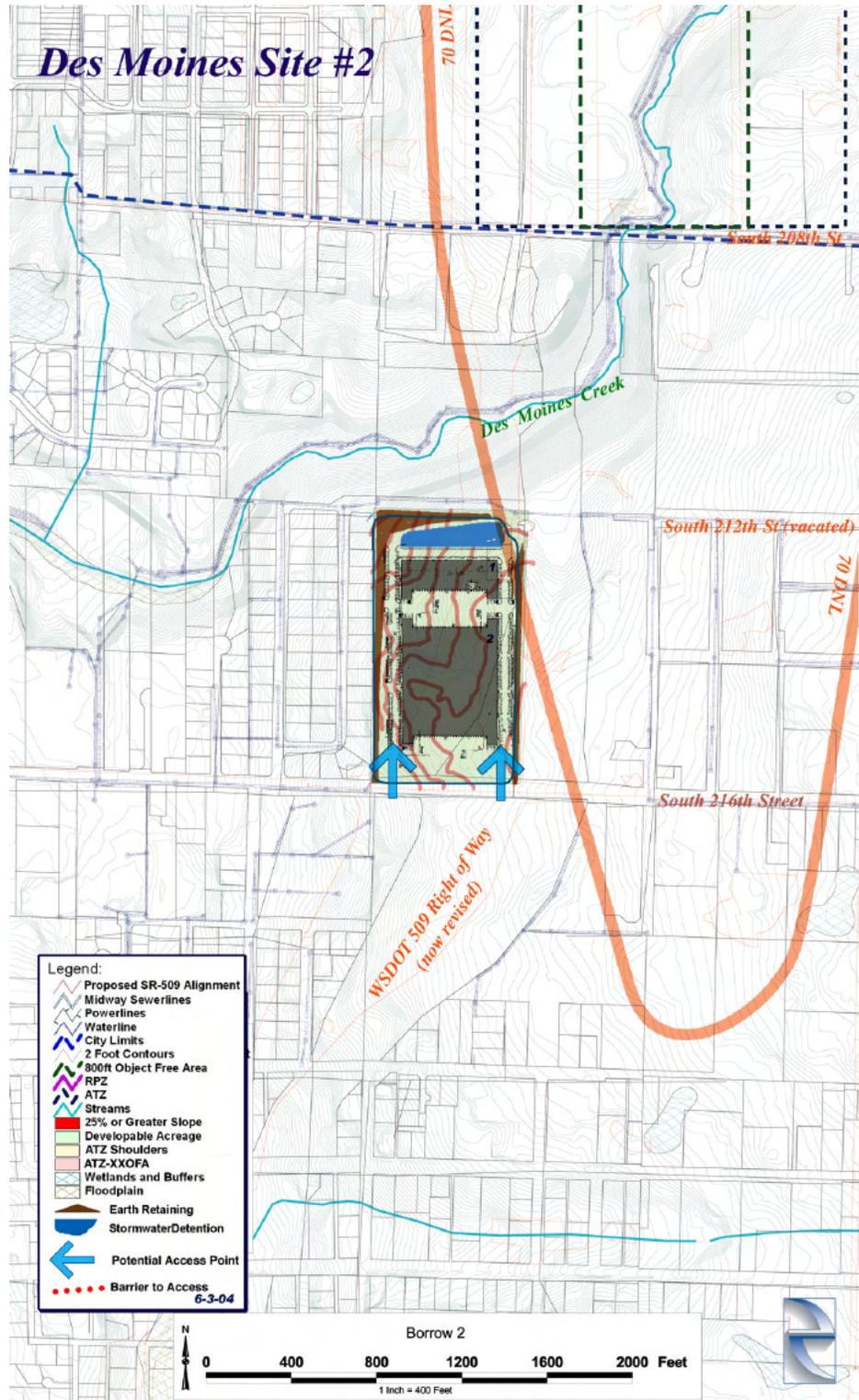
The plan shows two buildings measuring 63,000 and 228,000 square feet for a total 291,000 square feet. The truck loading docks are located toward the street in this plan; however, to create better street appeal, they could be oriented solely to the interior of the project. The land to building ratio, based on the net usable land, is 31%, well within the expected range of 30% to 40% for the site. The buildings are flexible in terms of design and could be occupied by single or multiple users. The buildings could be combined to create a single larger facility, if needed. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market but consistent with the SeaTac/Burien market. The project costs, including land, total approximately \$18 million or \$61 per square foot of building area.

PROJECT DATA

Land		Improvements	
Location:	S. 216 th St.	Property Type:	Industrial
City:	Des Moines	# of Buildings:	2
Access:	S. 216 th St.	Square Feet:	291,000
Usable Area:	21.7 Acres	Land to Bldg. Ratio:	31%
Utilities:	Typical to site	Development Costs:	\$18 million
Mass Grading:	None	Development Costs/SF	\$61
Entitlements:	Dated EIS	Capitalized Value:	\$20 million
		Value/SF:	\$68

Strategy

The strategy with the greatest likelihood for success in both up and down markets involves positioning the property for the off-airport market and the general industrial market. It encourages development that is designed with flexibility. It creates an opportunity to capture those uses that generate the greatest long-term benefits and at the same time provide for interim uses that generate immediate benefits.



Implementation

The Des Moines Creek #2 property is ready for immediate development subject to the following:

1. Execution of an interlocal agreement (ILA) between the City of Des Moines and the Port of Seattle resolving all entitlement issues and including implementation of the following:
 - a) Agreement on jurisdictional authority.
 - b) A timeline for completing tasks.
 - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
 - d) Identification of allowed uses.
 - e) Coordination with FAA for review and approval of development planning.
 - f) Completion of SEPA review and documentation.
 - g) Identification of mitigation requirements.
 - h) A binding methodology for vacating streets.
 - i) Resolution of parkland set-asides issues.
2. Acquisition of WSDOT land to create additional street frontage along S. 216th Street.
3. Zoning change from residential suburban estates to Business Park that allows for a broad range of uses.
4. Market property.
5. Pre-application meeting.
6. Execute development agreement with the developer.
7. Issue construction permits.
8. As needed, vacate utilities easements.
9. Development.

Schedule Acceleration

The schedule can only be accelerated by reducing the time for tasks required to entitle the property.

