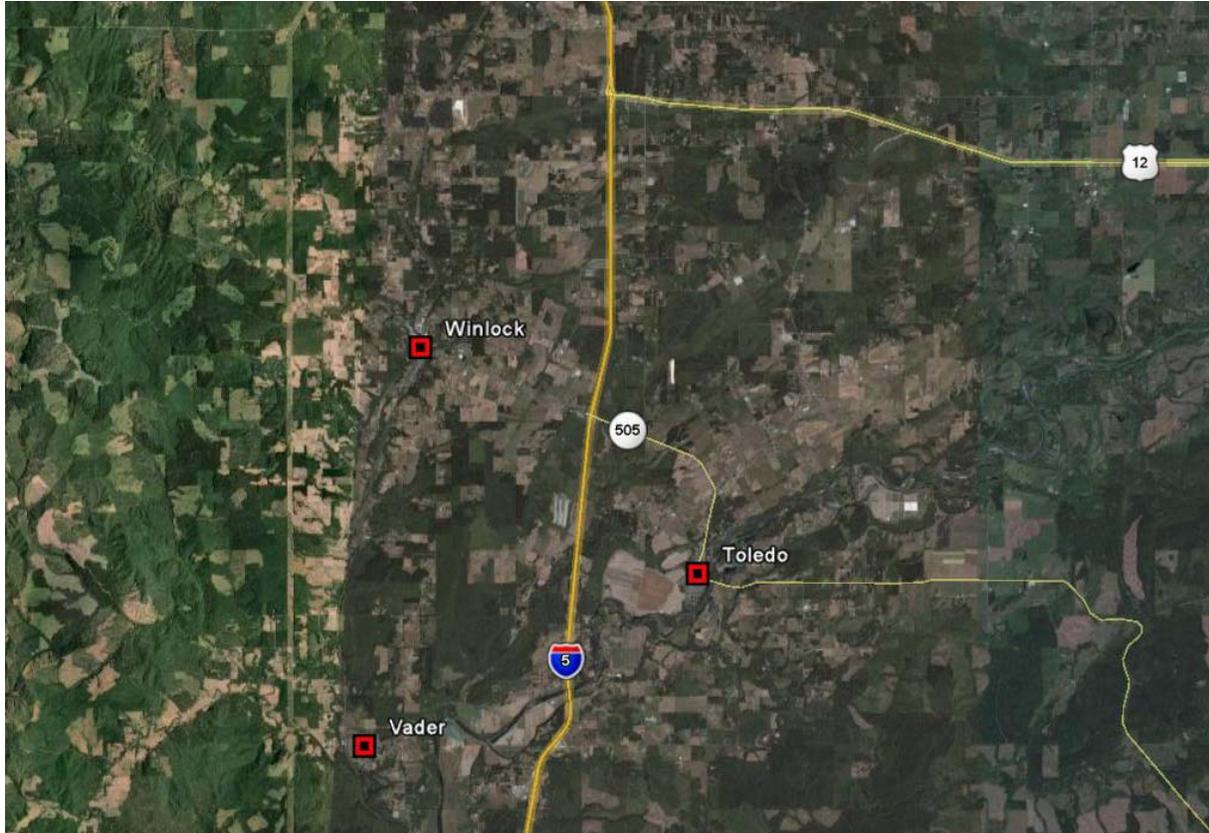


# SOUTH LEWIS COUNTY REGIONAL MARKET ANALYSIS



Prepared for:  
**Lewis County**

June 2009

**E. D. Hovee & Company, LLC**

Economic and Development Services



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# South Lewis County Regional Market Analysis

Prepared for:

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June 2009

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*Cover Photo: Google Earth, 2009*

# EXECUTIVE SUMMARY

With an estimated 10,200 residents as of 2008, the South Lewis County planning subarea is poised for major economic and community change in the years ahead. As the last portion of the Interstate 5 freeway corridor with five largely undeveloped interchange areas, South County is *strategically positioned* for growth central to the Seattle-Tacoma and Portland-Vancouver metro areas.

In recognition of this potential, the communities of South County and the Lewis County Department of Community Development are working together to proactively assess economic development opportunities and challenges. The goal is to *plan in advance* of development – so that growth is managed in a way that enhances economic opportunities while protecting critical community and environmental values.

The economic and development consulting firm E. D. Hovee & Company, LLC has been retained to prepare a *regional market analysis* for South Lewis County. What follows is a brief summary of major observations and findings to date.

***Local & Regional Market Conditions.*** A South County economic profile indicates that:

- The subarea's three cities (Toledo, Vader, Winlock) have 2,680 residents – about 26% of total South County population. Unincorporated areas represent the majority (74%) of subarea population.
- Subarea population has been increasing at a more rapid rate than the rest of Lewis County, but at a slower pace than statewide.
- The population of South County tends to be relatively young with large families; education levels of the adult population are somewhat below the rest of the county and state, but improving in recent years.
- Subarea household incomes are relatively high compared to the rest of Lewis County but below the statewide median. Due to lack of nearby jobs, residents often commute longer distances to work.
- As of 2008, the South County subarea has a range of employers providing more than 2,600 jobs, representing 7% of all jobs in Lewis County (versus 14% of countywide population). From 2002-07, job growth countywide has occurred at less than one-half the rate of employment growth statewide.
- Like many rural communities throughout the state, subarea population appears to be underserved by retail stores across virtually all categories except gasoline stations. The comparatively small current South County population base makes it challenging to effectively recapture sales leakage. Consequently, many retail uses can be expected to depend on a mix of local resident and tourism trade (including pass-through I-5 travel) to support businesses of sufficient size and sales volume for long-term sustainability.
- South County utility infrastructure capacity varies by community. Water and sewer systems are essentially at capacity. Toledo has capacity to meet current population needs but system improvements likely are required to serve future growth. Winlock also has capacity to serve the existing population and has made improvements to better serve anticipated growth.

- For the entire South County, transportation capacity appears generally adequate to serve anticipated growth, but with needs for future improvements noted for several I-5 interchange areas. Funding for required transportation improvements remains challenging as Lewis County currently relies primarily on the SEPA process to identify appropriate transportation mitigation.

***I-5 Corridor Development Experience.*** Development along the I-5 corridor in western Washington has occurred via *five waves* of market activity: 1) the first two decades of the 1900s led by the central Puget Sound; 2) the 1920s-1930s with rapid Cowlitz County mill-related growth; 3) the 1940s by Clark and Pierce Counties through World War II; 4) the 1950s-1980s with prominence for Snohomish, Thurston and Clark; and 5) the 1980-2008 period led by Clark, Snohomish and Thurston but with strong growth now also felt in urbanizing Whatcom and Skagit Counties. Lewis is the only I-5 county not yet a growth leader, though South County has the largest remaining set of undeveloped freeway interchanges.

State of Washington Employment Security Department (ESD) data indicates that I-5 corridor counties experienced more rapid job growth in the early part of this decade than the rest of the state. Even higher rates of growth were experienced overall in the less-urban counties of the corridor (especially Thurston, Whatcom and Skagit). Looking to the future, ESD forecasts that long-term employment growth is expected to be slower than in the past, even with recovery from the current recession.

***Economic Development Potentials.*** Consistent with the pattern of I-5 corridor development over multiple decades, potential opportunities for industrial, commercial and tourism related development are appropriately evaluated in the context of economic development activity occurring in the two metropolitan areas situated just north and south of Lewis County – the Puget Sound region and Portland-Vancouver metro area. Opportunities for substantially increased economic growth in Lewis County can be expected to be driven largely – though not exclusively – from the economic momentum generated outward from these neighboring major metro centers.

The following more detailed types of uses could be considered as part of the *menu of options* for transition from base case toward a high growth scenario:

- *Manufacturing* – with economic recovery for capital intensive industries serving export markets
- *Distribution* – offering fewer jobs but at good wages and as an anchor for early phase development
- *Transportation / logistics* – for truck, rail and/or airport uses based on mid-metro market location
- *Business park* – with 1-2 story multi-tenant structures for industrial or service-commercial use built in phases as warranted by market demand
- *Office space* – to better serve local businesses and/or major recruited employers (as for data centers)
- *Interchange retail* – to better serve I-5 travelers with new facilities

- *Tourism development* – a major I-5 attraction plus lower-impact tourism situated away from the freeway
- *Local serving retail* – both at interchange areas and in conjunction with downtown revitalization

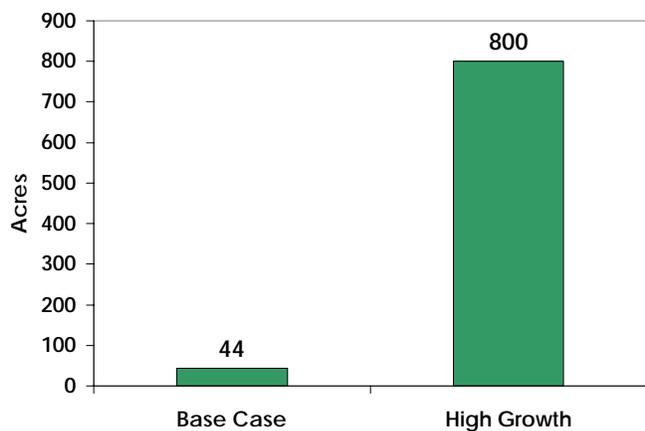
While market support can be demonstrated for each of these uses, a *locally preferred scenario* may emphasize some uses over others. These choices can be considered with the South County planning process, recognizing that some choices will likely prove more viable than others – especially over the next 3-5 years. An action plan of key implementation steps can then help shape those that *best fit* both reasonable market and community expectations.

***I-5 Comparable Site Opportunities.*** With this market study, particular attention is focused on identifying large industrially designated sites of 50+ acres that are currently being marketed along the I-5 corridor – from southern Pierce County south to Cowlitz County. Of 10 major properties identified, most have access to I-5 plus rail service. All are being marketed as having infrastructure available, though in some cases utilities are not yet directly at the site.

Some of these sites are superior to South County in that infrastructure is already in place, with more clearly defined environmental suitability, and/or may be better priced. These are issues that would need to be remedied for South County property to be more directly competitive, especially over the near-term of the next 5+/- years. Compared to the alternatives, potential advantages of South County property include availability of more total acreage and as yet relatively undeveloped acreage offering greater opportunity for a wide mix of employment uses.

***Alternative Development Scenarios.*** As part of this market study, two contrasting alternative development scenarios have been identified and evaluated. With *base case development* (as a continuation of past trends) South Lewis County could expect to experience relatively modest levels of commercial and industrial development over the next five and 20 years – totaling in the range of 40-50 acres net land need to accommodate added employment activity over a 20-year time period. This net acreage figure can be translated to a gross acreage requirement, by including factors for infrastructure, critical areas, open space/holding, and a market factor. When these factors are taken into consideration, total base case gross employment land need is estimated at between 140-165 acres.

With a *high growth scenario*, South County would come into its own as a competitive player for I-5 corridor industrial, tourism and retail-service related development in western Washington. Demand over 20 years conceivably could increase by as much as 18-fold over base case expectations – reaching close to 800 net acres for employment site footprint over a 2010-2030 time period. Approximately 75% of market demand (600 acres) for employment land would be for industrial use, 12% (98 acres) for



tourism-related development, and 13% (102 acres) for other retail and services. When factors for infrastructure, critical areas, open space/holding, and a market factor are included, total gross land area needed is in the range of 2,500-3,000 acres.

South County's capacity to move from base case to high growth is predicated on:

- Opportunity for non-urban I-5 counties (especially Lewis) to capture an increased share of I-5 corridor employment growth in future years.
- South Lewis County capturing a majority share of countywide industrial job growth, above base case growth levels within 20 years.
- Community interest in a full range of industrial activity – including manufacturing, transportation/logistics, and wholesale/distribution.
- South County capture of at least one major tourism destination facility at or near an interchange with the I-5 freeway – as with the proposed REQ equestrian center facility.
- Ability to provide competitive sites with full utility and transportation infrastructure – either ahead of or *in synch* with major user requirements.

***Economic Development Action Plan.*** Recommended for consideration by the Plan Advisory Committee and local jurisdiction partners is endorsement or adoption of a strategy comparable to that of the *high growth scenario*. While some elements of this strategy may be emphasized over others, this overall approach appears to offer the best potential to create diverse economic opportunities for current and future South County residents – while also managing its own destiny in a way that best serves the entire subarea together with individual community objectives.

In summary, key elements of a recommended action plan include the following *action steps*:

- Refine and adopt a South Lewis County Subarea Plan.
- Revise existing Comprehensive Plans and zoning to match the goals and specific elements of the Subarea Plan.
- Prepare an economic development *tool-kit* with identification of technical assistance, infrastructure and incentive funding for targeted economic development investment.
- Coordinate detailed implementation of the Subarea Plan with property owners as for determination of property availability and infrastructure needs.
- Also coordinate provision of transportation and utility infrastructure, with initial investments focused on shovel-ready projects and sites.
- Initiate shovel-ready site marketing as a cooperative effort of property owners, brokers, the Lewis County EDC and Washington State Department of Commerce.
- Conduct site specific master planning with development agreements for each large site project or master planned multi-use proposal.
- Update and revise the Subarea Plan within 5-10 years of initial plan adoption for refinements based on experience plus capture of as yet unrecognized future opportunities.

# Table of Contents

EXECUTIVE SUMMARY	i
I. MARKET ANALYSIS INTRODUCTION	1
II. LOCAL & REGIONAL MARKET CONDITIONS	5
III. I-5 CORRIDOR DEVELOPMENT EXPERIENCE	21
IV. ECONOMIC DEVELOPMENT POTENTIALS	27
V. I-5 COMPARABLE SITE OPPORTUNITIES	46
VI. ALTERNATIVE DEVELOPMENT SCENARIOS	49
VII. ECONOMIC DEVELOPMENT ACTION PLAN	55
APPENDIX A. PREPARER PROFILE	57
APPENDIX B. SUPPLEMENTAL DATA	58
APPENDIX C. I-5 CORRIDOR INTERCHANGES	64
APPENDIX D. SOUTH COUNTY LAND USE OPTIONS	68
ENDNOTES	72

# I. MARKET ANALYSIS INTRODUCTION

With an estimated 10,200 residents as of 2008, South Lewis County is poised for major economic and community change in the years ahead. As the last portion of the Interstate 5 freeway corridor with five largely undeveloped interchange areas, South County is strategically positioned for growth between the Seattle-Tacoma and Portland-Vancouver metro areas.

In recognition of this potential, the communities of South County and the Lewis County Department of Community Development are working together to proactively assess economic development opportunities and challenges. The goal is to plan in advance of development – so that growth is managed in a way that will enhance economic opportunities while protecting critical community and environmental values.

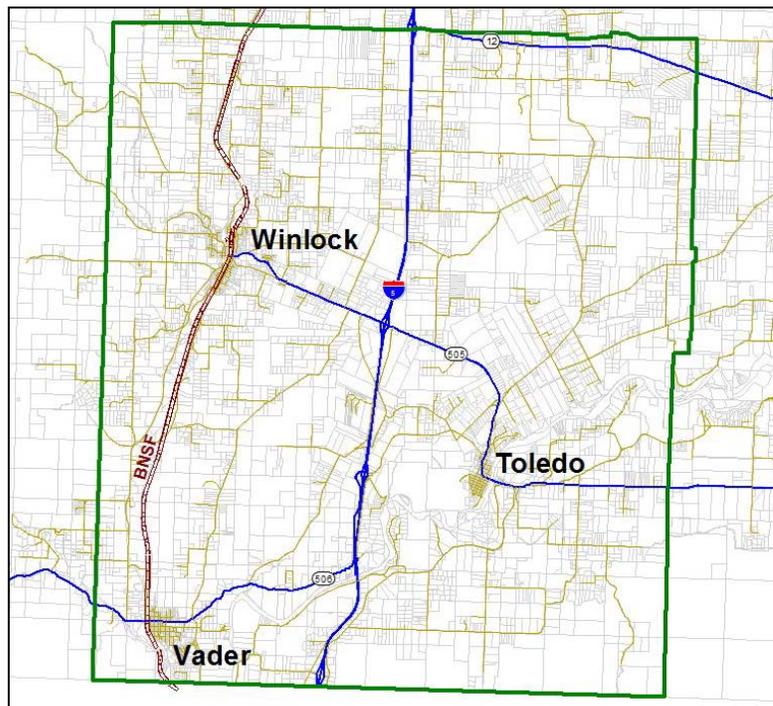
This report is intended to provide an objective evaluation of South County potential for employment generating industrial and commercial uses – as a key component of the community planning process now underway.