BORROW SITE #3

Overview

The Borrow Site #3 is located in the City of SeaTac. Ownership is vested in the Port of Seattle with the exception of unused road right-of-ways owned by the City of SeaTac. It measures over 70 acres; however, because much of the property is encumbered by steep slopes and wetlands, the usable area of the site is only 16 acres.

Development Plan

The conceptual development plan shows a single building located on the northern portion of the site that would be created by moving roughly 103,000 cubic yards of material, generally from west to east. The site is capable of accommodating a wide range of building types and configurations; however, its long narrow shape creates limitations. Approximately 24,000 cubic yards of material would be moved for stormwater detention/filtration facilities located on the southern portion of the useable property. Retaining walls totaling 22,000 square feet would be used to support the grading. Approximately 8.7 acres of the site would be used for buildings, paved parking, and truck circulation areas. Access to the site is from 18th Avenue South.

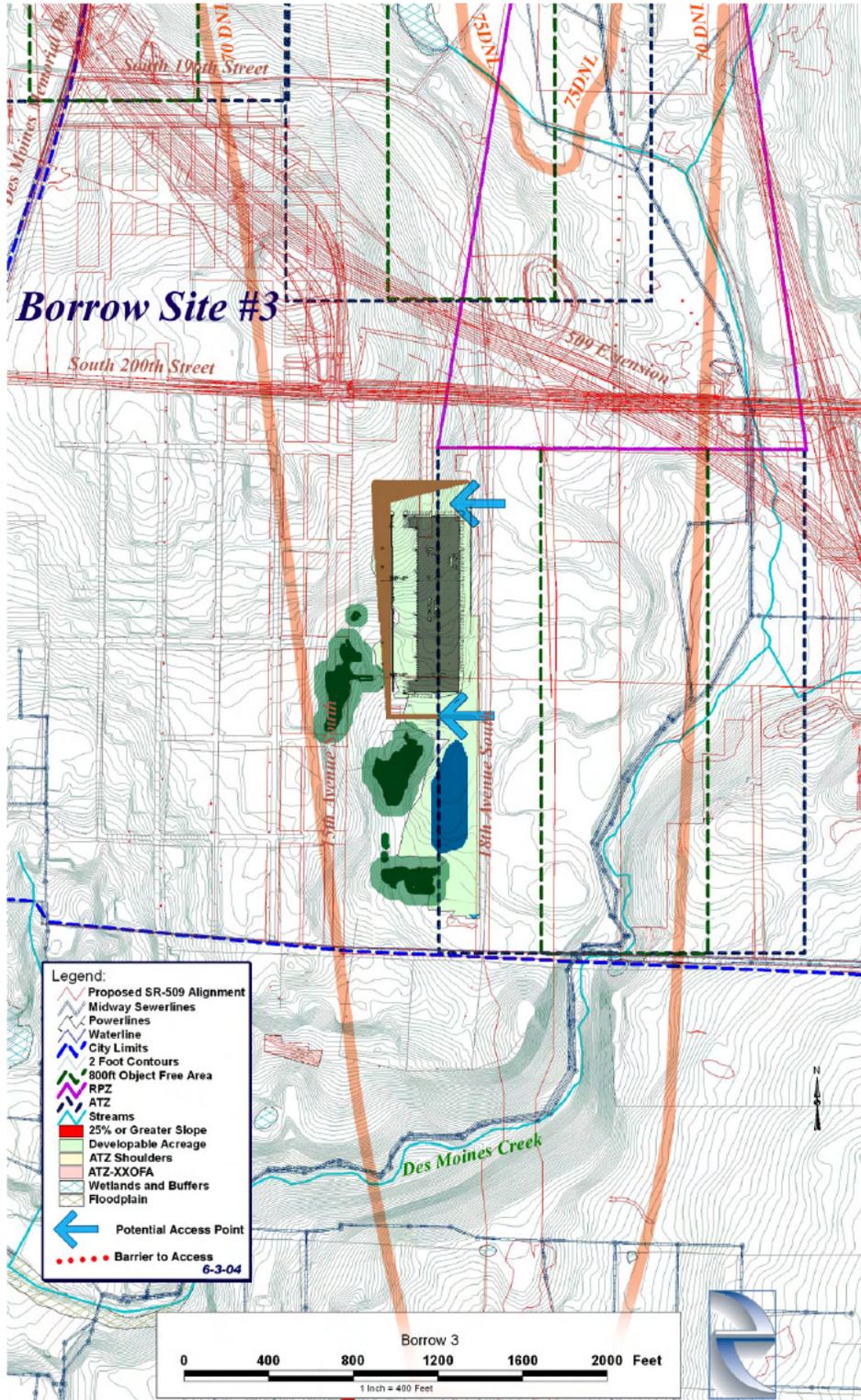
The plan includes one single loaded industrial building measuring 164,000 square feet. The building could be occupied by single or multiple users. The land to building ratio, based on the net usable land, is 24%, below the expected range of 30% to 40% for the site. The low site coverage is attributable to the shape of the property and its challenging topography. The plan calls for 10% of the building to be office space. The project costs, including land, total approximately \$10 million or \$61 per square foot of building area.

PROJECT DATA

Land		Improvements	
Location:	S. 200 th St. & 18 th Ave. S.	Property Type:	Industrial
City:	SeaTac	# of Buildings:	1
Access:	S. 200 th St.	Square Feet:	164,000
Usable Area:	16 Acres	Land to Bldg. Ratio:	24%
Utilities:	Typical to site. No sewer	Development Costs:	\$10 million
Mass Grading:	None	Development Costs/SF:	\$61
Entitlements:	None	Capitalized Value:	\$11 million
		Value/SF:	\$68

Strategy

The constraints on this property under its current ownership limit its development potential. The property could be developed as-is; however, the scale of the development would be relatively small and the costs high. The best development strategy calls for acquisition of the adjoining parcel owned by WSDOT and development of the assembled parcels. The timing of the development is contingent on completion of the items listed below. It can be noted that the completion of the 509 Extension will make access to the property easy and contribute to its marketability. An argument can be made for waiting until the 509 Extension is completed to develop the property; however, given the uncertainty about its completion, it is beneficial to develop as soon as possible.