## SOUTH LEWIS COUNTY STUDY AREA

The South Lewis County Subarea is more than 105 square miles (or 67,690 acres) in size. As depicted by the following map, this South County geography is the focus of this market analysis. Included within the subarea are the incorporated communities of Toledo, Vader and Winlock as well as the surrounding unincorporated rural area. The transportation spine of South County is the Interstate 5 freeway corridor with five interchanges (at exits 57, 59, 61, 63 and 68).

South Lewis County is also served by State Highways 12, 505 and 506. The BNSF railroad main line serving Seattle and Portland is aligned just to the west of Interstate 5. General aviation and air cargo services are provided by the Toledo-Winlock Ed Carlson Memorial Field.

Figure 1. South Lewis County Subarea Plan Area



Source: Lewis County Department of Community Development, BHC Consultants and E. D. Hovee & Company, LLC.

## BACKGROUND

Lewis County has been working with local jurisdictions and a Plan Advisory Committee to prepare a Subarea Plan for South Lewis County. The primary purpose for the Subarea Plan is to create a *goal driven* economic and community development strategy for the South County planning area.

Key steps in the planning process have included:<sup>1</sup>

- Preparation of a *South Lewis County Economic Profile* – as a compilation of current demographic and economic conditions together with review of current economic forecast scenarios and community strengths and weaknesses related to economic development.
- Planning analysis led by BHC Consultants, including preparation of draft South Lewis County subarea vision, goals and three mapped alternative development scenarios (provided by Appendix D to this report).
- Preparation of a *Subarea Transportation Plan* by Cook Engineering and Development Services (CEDS) including evaluation of alternative population and employment growth forecasts.
- Environmental analysis including watershed and local habitat assessments in cooperation with the State of Washington Departments of Ecology and Fish and Wildlife.

Guidance for this planning process has been provided through regular meetings of the South Lewis County Plan Advisory Committee together with a Community Open House conducted on May 14, 2009.

## VISION STATEMENT

A vision statement is a description of how the community will look and function in the future. This vision statement is used to guide the goals and policies of the Subarea Plan. As currently refined with the Advisory Committee, the draft vision statement currently reads as follows:

*In 2030, South Lewis County exhibits a diverse rural character featuring a variety of farming, forestry, and low-density residential uses and small urban town centers. The protected natural environmental features include streams, wildlife habitats, and flood plains. Winlock, Toledo, and Vader provide services to local residents and offer pedestrian-oriented recreational opportunities and attractions to visitors. The Gateway to Lewis County is concentrated at the I-5 interchanges where regional hospitality and entertainment centers serving travelers provide important employment and tax revenue benefits to the local economy. Major industrial businesses are operating at key locations, providing additional benefits. The growth in population and increased quality of life has enabled successful growth in local service and retail service businesses.*

*The community – a partnership of Lewis County, local elected officials and leaders:*

- Supports new development that is compatible with and preserves the natural and historical environment, including water resources.
- Manages growth to reinforce the agrarian rural/small town character of the area that includes agriculture, open space and trails as important elements maintaining South County’s economic, cultural and social structure.
- Supports the provision of adequate public services to new development without compromising existing levels of service or burdening existing residents with the costs of growth.
- Monitors the cumulative effects of growth and development on the desired quality of life.

*Principles:*

1. Protect the right to farm.
2. Encourage a variety of urban and rural business uses.
3. Support the provision of parks, recreation areas, and open space.
4. Coordinate the provision of urban-serving wastewater, stormwater, and water systems.
5. Encourage the provision of economical and efficient public services including public safety, education, and emergency services.
6. Support a comprehensive transportation system.
7. Maintain attractive and amenable pedestrian and bicycle ways.
8. Manage growth with sustainability and emphasize urban mixed-use developments through the use of master planning and development agreements.

This vision statement has provided important policy context and has served as a guide for this regional market study. *The draft statement is subject to refinement based on further discussion and action by the Plan Advisory Committee.*

## **MARKET ANALYSIS PURPOSE**

Consistent with the vision statement, more specific objectives of this market analysis are to:

- Compile local and regional market area demographics
- Compare local and regional market conditions to complete an economic profile for the study area
- Analyze I-5 corridor industrial/commercial land development experiences and opportunities
- Anticipate South County market demand and absorption potential for industrial and commercial uses
- Prepare alternative development and absorption scenarios with identification of implementation requirements associated with each scenario

- Participate in public outreach for community response and the strategic plan to outline step-by-step actions associated with achieving the preferred development scenario

## REPORT ORGANIZATION

The remainder of this report is organized to cover the following topics:

Local & Regional Market Conditions  
I-5 Corridor Development Experience  
Economic Development Potentials  
I-5 Comparable Site Opportunities  
Alternative Development Scenarios  
Economic Development Action Plan

Attached to this market analysis report are several appendices. *Appendix A* provides a brief profile of E. D. Hovee & Company, LLC as preparer of this market analysis report. *Appendix B* is a compendium of supplemental data used with the analysis. *Appendix C* provides a detailed inventory of rural I-5 interchanges in Washington State. *Appendix D* contains South County land use alternatives as prepared in consultation with the Plan Advisory Committee.

## II. LOCAL & REGIONAL MARKET CONDITIONS

This report begins by reviewing local and regional trends and conditions that can be expected to affect future prospects for economic development in South Lewis County. Specifically considered is:

- A South County market demographic and economic profile – comparing key statistical indicators for South Lewis County with all of Lewis County and the state of Washington.
- Economic forecasting pertinent to this analysis that has been previously conducted – both countywide and for South Lewis County.

Statistical information for the economic profile was compiled from published sources including the 2000 U.S. Census, and State of Washington’s Office of Financial Management and Employment Security Department. Updated 2008 information for a number of post-Census data items is from a nationally recognized data firm, Environmental Systems Research Institute, Inc. (ESRI).

Previous countywide employment forecasting has been prepared for the Lewis County Economic Development Council by E. D. Hovee & Company, LLC. Preliminary employment forecast scenarios provided as part of a Subarea Transportation Plan also have been prepared for Lewis County by the Chehalis firm of Cook Engineering and Development Services (CEDS).

### SOUTH COUNTY MARKET DEMOGRAPHIC & ECONOMIC PROFILE

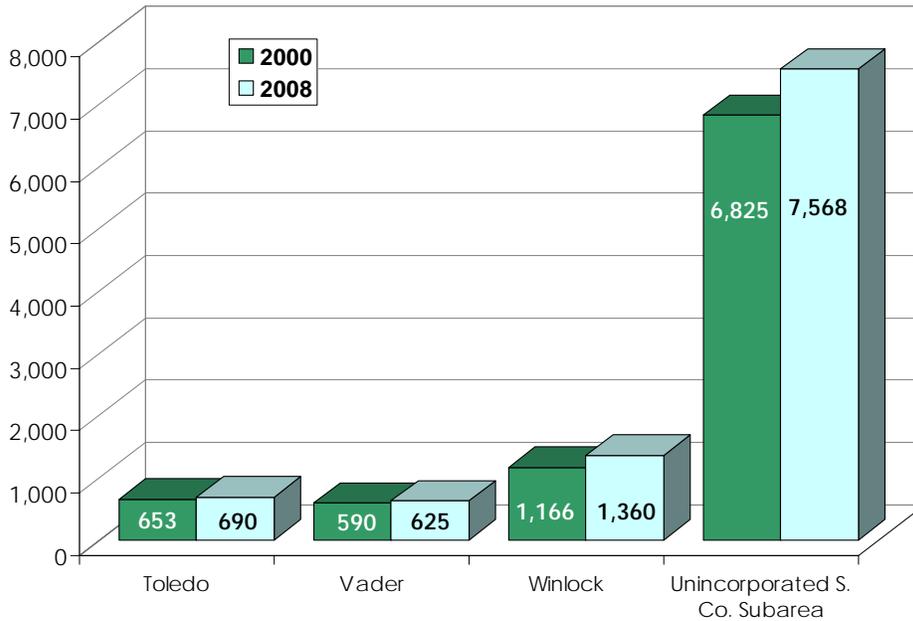
Pertinent information for this market demographic and economic profile is drawn from a *South Lewis County Economic Profile* – initially prepared in December 2008. As noted, this profile provides for the compilation of *baseline data* to outline current conditions for the South Lewis County Subarea relative to all of Lewis County and the state of Washington.

As with the rest of this market analysis, the focus of data reviewed and resulting summary analysis is primarily on the entire subarea rather than on individual jurisdictions within the South County area. More detailed data tables are provided with the earlier economic profile report.

**Population.** As of 2008, the South County Subarea has an estimated 10,200 residents – representing 14% of Lewis County’s population of 74,700. Lewis County itself accounts for just 1.1% of the entire state’s population of nearly 6.6 million. Other characteristics of note:

- The subarea’s three cities account for more than 2,680 (or 26%) of the residents of the South County. Unincorporated areas represent the majority (74%) of subarea population.
- With 1,360 residents, the city of Winlock has the majority (51%) of the subarea’s incorporated population. Toledo is the next largest city, with 690 residents. Vader follows closely with a population of 625.

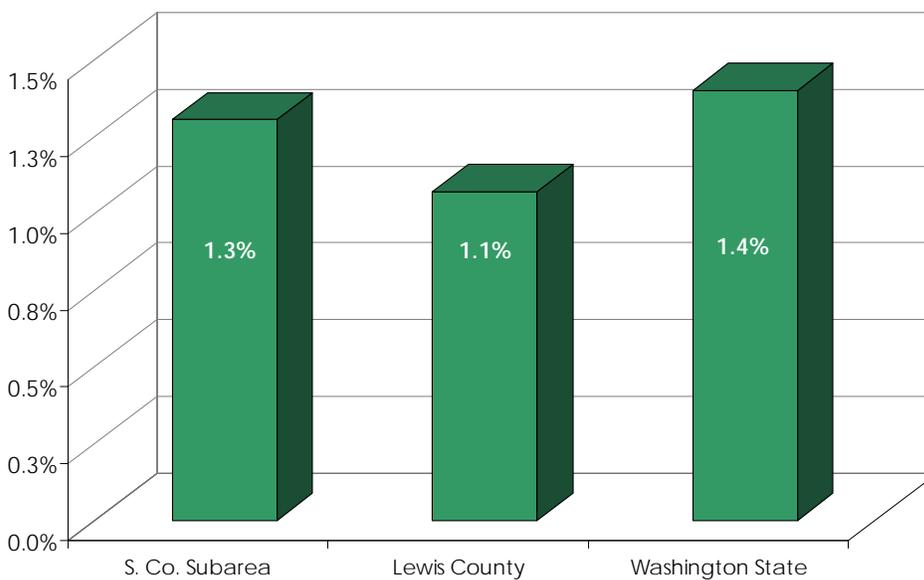
**Figure 2. Comparative South County Population Trends (2000-2008)**



Source: State of Washington Office of Financial Management and ESRI.

- Between 2000 and 2008, the subarea population increased at rates averaging 1.3% per year – slightly more rapid than the 1.1% rate of annual growth experienced countywide but below the overall statewide growth rate of 1.4%.
- Toledo and Vader both experienced year-to-year growth in the 0.7% range, with Winlock experiencing more rapid population growth averaging 1.9% per year.

**Figure 3. Regional Average Annual Growth Rates (2000-2008)**



Source: State of Washington Office of Financial Management and ESRI.

**Demographics & Labor Force.** This economic profile includes consideration of trends with respect to more detailed demographic characteristics and labor force. Key demographic indicators reviewed include median age of the population, education, median household incomes, occupation distribution, and work trip commuting patterns within the region.

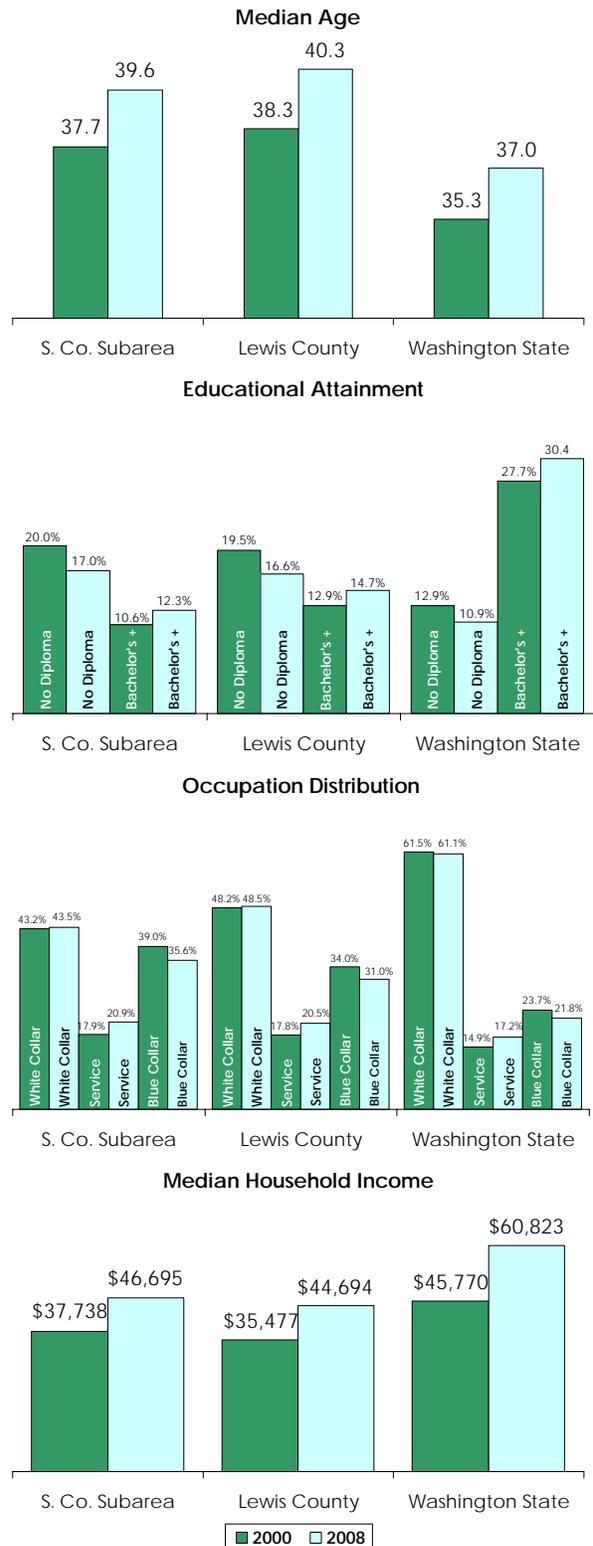
**Median Age:**

- With a median age of 37.7 as of 2000, the population of the South County Subarea is somewhat younger than all of Lewis County (at 38.3 years) but older than the entire population of Washington State (at 35.3 years).
- Residents of subarea cities are younger than is the case for the entire subarea – with a median of 36.8 years in Toledo, 35.5 in Vader, and 33.3 in Winlock.
- Between 2000 and 2008, the median age of residents in the subarea rose to an estimated 39.6 years, while that of residents countywide increased to 40.3 and statewide to 37.0.

**Education:**

- Educational attainment data is provided for adults age 25 and over. Overall, the available data (as of 2000) indicates that the South County Subarea lags the entire county and the state. Less than 11% of subarea adults have a (four year) college degree or better, compared with about 13% in Lewis County and nearly 28% statewide.
- Conversely, 20% of the subarea’s adults have not finished high school, compared with a similar percentage countywide versus less than 13% statewide.
- From 2000 to 2008, the level of

**Figure 4. Demographic Data (2000-08)**



Source: U.S. Census Bureau and ESRI.

education of the adult population has increased throughout the subarea, county, and state. The proportion of adults with at least a Bachelor's degree has risen by an estimated 1.7% in the subarea, 1.8% in the county, and 2.7% statewide. Further boosting the overall education levels across all these regions are continuing declines in the proportion of adults without a high school diploma.

#### *Occupation Distribution:*

- Occupation data is depicted for the employed population age 16 and over. In 2000, white collar jobs represented the most common part of the occupational mix in the South County Subarea at 43%, followed by blue collar (39%) and service jobs (18%).
- In comparison to the subarea's occupational distribution in 2000, Lewis County exhibited a similar proportion of service jobs (18%) but with a higher percentage of white collar occupations (48%) and fewer blue collar jobs (34%).
- Washington State's job mix is markedly different at 62% white collar, 24% blue collar, and 15% service.
- Between 2000 and 2008, the proportion of white collar occupations increased 0.3% in the subarea and countywide, while actually decreasing statewide. Service jobs increased by 3.0% in the subarea, 2.7% in Lewis County, and 2.3% across the state. Conversely, the percentage of blue collar occupations contracted 3.4% in the South County Subarea, 3.0% in the entire county, and 1.9% statewide.