Implementation

The tasks to implement the development strategy are:

1. Conduct formal feasibility study prior to acquiring the WSDOT property.
2. If development is feasible, proceed to WSDOT property acquisition.
3. Revise the interlocal agreement (ILA) between the City of SeaTac and the Port of Seattle to implement the following:
 - a) Agreement on jurisdictional authority.
 - b) A timeline for completing tasks.
 - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
 - d) Identification of allowed uses.
 - e) Coordination with FAA for review and approval of development planning.
 - f) Completion of SEPA review and documentation.
 - g) Identification of mitigation requirements.
 - h) A binding methodology for vacating streets, if necessary.
4. Market property.
5. Pre-application meeting.
6. Formal application.
7. Vacation of unused road right-of-ways if needed.
8. Issue construction permits.
9. Development.

Schedule Acceleration

The primary opportunities for accelerating the schedule are to expedite the WSDOT property acquisition and/or put the revision of the ILA on a parallel track with the property acquisition.

SOUTH 200TH STREET PARCELS and BORROW SITE #4 REMNANTS

Overview

The South 200th Street Parcels & Borrow Site #4 Remnants, located in the City of SeaTac, measure approximately 68 acres and are divided into almost 100 separate tax parcels. When the 509 extension is completed, the property will be reduced to a triangular-shaped parcel measuring roughly 23 acres, consisting of 38 parcels. The largest remaining parcels will be owned by the Highline School District, Port of Seattle, and William Looney, a private owner. It is assumed for conceptual planning purposes the property is assembled into single ownership. The property is generally level sloping upward toward the northeastern boundary.

Development Plan

The conceptual development plan shows grading that moves roughly 145,000 cubic yards of material to create the single level triangular site. The site is capable of accommodating a wide range of building types and configurations; however, its shape reduces development efficiency. Approximately 16,000 cubic yards of material would be moved to create stormwater detention/filtration facilities located along the 509 Extension right-of-way. Retaining walls totaling 25,000 square feet would be used to support the grading. Street frontage improvements would total 2,700 feet in length. Approximately 16.4 acres of the site would be available for buildings, paved parking, and truck circulation areas. Access to the site is from S. 200th Street and Des Moines Memorial Drive.

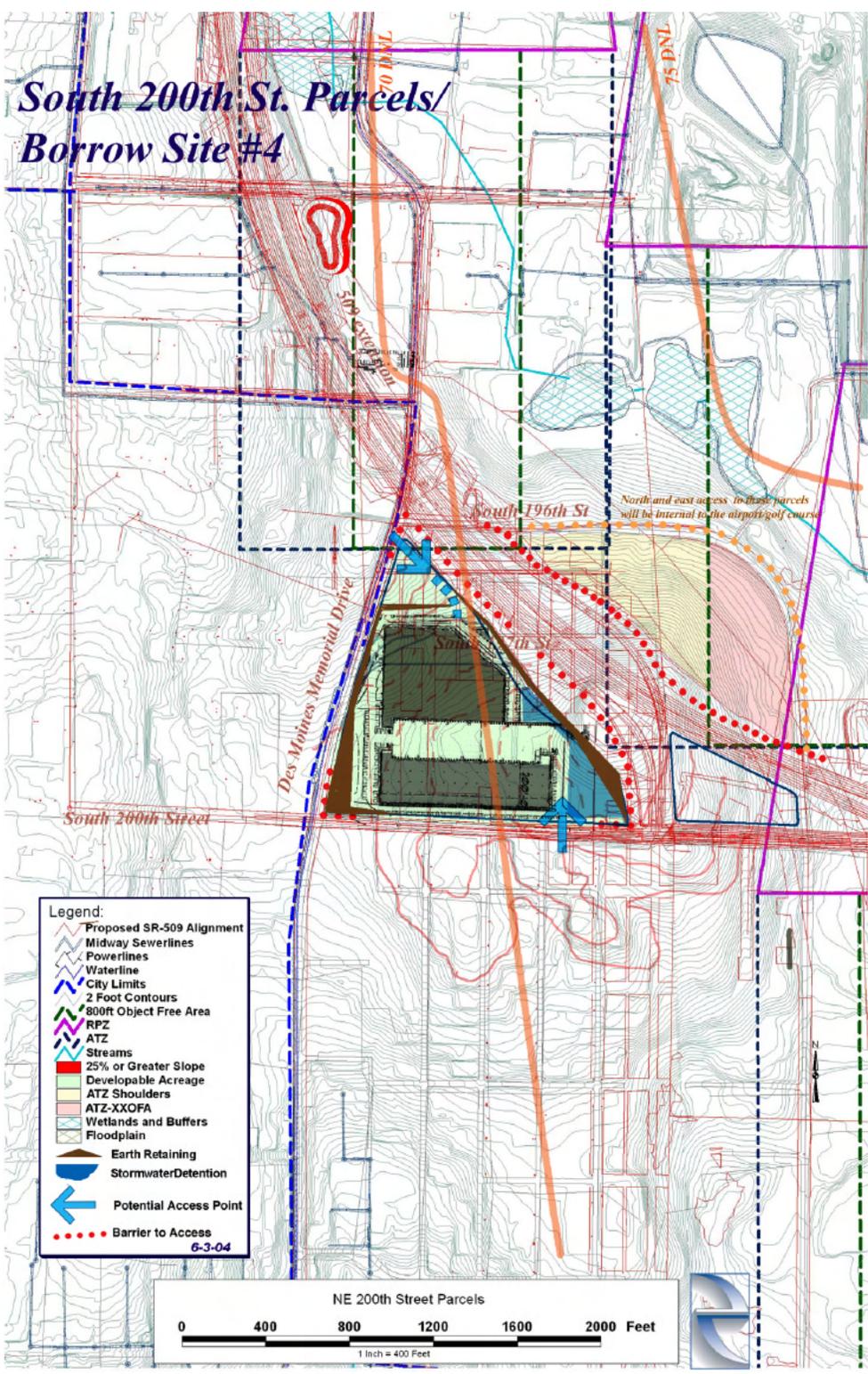
The plan includes two single loaded industrial buildings measuring a total of 384,000 square feet; 162,000 and 222,000 square feet. The truck loading docks are located away from the street to reduce the visual impacts on the surrounding neighborhood. The land to building ratio, based on the net usable land is 39%, within expected range of 30% to 40% for the site. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, but consistent with the SeaTac/Burien market. The project costs, including land, total approximately \$24 million or \$62 per square foot of building area.

PROJECT DATA

Land		Improvements	
Location:	S. 200 th St. & Des Moines Memorial Drive	Property Type:	Industrial
City:	SeaTac	# of Buildings:	2
Access:	S. 200 th St. & DMMD	Square Feet:	384,000
Usable Area:	22.6 Acres	Land to Bldg. Ratio:	39%
Utilities:	Typical to site. No sewer	Development Costs:	\$24 million
Mass Grading:	None	Development Costs/SF:	\$62
Entitlements:	None	Capitalized Value:	\$26 million
		Value/SF:	\$68

Strategy

Development of the entire property calls for the completion of a large assemblage, including properties that are yet to be acquired for noise mitigation purposes by the Port of Seattle. The Port of Seattle has scheduled the acquisition of the properties north of S. 197th Street to occur when the Third Runway is completed or shortly thereafter (currently estimated for 2009). As discussed in *Addendum 6 – Economic Benefits*, the assemblage of all parcels in the area has costs that render the proposed project financially infeasible. Accordingly, two strategies warrant further discussion and analysis.



The first strategy involves a smaller assemblage, beginning with acquisition of the Highline School District property, followed by acquisitions of the adjoining properties. This strategy is financially feasible providing the properties can be acquired at a price that can be supported by industrial development.

Alternatively, a government entity could choose to complete the property assemblage to further economic development objectives. As shown in the *Addendum 5 – Development Potential* and as discussed in *Addendum 6 – Economic Benefits*, the project falls short of feasibility by \$600,000 to \$700,000. If economic development funds were available, an injection of funds equal to this amount could make the project feasible to a commercial developer. The preliminary analysis assumes the properties could be acquired for their current assessed value, which is an assumption that requires further investigation and analysis.

Once the properties are assembled and entitled, the strategy with the greatest likelihood for success in both up and down markets involves positioning the property for the off-airport market and the general industrial market. It encourages development that is designed with flexibility. It creates an opportunity to capture those uses that generate the greatest long-term benefits, and at the same time, provide for interim uses that generate immediate benefits.

Implementation

If the alternative strategy was pursued, and economic development funding was used to assemble the sites, the following would be needed to implement the strategy (it should be noted that this strategy and schedule are contingent on the existing property owners selling their properties):

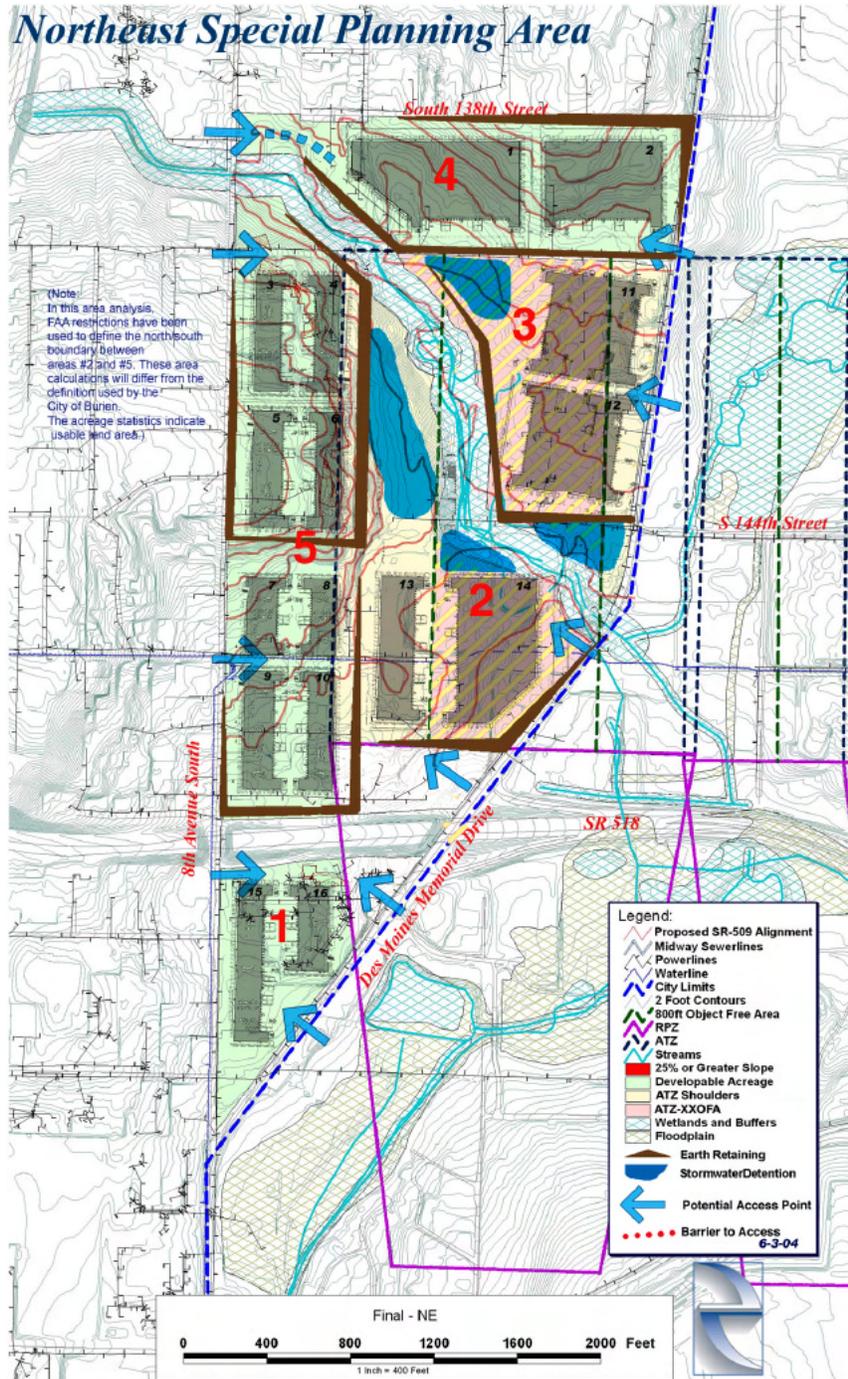
1. Complete a formal feasibility study.
2. Estimate the costs to assemble the land (range – low to high).
3. Conduct cost benefit analysis.
4. Initiate the assemblage.
5. Create an interlocal agreement (ILA) between the City of SeaTac and the Port of Seattle to implement the following:
 - a) Agreement on jurisdictional authority.
 - b) A timeline for completing tasks.
 - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
 - d) Identification of allowed uses.
 - e) Coordination with FAA for review and approval of development planning.
 - f) Completion of SEPA review and documentation.
 - g) Identification of mitigation requirements.
 - h) A binding methodology for vacating streets.
6. Market property.
7. Pre-application meeting.
8. Formal application.
9. Vacation of unused road right-of-ways if needed.
10. Issue construction permits.
11. Sewer extension.
12. Development.