#### *Median Household Incomes:*

- As of 2000, median household income was \$37,700 for the South County Subarea. South County incomes were 7% above the comparable Lewis County median of \$35,500 but 21% below the statewide median of \$45,800.
- In the eight years to 2008, Washington State median household incomes increased by 33%, out-pacing both the subarea and county and essentially widening the existing income gap. Current median income levels are estimated at \$60,800 statewide, dropping to \$46,700 in the subarea and \$44,700 throughout the county.

#### *Commuting:*

- Within the South County Subarea in 2000, more than 94% of employees commuted to work (with others working at home). Average work commute time was 29.9 minutes – above the average of 25.7 minutes throughout Lewis County and 25.5 minutes statewide.
- Approximately 26% of those who live in the subarea work outside their county of residence – compared to 19% countywide and 15% statewide.

**Housing.** Throughout the Pacific Northwest and much of the U.S., the availability, affordability, diversity and quality of housing have become increasingly important to economic development. New jobs are likely to be accompanied by – if not dependent on – the ability to provide added housing. This is true across the entire spectrum – from entry-level to managerial job positions. Key housing characteristics of interest for this analysis include household size, occupancy and tenure, and housing development and pricing.

*Households & Household Size:*

- As of 2008, there are an estimated 3,700 households in the South County Subarea – equating to about 2.77 residents per household. Household size is well above the Lewis County average of 2.59 persons per household as well as the statewide average of 2.53 persons per household.
- While average household size has actually increased in recent years throughout both Lewis County and the smaller subarea, it has held flat statewide.

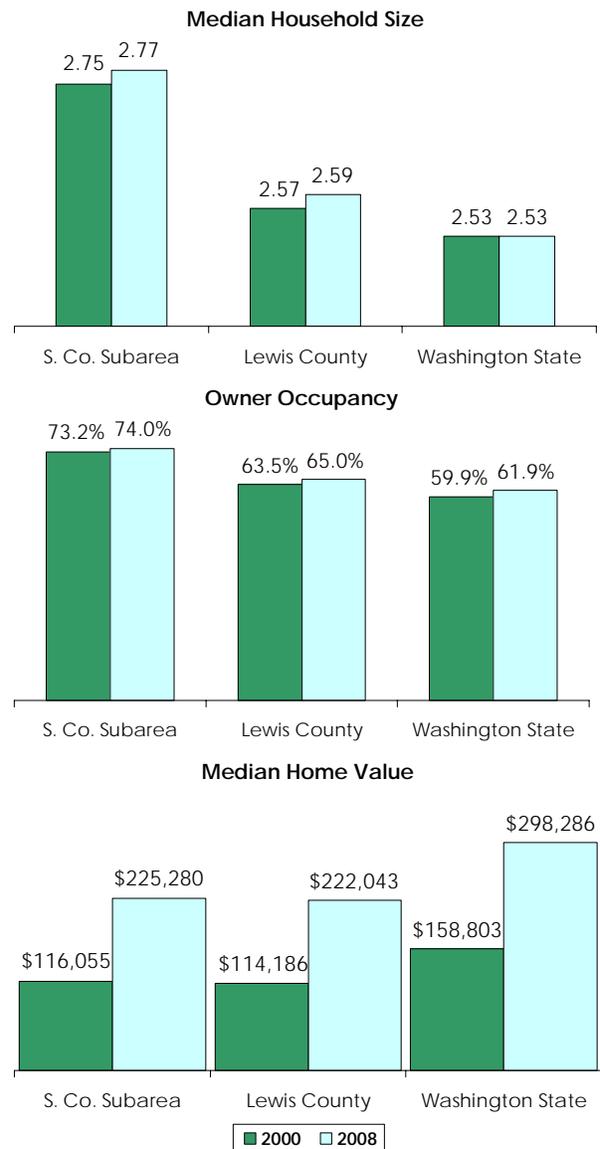
*Occupancy & Tenure:*

- As of 2008, there are more than 4,000 housing units in the South County Subarea, of which an estimated 74% are owner-occupied, 18% are renter-occupied, and 8% are vacant (including seasonal units).
- Owner occupancy and vacancies appear to have increased while the proportion of renter-occupied units have decreased from 2000 levels.
- Rates of homeownership in Lewis County and Washington State are lower than experienced in the South County Subarea.
- Housing vacancy as of 2008 is similar to the subarea statewide (8%) but higher countywide (12%).

*Housing Development:*

- Between 2000 and 2008, the number of housing units has increased by about 381 units within the subarea, an increase of 10%. This equates to an average of about 48 units added to the housing inventory each year.
- As of 2008, Lewis County has an estimated 32,600 housing units, approximately 3,000 more than at the time of the 2000 U.S. Census.
- Over the same 2000-2008 time period, the number of housing units statewide increased by 14%.

**Figure 5. Housing Trends (2000-08)**



Source: U.S. Census Bureau and ESRI.

*Type of Housing:*

- Detached single-family (stick-built) housing generally has comprised a somewhat greater proportion of South County Subarea housing units (68%) than is the case throughout Lewis County (67%) or the state of Washington (62%) – as illustrated by 2000 census data.
- A relatively high proportion of housing (28%) consists of mobile homes in the subarea versus 20% countywide and less than 9% statewide.
- The South County Subarea and all of Lewis County have smaller proportions of attached housing than occurs, on average, elsewhere across the state – especially in multi-family units.

*Housing Values:*

- As with incomes, housing values within the South County Subarea are above Lewis County values but significantly below comparable state of Washington figures. As of 2008, the median home value in the subarea is estimated at \$225,300, 25% lower than the \$298,300 figure estimated for the entire state. By comparison, median home value countywide is \$222,000 – or 74% of the comparable statewide median.
- In the eight years since the U.S. 2000 Census, housing values have nearly doubled in the subarea and Lewis County. Substantial gains in housing values statewide are also indicated, at an overall increase of 88%.

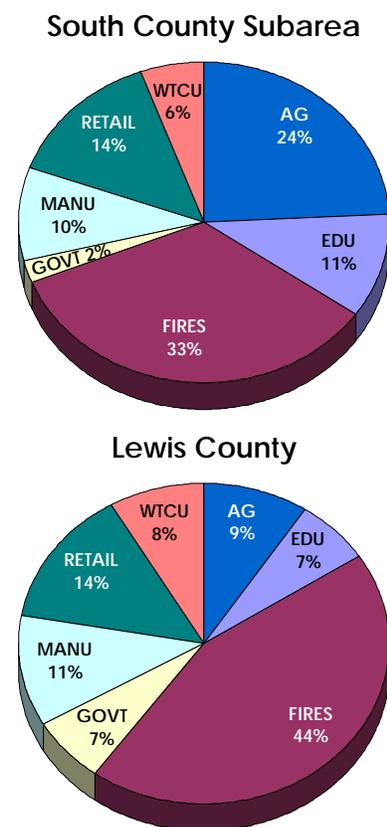
As is true throughout the state and nation, housing values are now in substantial flux due to the housing credit issues emerging in 2007 and more recent overall economic downturn. The extent of the housing demand and price adjustment that may be experienced is not yet fully known.

**Employment.** Employment data segmented by major economic sectors has been compiled for the South County Subarea and Lewis County as of 2008. More detailed trends are compared for all of Lewis County and the entire state over the 2002-2007 time period.

*Current Composition of Employment:*

- As of 2008, the South County Subarea has a base of more than 2,600 jobs representing 7% of the total jobs in Lewis County. By comparison, the subarea accounts for 14% of the countywide population.
- Of the major employment sectors in the region, FIRES (a compilation of finance, information, services and construction) represents the largest

**Figure 6. Employment (2008)**



Source: Lewis County.

single sector with nearly 900 workers (representing 33% of the subarea job base). With 15,900 employees, FIRES workers account for 44% of Lewis County employment.

- AG (a composite of agriculture, forestry, fishing, hunting, and mining) represents the second largest subarea employment sector (with 600 jobs) – followed by retail (at under 400), education (300), then manufacturing (with over 200).
- Top employment sectors countywide following FIRES are retail (with 5,000 jobs), manufacturing (at 3,900), and AG (3,300).
- In effect, the South County Subarea has relatively high concentrations of employment in agriculture/forestry and education and is under-represented in FIRES, wholesale and governmental employment when compared to the rest of Lewis County.