Schedule Acceleration

If the private sector and free market are allowed to complete the limited assemblage it could occur at any time. The comprehensive plan and zoning code support industrial uses and the property offers the opportunity for users to own rather than lease.

NORTHEAST SPECIAL PLANNING AREA (NESPA)

Burien's Northeast Special Planning Area consists of five distinct development areas. The development areas were established based on the physical characteristics, regulatory constraints, and existing land uses. As is described in detail in *Addendum 5 – Development Potential*, it is prohibitively expensive at this time to develop areas 4 and 5; accordingly the following discussion will focus on areas 1, 2, and 3.



NESPA #1

Overview

The NESPA #1 property is located in the City of Burien, northwest of the airport, immediately south of SR 518 and east of 8th Avenue S. It measures approximately 10.5 usable acres divided into 3 parcels. The majority of the property is owned by the Port of Seattle. A small, 12,000 square foot parcel located at the center of the property is owned by Seattle City Light, which has been surplus. Given the conceptual nature of this study, it is assumed that the Seattle City Light parcel can be acquired and the existing transformers relocated. Building development on the eastern edge of the property is prohibited by the FAA. It is assumed that the Lora Lake apartments will be demolished by the time the Airport's third runway is completed. Access to the site is from 8th Avenue S. and Des Moines Memorial Drive.

Development Plan

The site is triangularly shaped and slopes downward from north to south. The conceptual development plan indicates grading that involves moving 33,000 cubic feet of material from the northern portion of the property to the southern portion. Approximately 5.8 acres of the site would be used for buildings, paved parking, and truck circulation areas. Two generally rectangular building pads would be created, capable of accommodating a range of building types and configurations. Approximately 3,000 cubic yards of material would be moved to create stormwater detention/filtration facilities located on the southern end of the property. Street frontage improvements would total 2,200 feet in length.

The conceptual plan shows two buildings, totaling 154,000 square feet. They are double and single loaded industrial buildings measuring 60,000 and 94,000 square feet. The loading docks are interior and oriented away from 8th Avenue S. and Des Moines Memorial Drive. The land to building ratio is 34%. The buildings are flexible in terms of design and can be occupied by single or multiple tenants. They can be combined to create a larger facility if needed. The plan calls for 10% of the building to be office space. The project costs, including land, total over \$9 million or approximately \$62 per square foot of building area.

PROJECT DATA

Land		Improvements	
Location:	Des Moines Memorial Drive & 8 th Ave. S.	Property Type:	Industrial
City:	Burien	# of Buildings:	2
Access:	Des Moines Memorial Drive & 8 th Ave. S.	Square Feet:	154,000
Usable Area:	10.5 Acres	Land to Bldg. Ratio:	34%
Utilities:	Typical to site	Development Costs:	\$9 million
Mass Grading:	None	Development Costs/SF:	\$62
Entitlements:	None	Capitalized Value:	\$11 million
		Value/SF:	\$70

STRATEGY

This property was purchased by the Port of Seattle for noise mitigation purposes and has been cleared of all improvements, except the Lora Lake Apartments and a Seattle City Light transformer. The apartments are owned by the King County Housing Authority and are currently operating on a

temporary basis. The current operating agreement between the Port, the King County Housing Authority, and the City of Burien was recently extended through mid-2007. The intent of the agreement is to operate the apartments until such time as they must be removed when the third runway is completed or sooner as the parties determine. The apartments currently generate approximately \$700,000 of combined net annual cash flow for the City of Burien and the Port. The City of Burien's share of the cash flow is \$200,000 per year and the Port receives the balance. In a very cursory fashion, the current land value can be derived by capitalizing the cash flow from the apartment operation. At 8%, the resulting capitalized value of the property is \$6,250,000, or approximately \$13.70 per square foot for the 10.5 acres of usable land. This is greater than the current as-vacant value based on market comparison. Further, the south half of the property is currently available for redevelopment. If the southern portion of the property were developed, the resulting capitalized land value would increase significantly.

The best strategy for the property is to leave the Lora Lake Apartments in place for as long as possible. When it is time to develop the property, actions guided by the overall development strategy are appropriate.

Implementation

The following actions are needed to bring development to the property:

1. Create an interlocal agreement (ILA) between the City of Burien and the Port of Seattle resolving all entitlement issues and including implementation of the following:
 - a) Agreement on jurisdictional authority.
 - b) A timeline for completing tasks.
 - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
 - d) Identification of allowed uses. (Specific attention to determination of permitted uses in the portion of the property with stringent FAA requirements.)
 - e) Coordination with FAA for review and approval of development planning.
 - f) Completion of SEPA review and documentation.
 - g) Identification of mitigation requirements.
2. Market property.
3. Pre-application meeting.
4. Execution of a development agreement.
5. Issuance of construction permits.
6. Tenant relocation
7. Demolition of the Lora Lake Apartments.
8. Development.

Schedule Acceleration

Providing that the plan for development of the entire property is not compromised, the southern portion of the property could be developed prior to the demolition of the Lora Lake Apartments. Alternatively, a portion of the Lora Lake Apartments could be removed to accommodate greater redevelopment of the southern portion of the site.

NESPA #2

Overview

NESPA #2 is located in the City of Burien north of SR 518 and south of Miller Creek along Des Moines Memorial Drive. When the Port of Seattle completes noise mitigation acquisitions for the third runway project, all of the parcels that are currently used for residential purposes will be owned by the Port. Two parcels located along the west and north boundaries of the property are currently used for commercial purposes and will not be acquired by the Port. Given the conceptual nature of the study it is assumed that these parcels can be assembled with the balance of the property at a cost that supports industrial development.