#### *Employment Trends (2002-2007):*

- Between 2002 and 2007, total employment in Lewis County increased at a rate of less than 1% per year (or by 960 jobs in total). The number of firms reported declined by 3.3%, indicating a trend toward somewhat larger average firm size. By comparison, statewide employment increased by 2.1% annually coupled with a 1.3% per year decrease in the number of firms during the same five-year period.<sup>2</sup>
- The most rapid countywide job growth has been experienced in real estate (with rental and leasing) together with educational services – up by close to 8% per year. These sectors are followed by construction and professional and technical services (both in the 6% annual growth range). Also exceeding overall job performance over this time frame of relatively strong economic growth was manufacturing – gaining at a 3.6% annual clip.
- Washington State’s job growth was highest in other services except public administration (up by 9.0% per year), construction (6.5%), and administrative and waste services (4.8%).
- Countywide employment losses were experienced from 2002-2007 in sectors including agriculture, wholesale trade, transportation and warehousing, management of companies and enterprises, administrative and waste services, and in other services (except public administration). There are no categories for which job losses are noted statewide over this time period.
- As of 2007, the average annual wage across all jobs in Lewis County covered by unemployment insurance was just under \$33,300; this represents 74% of the statewide average wage of \$45,000.
- Lewis County’s average wage (or payroll per employee) has increased by an average of 3.4% per year between 2002-2007. The most substantial wage gains are noted for management of companies and enterprises (up by 8.4% annually), other services except public administration (6.7%), and construction and health care and social assistance (both increasing by 6.1%).
- Overall average wage statewide has increased 3.3% annually during the five-year period, not as rapidly as in Lewis County. The most significant wage gains statewide are indicated for service-related activities including finance/insurance, real estate, professional and technical services, and management (all up by about 5% per year).

**Figure 7. Lewis County Employment Trends (2002-2007)**

NAICS Code	Industry	2007				Avg Annual % Chg 2002-07			
		Avg Firms	Total Wages	Avg Jobs	Avg Wage	Avg Firms	Total Wages	Avg Jobs	Avg Wage
	Total	2,402	\$853,131,223	25,651	\$33,259	-3.3%	4.2%	0.8%	3.4%
11	Agriculture, forestry, fishing and hunting	160	\$44,252,229	1,385	\$31,949	-5.5%	2.4%	-0.1%	2.5%
21	Mining	*	*	*	*	*	*	*	*
22	Utilities	*	*	*	*	*	*	*	*
23	Construction	252	\$50,463,061	1,235	\$40,861	1.3%	12.6%	6.0%	6.1%
31-33	Manufacturing	131	\$154,380,742	3,643	\$42,373	1.6%	7.3%	3.6%	3.6%
42	Wholesale trade	76	\$21,569,873	541	\$39,907	-2.4%	1.7%	-3.0%	4.8%
44-45	Retail trade	283	\$86,929,521	3,574	\$24,325	-2.0%	5.0%	1.9%	3.0%
48-49	Transportation and warehousing	89	\$41,086,958	1,203	\$34,166	-4.1%	-3.0%	-3.3%	0.3%
51	Information	22	\$10,558,373	308	\$34,290	-5.6%	6.5%	2.9%	3.5%
52	Finance and insurance	58	\$16,453,038	430	\$38,233	2.2%	4.3%	0.0%	4.3%
53	Real estate and rental and leasing	66	\$5,775,303	305	\$18,935	1.7%	12.8%	8.0%	4.5%
54	Professional and technical services	102	\$13,136,547	404	\$32,483	0.2%	8.4%	5.9%	2.3%
55	Management of companies and enterprises	7	\$3,133,481	63	\$50,002	0.0%	-9.1%	-16.1%	8.4%
56	Administrative and waste services	76	\$17,536,377	750	\$23,382	-2.1%	2.4%	-0.4%	2.8%
61	Educational services	17	\$2,131,886	113	\$18,908	7.2%	12.5%	7.9%	4.3%
62	Health care and social assistance	146	\$99,321,325	2,717	\$36,551	-1.8%	6.6%	0.4%	6.1%
71	Arts, entertainment, and recreation	27	\$5,401,732	432	\$12,502	*	*	*	*
72	Accommodation and food services	180	\$28,281,782	2,119	\$13,349	-0.1%	4.3%	1.3%	3.0%
81	Other services, except public administration	603	\$16,514,952	961	\$17,190	-8.5%	2.3%	-4.1%	6.7%
92	Government	87	\$180,855,248	4,922	\$36,742	-0.3%	3.0%	0.2%	2.7%
	Not Elsewhere Classified	21	\$55,348,795	547	\$101,217	-9.6%	20.6%	2.4%	17.8%

Source: State of Washington Employment Security Department.

**Figure 8. Washington State Employment Trends (2002-2007)**

NAICS Code	Industry	2007				Avg Annual % Chg 2002-07			
		Avg Firms	Total Wages	Avg Jobs	Avg Wage	Avg Firms	Total Wages	Avg Jobs	Avg Wage
	Total	194,494	\$131,746,638,583	2,926,239	\$45,023	-1.3%	5.4%	2.1%	3.3%
11	Agriculture, forestry, fishing and hunting	7,725	\$1,983,084,194	84,704	\$23,412	-4.0%	5.5%	2.1%	3.3%
21	Mining	169	\$176,257,484	3,035	\$58,067	-1.5%	4.3%	0.5%	3.8%
22	Utilities	225	\$342,726,808	4,648	\$73,740	-1.4%	5.3%	0.8%	4.5%
23	Construction	24,885	\$9,101,519,516	194,517	\$46,790	0.6%	10.2%	6.5%	3.5%
31-33	Manufacturing	7,187	\$17,228,390,669	289,245	\$59,563	-1.5%	3.8%	0.6%	3.2%
42	Wholesale trade	12,448	\$7,460,234,881	125,702	\$59,349	-0.6%	6.9%	2.4%	4.4%
44-45	Retail trade	14,441	\$9,340,356,080	321,212	\$29,079	-2.1%	4.2%	1.5%	2.7%
48-49	Transportation and warehousing	4,020	\$3,874,281,268	85,485	\$45,321	-0.8%	4.6%	1.8%	2.8%
51	Information	2,461	\$9,815,731,123	101,992	\$96,241	-1.3%	0.7%	1.9%	-1.2%
52	Finance and insurance	5,975	\$7,128,046,314	101,885	\$69,962	1.7%	6.4%	1.0%	5.3%
53	Real estate and rental and leasing	6,772	\$1,816,516,437	49,991	\$36,337	1.2%	7.2%	2.1%	4.9%
54	Professional and technical services	16,783	\$10,628,633,216	151,642	\$70,090	0.7%	8.2%	3.0%	5.1%
55	Management of companies and enterprises	636	\$3,012,343,425	34,648	\$86,943	2.0%	8.1%	2.8%	5.1%
56	Administrative and waste services	9,093	\$5,492,088,558	149,945	\$36,627	0.6%	8.5%	4.8%	3.5%
61	Educational services	2,068	\$1,010,617,807	31,514	\$32,069	2.0%	6.6%	3.4%	3.0%
62	Health care and social assistance	13,522	\$11,710,468,949	296,628	\$39,479	0.7%	6.9%	2.6%	4.2%
71	Arts, entertainment, and recreation	2,380	\$1,259,278,660	45,569	\$27,635	0.4%	7.1%	2.3%	4.8%
72	Accommodation and food services	12,366	\$3,686,504,406	230,160	\$16,017	1.3%	5.7%	2.9%	2.8%
81	Other services, except public administration	49,286	\$2,797,014,786	114,692	\$24,387	35.3%	8.2%	9.0%	-0.8%
92	Government	2,051	\$23,883,053,028	509,026	\$46,919	0.3%	4.4%	0.8%	3.6%
	Not Elsewhere Classified	0	\$0	0	\$0	-100.0%	-100.0%	-100.0%	-100.0%

Source: State of Washington Employment Security Department.