Development Plan

NESPA #2 measures 27.2 acres and generally slopes up and away from Des Moines Memorial Drive. The conceptual plan shows grading of approximately 87,000 cubic yards of material from the northern portion of the property to the southern portion. Retaining walls measuring 42,000 square feet would be used to support the relocated material. The building pad is generally rectangular, capable of accommodating a range of building types and configurations. Approximately 11.8 acres of the site would be used for buildings, paved parking, and truck circulation areas. Access to the site is from Des Moines Memorial Drive. Stormwater detention/filtration ponds would be located either in the FAA's Runway Protection Zone (RPZ) at the south end of the property or on the northern edge of the property adjacent to Miller Creek. Approximately 5,800 cubic yards of material will be moved to create stormwater detention/filtration facilities. Street frontage improvements will total 700 feet in length.

The plan includes two single loaded industrial buildings that measure 111,000 and 256,000 square feet, for a total of 367,000 square feet. They are to be designed with the loading docks oriented away from Des Moines Memorial Drive. The land to building ratio is 31%. The buildings are flexible in terms of design and can be occupied by single or multiple tenants. The buildings can be combined to create a larger facility if needed. Ten percent of the buildings are office space, a figure that is slightly higher than that found in the general industrial market in the area. The project costs, including land, total approximately \$23 million or \$61 per square foot of building area.

PROJECT DATA

Land		Improvements	
Location:	Des Moines Memorial Drive & S. 144 th Street	Property Type:	Industrial
City:	Burien	# of Buildings:	2
Access:	Des Moines Memorial Drive	Square Feet:	367,000
Usable Area:	27.2 Acres	Land to Bldg. Ratio:	31%
Utilities:	Typical to site	Development Costs:	\$23 million
Mass Grading:	None	Development Costs/SF:	\$61
Entitlements:	None	Capitalized Value:	\$26 million
		Value/SF:	\$70

Strategy

The southern portion of the property is located within the RPZ where land use is regulated by the FAA. The FAA restrictions on land use that apply to this area are highly restrictive and prohibit almost all development activity.

The balance of the property lies within another area regulated by the FAA, still under the runway flight path, which carries another less stringent set of use restrictions. In this area residential uses are prohibited and the Port of Seattle is acquiring this type of property. The remaining parcels that are used for commercial purposes will not be acquired by the Port. The commercial parcels are large and strategically located. Subject to acquisition of the commercial parcels, the property has development potential for almost 370,000 square feet of industrial buildings. Providing the assemblage can be completed and the Port of Seattle completes its noise mitigation acquisitions, the strategy with the greatest likelihood for success in both up and down markets involves positioning the property for the off-airport market and the general industrial market. It encourages development that is designed with flexibility. It creates an opportunity to capture those uses that generate the greatest long-term benefits and at the same time provide for interim uses that generate immediate benefits.

Implementation

The following implementation strategy assumes the following: 1) Port of Seattle will finish its residential acquisitions when the Third Runway is complete, currently scheduled to occur in 2009. 2) An assemblage of the commercial properties will also be completed. The following actions are needed to entitle the property for development:

1. Create an interlocal agreement (ILA) between the City of Burien, Port of Seattle, and the City of SeaTac resolving all entitlement issues and including implementation of the following:
 - a) Agreement on jurisdictional authority.
 - b) A timeline for completing tasks.
 - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
 - d) Identification of allowed uses. (Specific attention to determination of permitted uses in the portion of the property with FAA requirements.)
 - e) Coordination with FAA for review and approval of development planning.
 - f) Completion of SEPA review and documentation.
 - g) Identification of mitigation requirements.
 - h) A binding methodology for street vacations.
1. Assemble the property not owned by the Port.
2. Market property.
3. Pre-application meeting.
4. Execution of a development agreement.
5. Issuance of construction permits.
6. Development.

Schedule Acceleration

The project can be accelerated if the Port of Seattle were to complete its noise mitigation acquisitions on an expedited schedule. If this strategy is pursued completion of the assemblage would need to coincide with the Port's acquisitions.

NESPA #3

Overview

NESPA #3 is located along Des Moines Memorial Drive north of Miller Creek and south of South 140th Street. The property generally slopes away from Des Moines Memorial Drive toward Miller Creek. When the Port of Seattle completes its noise mitigation acquisitions in this area, it will own all of the property except the commercial properties along Des Moines Memorial Drive. It is assumed for the purposes of this study that an assemblage will be completed at a cost that supports industrial development and that unused street right-of-ways may be vacated.

Development Plan

Under the conceptual development plan, grading for the 26.4 acre property calls for moving approximately 170,000 cubic yards of material from the northeast portion of the property to the area along Miller Creek. Retaining walls measuring 26,000 square feet would be used to support the relocated material. Approximately 6,400 cubic yards of material would be moved to create stormwater detention/filtration facilities. Street frontage improvements would total 2,500 feet in length. The resulting building pad is generally rectangular and capable of accommodating a range of building types and configurations.

Approximately 12.8 acres of the property would be used for buildings, paved parking, and truck circulation areas. The plan includes two buildings that measure 200,000 square feet each. The land to building ratio is 35%. The buildings are flexible in terms of design and can be occupied by single users or multiple tenants. The buildings can be combined to create a larger facility if needed. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, reflecting the SeaTac/Burien market's tendency toward a higher percentage of office space than found elsewhere. The project costs, including land total approximately \$25 million or \$62 per square foot of building area.

PROJECT DATA

Land		Improvements	
Location:	Des Moines Memorial Drive & S. 140 th Street	Property Type:	Industrial
City:	Burien	# of Buildings:	2
Access:	Des Moines Memorial Drive	Square Feet:	400,000
Usable Area:	26.4 Acres	Land to Bldg. Ratio:	35%
Utilities:	Typical to site	Development Costs:	\$25 million
Mass Grading:	None	Development Costs/SF:	\$62
Entitlements:	None	Capitalized Value:	\$28 million
		Value/SF:	\$70

Strategy

The property lies under the flight path for the third runway, next to the Runway Protection Zone, and carries the use restrictions imposed by the FAA. Residential uses are prohibited and the Port of Seattle, with funding from the FAA, is acquiring the residences located on the property. The portions of the property that are used for commercial purposes, located along Des Moines Memorial Drive, are not scheduled for acquisition by the Port of Seattle. The property can be developed without acquiring the commercial parcels or alternatively the parcels could be acquired

and assembled with the Port of Seattle owned properties. The site has the potential for development of approximately 400,000 square feet of industrial buildings. Subject to the completion of the Port of Seattle noise mitigation acquisitions, the overall development strategy applies.

Implementation

The Port of Seattle has indicated that it will complete its acquisitions when the Third Runway is complete, which is currently scheduled to occur in 2009.

The following actions are needed to entitle the property for development:

1. Create an interlocal agreement (ILA) between the City of Burien, Port of Seattle and the City of SeaTac resolving all entitlement issues and including implementation of the following:
 - a) Agreement on jurisdictional authority.
 - b) A timeline for completing tasks.
 - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
 - d) Identification of allowed uses. (Specific attention to determination of permitted uses in the portion of the property with FAA requirements.)
 - e) Coordination with FAA for review and approval of development planning.
 - f) Completion of SEPA review and documentation.
 - g) Identification of mitigation requirements.
 - h) A binding methodology for street vacations.
2. Market property.
3. Pre-application meeting.
4. Execution of a development agreement.
5. Issuance of construction permits.
6. Development.

Schedule Acceleration

The schedule could be moved forward by accelerating the Port of Seattle's noise mitigation acquisitions.

55 ACRE PARCEL

Overview

This property, as the name suggests, measures 55 gross acres. The site consists of 46.3 acres of usable area; however, 19.1 acres of the usable area is designated a restricted use area by the FAA. The unencumbered and fully developable net usable area is 27.2 acres. While the restricted area could generate revenue from a limited set of uses, such as vehicle parking, this analysis does not address the revenue potential or value of the 19.1 acre portion of the site. The property is owned by the Port of Seattle, with unused road right-of-ways owned by the City of SeaTac. The property is irregularly shaped, has irregular topography, and irregular street access.

Development Plan

The conceptual development plan shows grading involving moving approximately 175,000 cubic yards of material to form two level building sites. Retaining walls measuring 38,000 square feet would be used to support the relocated material. The result is approximately 25.8 acres of the property used for buildings, paved parking, and truck circulation areas. The building pads would be large enough to accommodate a range of building types, providing they are not too large. Approximately 47,000 cubic yards of material would be moved to create stormwater detention/filtration facilities located on the western portion of the property. Street frontage improvements would total 4,200 feet in length. Access to the site is from S. 142nd Street, with truck access from SR 518, via Des Moines Memorial Drive.

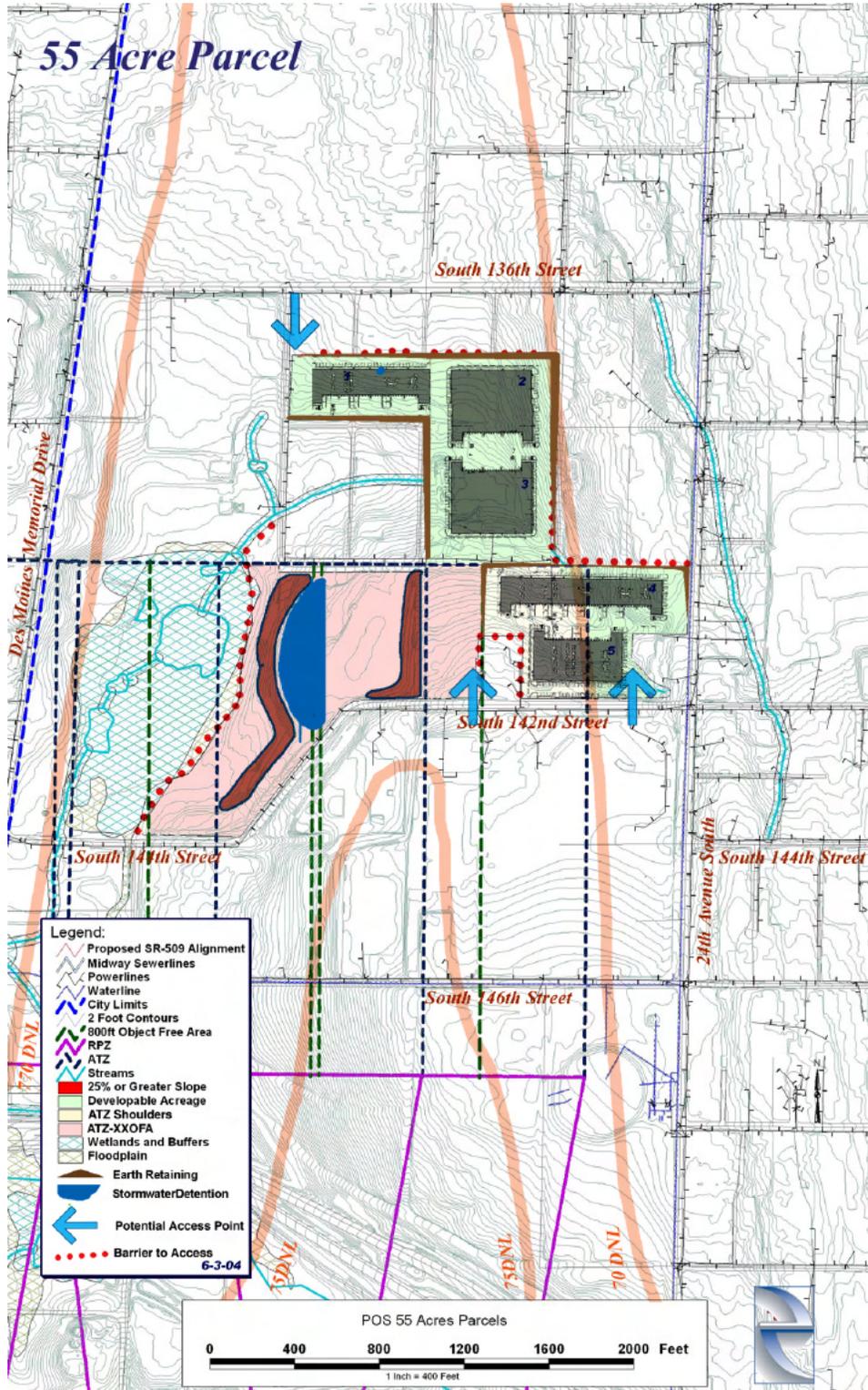
The conceptual development plan shows 463,000 square feet in five single loaded industrial buildings that measure between 72,000 and 110,000 square feet. The land to building ratio is 39%. The buildings are flexible in terms of design and can be occupied by single or multiple tenants. The buildings can be combined to create a larger facility if needed. The plan calls for 10% of the building to be office space. The project costs, including land, total approximately \$30 million or \$64 per square foot of building area.