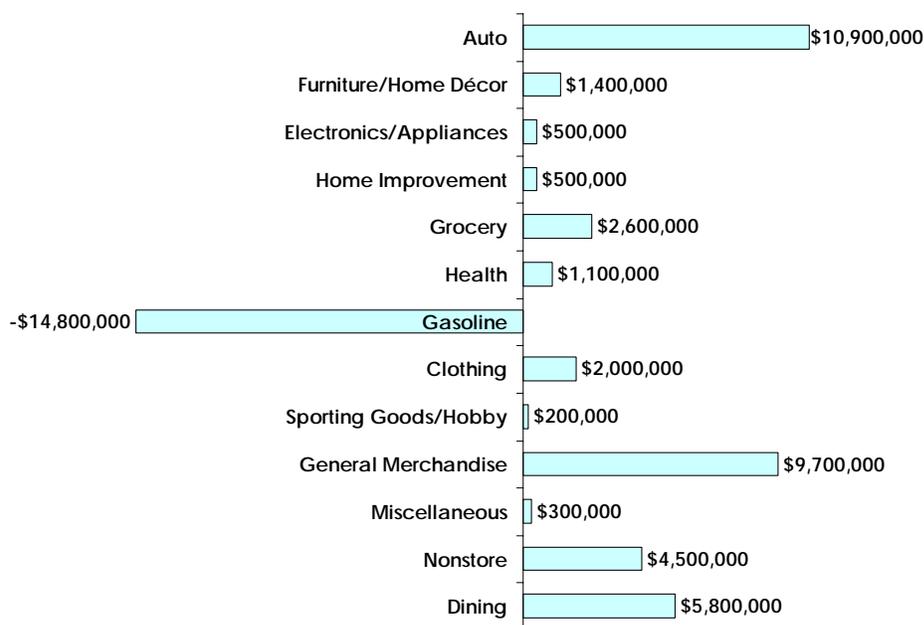
**Retail Sales & Leakage.** Retail *demand* relates to the volume of retail purchases made by local residents – whether made in the local trade area or elsewhere. *Supply* is defined as the volume of retail sales activity actually experienced by local businesses.

In conditions where demand outstrips supply, *retail sales leakage* occurs as local residents travel outside the immediate trade area to shop. In some areas, the volume of sales actually experienced by local businesses will exceed locally generated demand, meaning that retailers are drawing from well beyond the local trade area.

For this analysis, as with presentation of area demographics, the focus is on the South County Subarea – as most relevant for day-to-day convenience needs such as grocery and pharmacy items. The following graph depicts subarea retail sales leakage by major merchandise category.

*Note:* Retail categories to the right of the vertical line on the graph are those for which South County Subarea sales leakage is occurring. Those to the left (gasoline sales) indicate retail sales in excess of what the local population alone would support.

**Figure 9. Retail Sales Leakage by Major Merchandise Category**



Source: ESRI, and E. D. Hovee & Company, LLC.

Overall retail *purchasing power* generated by South County Subarea residents is estimated at \$83.7 million per year. In comparison, area retailers capture an estimated \$59.2 million in annual retail sales (as of 2008) – resulting in sales leakage estimated at \$24.5 million (or 29% of subarea generated demand):

- The majority of retail categories appear to be *under-served* within the subarea. Leakage of 50% or more is noted for store types including motor vehicles, furniture/home furnishings, electronics/appliances, health/personal care, clothing and accessories, general merchandise retail (both department store and discount-oriented), non-store

retailers, and restaurants. Sales leakage is also noted for building materials/garden supply, food and beverage stores (grocery), sporting goods/hobby/books/music, and miscellaneous store retailers (including florists, office supplies, and gift stores).

- As noted, gasoline stations represent the sole retail category exhibiting negative retail leakage, effectively *over-serving* the South County Subarea (due to substantial tourism including pass-through related business volume).

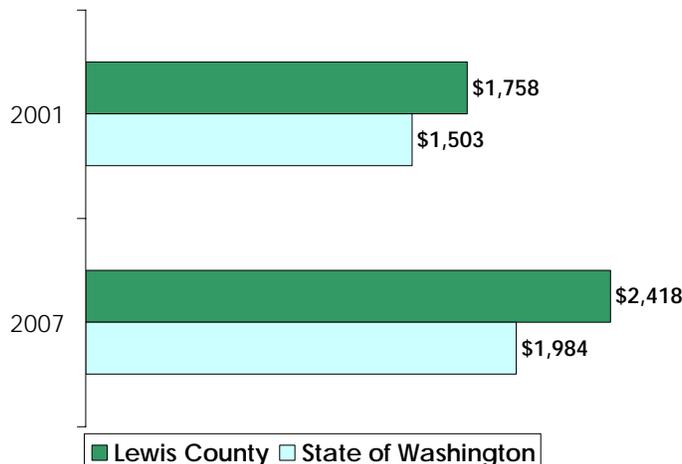
Dollar estimates of retail sales leakage can be translated to building space requirements. As is detailed in Appendix B to this report, an estimated 75,000 square feet of added retail space potentially could be supported to fully serve the current South County Subarea population. *On paper*, the greatest future subarea residentially generated retail market need would appear to be for general merchandise and restaurant activity. Lesser but still significant space needs are indicated for retail categories such as apparel and furniture/home furnishings.

However, due to the relatively small current population base of the South Lewis Subarea, it may prove challenging to effectively recapture leakage in all merchandise categories – especially for retail uses that typically require more square footage for a competitive store than what subarea population alone can support.

**Tourism Capture & Trend.** Visitor spending data is available at a county and statewide level, but not for sub-county areas. However, useful information can be obtained from a review of countywide visitor patterns relative to the entire state.

As of 2007, approximately \$180 million was spent by visitors to Lewis County. On a *per capita* basis, visitor spending in Lewis County is about 22% above that of average spending levels statewide at \$2,418 per resident of Lewis County.

**Figure 10. Visitor Spending per Capita (2001-2007)**



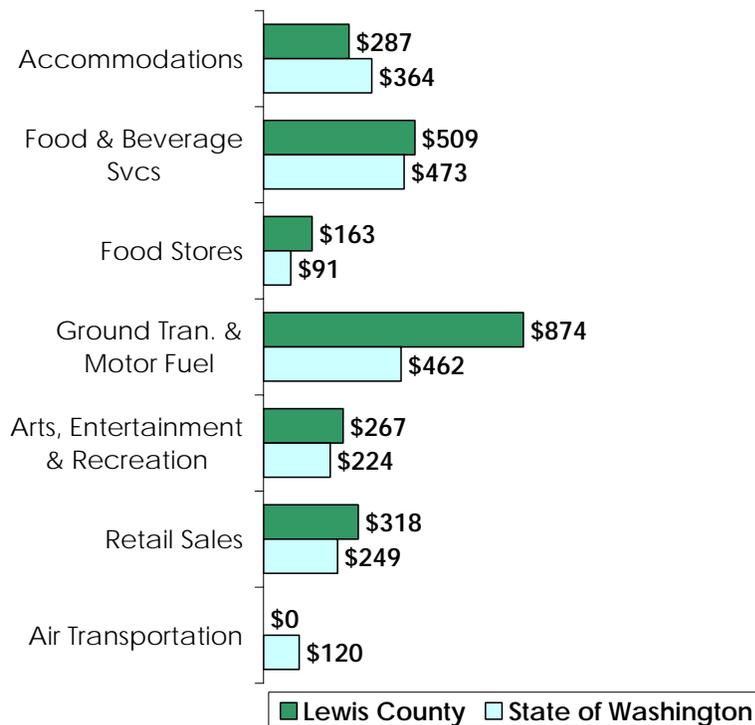
Source: Dean Runyan Associates and Washington State Office of Financial Management.

Between 2001 and 2007, visitor spending increased by 47% or by a robust 6.6% per year. Even when considered on a *per capita* basis, spending growth was still relatively rapid, averaging 5.5% per year. Part of the spending growth reflects coming off a very weak year in 2001 – due

to conditions of an economic downturn and the travel effects of 9/11. Nonetheless, Lewis County continues to out-perform the state in terms of both total per capita expenditures and rate of spending growth.

A more in-depth review of visitor spending by type of good or service purchased reveals both strengths and weaknesses. Compared to the entire state, per capita spending in Lewis County is particularly strong for ground transportation and fuel purchases as well as above average for food and beverage services, food stores, entertainment and recreation, and overall retail sales. Per capita revenues under-perform the state for accommodations (and air transportation).

**Figure 11. Visitor Spending per Capita by Commodity Purchased (2007)**



Source: Dean Runyan Associates and Washington State Office of Financial Management. See Appendix B for added detail.

This data is typical for an area that has strong visitor pass-through (especially on I-5), largely on a day-travel basis. Local capture for retail and entertainment/recreation expenditures is particularly strong given the level of pass-through activity. An opportunity for the future is to consider development of destination attractions that can convert more of the day-trip activity to multi-day stays requiring overnight lodging.

## INFRASTRUCTURE ASSESSMENT

Information regarding existing community infrastructure for the South County has been obtained from Lewis County – as provided with the *Economic Profile* of late 2008. A particular focus has been on water and sanitary sewer capacities of the three incorporated communities. For the larger South County area, a major question relates to transportation capacity for local roads and in conjunction with Interstate 5.