PROJECT DATA

Land		Improvements	
Location:	S. 142nd Street	Property Type:	Industrial
City:	SeaTac	# of Buildings:	5
Access:	S. 142nd St. to S. 144 th to DMMD to SR 518	Square Feet:	463,000
Usable Area:	27.2 Acres	Land to Bldg. Ratio:	39%
Utilities:	Typical to site	Development Costs:	\$30 million
Mass Grading:	None	Development Costs/SF:	\$64
Entitlements:	None	Capitalized Value:	\$34 million
		Value/SF:	\$73

Strategy

The southern portion of the property is located within the RPZ where land use is regulated by the FAA. The FAA restrictions on land use that apply to this area are highly restrictive and prohibit almost all development activity, except roadways and parking. The northern portion of the property was purchased with FAA noise mitigation funds and accordingly development is limited to airport compatible uses. Subject to the completion of the following tasks, the property is ready for development that positions the property for the off-airport market and the general industrial market.



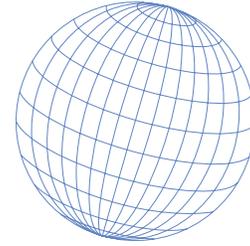
Implementation

The following actions are needed to entitle the property for development:

1. Revision of the interlocal agreement (ILA) between the Port of Seattle, the City of SeaTac, and the FAA that provides certainty by resolving all entitlement issues and includes implementation of the following:
 - a) Agreement on jurisdictional authority.
 - b) A timeline for completing tasks.
 - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
 - d) Identification of allowed uses. (Specific attention to determination of permitted uses in the portion of the property with FAA requirements.)
 - e) Coordination with FAA for review and approval of development planning.
 - f) Completion of SEPA review and documentation.
 - g) Identification of mitigation requirements.
 - h) A binding methodology for street vacations.
2. Market property.
3. Pre-application meeting.
4. Formal application.
5. Vacation of unused road right-of-ways if needed.
6. Issue construction permits.
7. Development.

Schedule Acceleration

The schedule could be moved forward by expediting the revision and implementation of the interlocal agreement.



MISSION STATEMENT, PARTNERSHIP STRUCTURE, and ACKNOWLEDGEMENTS

DEFINITION AND MISSION STATEMENT

The acronym “NEST” stands for “New Economic Strategy Triangle.” The NEST study and partnership was conceived as “A place to nurture new business growth.”

The goal of nurturing business growth has two aspects that must be balanced:

- (a) Related to airport-supported land uses, airport business lines, airline operations support.
- (b) Related to the communities (i.e., people-centered) both in terms of economy and in terms of quality of life and environment.

NEST PARTNERSHIP STRUCTURE

Partnership

The NEST Partners include the cities of Burien, Des Moines, and SeaTac, the Port of Seattle (which operates Seattle-Tacoma International Airport), and the Puget Sound Economic Development District (District) represented by the Puget Sound Regional Council (PSRC). The District acted as project manager and facilitator for the study. Under a joint operating agreement between the District and the Puget Sound Regional Council, PSRC staff and resources were made available to the NEST Task Force for the purposes of this study.

In addition, a Regional Advisory Group was formed. This group includes representatives of other government entities, the University of Washington, cargo industry experts, and business groups. The purpose of the Regional Advisory Group was to help provide economic insight, planning knowledge, or analytic resources to assist the NEST Task Force.

Task Force

The project Task Force included representatives from the study’s partners. The task force and the consultants worked on the project in a collaborative fashion to resolve issues, provide clarity, feedback, and project oversight. Members of the task force include:

Thomas Boydell • NEST Facilitator/Project Manager, PSRC
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Tara Van Vleet • Business Development Manager, Port of Seattle
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Consultants

The NEST Task Force retained a team of consultants, led by GVA Kidder Mathews, in September 2003. The consultants are:

Blair Howe • GVA Kidder Mathews

John Hoffman • Perteet Engineering, Inc.

Greg Easton • Property Counselors

Chris Austin • Project Dimensions, Inc.

John Yarnish • URS

The consultants contributed from the perspective of their areas of expertise: Blair Howe — real estate development, planning and analysis. John Hoffman — urban design, architecture, and engineering. Greg Easton — economics. Chris Austin — real estate development and project management. John Yarnish — airport engineering.

Regional Advisory Group

Peter Beaulieu • PSRC (Freight Mobility Roundtable)

Thomas Boydell • NEST Manager and Facilitator, PSRC

Dr. Jesse Browning • Director, Global Trade, Transportation, and Logistics Studies Center, University of Washington, and APEC Delegate

Susan Carlson • Segale Project Development

Richard Chapman • Seattle-King County Economic Development Council

Thomas Crabtree • Regional Director, Airline Revenue Analysis/Cargo Marketing, The Boeing Company

Nancy Damon • General Manager, SeaTac/Tukwila Chamber of Commerce

Martin Dicker • Senior Economic Development Specialist, King County

Al Hicks • Assistant Community Development Director, City of Auburn

Thomas Hoang • Regional Director of Marketing/Cargo, Commercial Airplanes,
The Boeing Company

Barbara Ivanov • Freight Director, Department of Transportation, State of Washington

Stephen Kiehl • PSRC (Regional Airport Access and Cargo Studies)

Christopher McCoy • Seattle-King County Economic Development Council

Ray Moser • Manager, Strategic Planning/Economic Development, King County

Jack Pace • Deputy Director, Planning/Community Services Division, City of Tukwila

Theresa Smith • Aviation Services Manager, WA State Department of Transportation

Nathan Torgelson • Economic Development Director, City of Kent

Ben Wolters • Economic Development Director, City of Renton

Samuel Petite • Lynden Transport and STACA Director



NEST Study



Puget Sound Regional Council
PSRC