***Existing Utility System Capacities.*** A preliminary summary of what is understood about local municipal and tribal system capacities follows.

*Vader* – both the water and sewer systems are essentially operating at capacity, requiring further improvements to better serve the existing population and/or support future growth:

- Surface water system withdrawal is from the Cowlitz River.
- Waster System Plan approved for approximately 562 ERUs (equivalent residential units).
- City is currently using about 680 equivalent residential units (ERUs) – exceeding capacity and on moratorium from Department of Health.
- Much of the water system is dated and in need of repair. The State Department of Health estimates that Vader loses 40% of its treated water, well above the state’s 10% standard. City is looking for leakages to repair just to maintain current connections.
- Sewer system is a lagoon system dating from the 1970s, also in need of repair and upgrade.
- Permitted sewer capacity to 0.13 Mgal/d (million gallons per day) with a limit of 0.38 Mgal/d.
- City averages treating around 0.32 Mgal/d – so is operating at (or close to exceeding) capacity.

*Toledo* – generally appears to have capacity to meet population levels but with upgrading needs and possible capacity improvements depending on future growth that may be experienced:

- City has two groundwater wells.
- Combined rated capacities are approximately 225 gpm (gallons per minute).
- In calculations of the existing source capacity and maximum day demand in terms of ERUs, the source capacity is sufficient to provide approximately 728 ERUs.
- Calculations of the existing water rights (City holds one right for 90 gpm instantaneous withdrawal and 144 acre-ft/year annual withdrawal) show the City’s annual 144 acre-ft/year will sustain 565 ERUs and the City’s 90 gpm instantaneous water right will sustain 344 ERUs.
- The City currently serves approximately 350 ERUs and has an application for additional water rights.
- The City has plans for an estimated \$3.5 million of water system improvements, including a third well and new reservoir together with various repairs, upgrades and replacements.

- Wastewater treatment plant utilizes a lagoon system. A three-pond sewage treatment plant discharges treated effluent to the Cowlitz River.
- The existing treatment plant requires modifications to meet existing and projected effluent permit limits. Perhaps the best option, as identified by the City, would be to open a new \$8-\$10 million treatment facility similar to Pe Ell.

*Winlock* – also appears to have capacity to serve existing development and has made capacity improvements to better serve anticipated growth:

- City has several groundwater wells and a small surface water right from the Cowlitz River.
- Total combined current source capacity is approximately 435 gpm or 1,657 ERUs.
- City has water rights for 485 acre-ft/year annual withdrawal equating to sustainability of approximately 2,000 ERUs.
- The main system is rated by the State Department of Health as adequate for the next 10 years; the system currently serves around 570 ERUs.
- The City anticipates additional source capacity of 75 gpm from a development agreement. Overall, approximately \$14.1 million of capital improvement projects have been planned through 2013.
- City has built a new wastewater treatment plant that at full capacity could treat up to 2 Mgal/day.

*Cowlitz Tribal Housing* – operates a water system and is proceeding with development of sewer treatment capacity:

- Tribe owns two class A wells with combined capacity of approximately 120 gpm.
- Tribe is building a 90,000-gallon tank to hold reserve.
- Tribe is designing and constructing a large, on-site membrane wastewater treatment plant (LOSS).
- The first phase of the system will have capacity to treat 50,000 gallons per day.
- Tribe is currently serving approximately 36 residential units.

***South County Transportation Capacity.*** A major part of the Subarea Plan process has been on transportation planning. The *South Lewis County Subarea Transportation Plan* prepared by Cook Engineering and Development Services PLLC (CEDS) provides growth projections to 2035 – a period that is five years beyond the forecast time frame of this market analysis.

Using a *medium growth* projection, current road infrastructure appears adequate to support growth and maintain a sufficient level of service. However, there will be unacceptable levels of service on SR 505 west of I-5 to approximately Harkins Road. Overall, CEDS concludes there is “significant reserve roadway capacity which can easily accommodate any additional travel demand” that might be realized with a *high growth* scenario through 2030.

With the South Lewis County Subarea Plan, the following improvements have been proposed in the South County Subarea to mitigate the increase in traffic due to growth:

- Add a third lane (center turn lane) to SR 505 between the I-5 southbound off ramp and Cemetery Road.
- Add a fourth lane (truck climbing lane) to SR 505 between the I-5 southbound off ramp and Knowles Road.
- Improve six SR 505 intersections to include new signals and turn lanes (N Military Road, S Military Road, Knowles Road, I-5 SB Ramps, I-5 NB Ramps, and Jackson Highway).
- Install a signal at the I-5 SB Ramp and US 12 intersection.

The draft Subarea Plan notes that Lewis County does not currently have a systematic funding mechanism for transportation improvements associated with new development but relies on the SEPA process to identify appropriate transportation mitigation. Other funding mechanisms that have been identified as potential future resources include transportation benefit districts (TBDs), road improvement districts (RIDs), and impact fees.

***Economic Development & Infrastructure Planning.*** With this analysis, reviewed infrastructure projects which have been identified as important on a regional basis as priorities for economic development investment are also reviewed. Projects identified within the 2008 *Cowlitz-Lewis Comprehensive Economic Development Strategy* of particular importance to the South County Subarea include:

- South Lewis County Subarea Plan to identify capital improvement projects as part of the Capital Facilities and Transportation elements of the Lewis County Comprehensive Plan.
- Feasibility study to upgrade the existing Toledo-Winlock Ed Carlson Memorial Field Airport to a regional airport for general aviation and cargo.
- State Route 505 development plan as part of the corridor study for I-5 widening and improvements to Exit 63.
- Toledo wastewater treatment plant upgrade to accommodate an added 1,000+ residents and new businesses with potential to also extend service out to the Toledo airport.
- Toledo water tower and water rights to improve system capacity and put Toledo in compliance during peak use times.
- Toledo area water and sewer extension allowing added residential development including 28 low income homes for the Cowlitz Tribe.

For the future, infrastructure questions of most importance for South Lewis County jurisdictions include water and sewer utility capacities together with local and regional transportation needs. Also of importance is further discussion of the status of current and anticipated land use planning for the entire subarea as well as for the three incorporated cities (and associated UGAs).

An overall conclusion of all the infrastructure planning completed to date is provided by the draft South County Subarea Plan which states that the cities will need support from the county, private sector, and state and federal governments to finance the extraordinary costs of infrastructure necessary to sustain urban growth and economic development. Also noted is that large scale projects, including industrial parks and commercial/tourism centers will require substantial public-private cooperation to formulate development standards, urban-scale infrastructure and appropriate environmental impact mitigation.

## LEWIS COUNTY & SOUTH COUNTY ECONOMIC FORECASTING

The December 2008 *South Lewis County Economic Profile* provided a review of two alternative sets of employment and industrial land needs forecasts that pertain to this more detailed market analysis:

- Countywide employment industrial land analyses, first prepared in 1997 and updated in 2005, providing a context for consideration of South County Subarea potentials.
- More recent 2008 projections of employment specifically for the South Lewis County Subarea, with subsequent refinements as of May 2009.

The forecast analysis is followed by preliminary consideration of economic development strengths and weaknesses, existing system capacities, gap identification, and next steps.

***Countywide Employment & Industrial Land Needs Analysis.*** In 1997, the Lewis County Economic Development Council retained the economic and development consulting firm E. D. Hovee & Company, LLC to analyze long-term industrial land needs on a countywide basis. Through adoption of policies aimed at reversing 25 years of adverse economic conditions, the study concluded that Lewis County needed 2,400 acres of industrial land.

This study was updated in 2005 with the intent to determine industrial land needs over a 20-year period for a stable and diverse economy capable of supporting *family-wage* jobs as integral to maintaining vitality and quality of life together with a stable tax base for Lewis County. Two alternative forecasts were provided – each representing a separate potential economic outcome for Lewis County:

- *Population-driven* methodology based on extrapolation of past trends – leading to projection of an added 32,900 wage and salary jobs (including 10,000+ industrial jobs) over a 20-year time horizon to 2025. Net countywide industrial land over this 20-year period was projected at 876 acres.
- A methodology based on *reversing historic trends* – and predicated on opportunities for increased labor force participation, reducing unemployment to the statewide average, emphasizing higher wage industries, and neutralizing current out-commuting patterns. This economic development approach resulted in a projected need for 44,400+ wage and salary jobs (including nearly 14,700 industrial jobs over a 20-year time horizon). Net countywide industrial land over this time frame was projected at 3,038 acres.

Based on an analysis of the existing countywide industrial land inventory, industrial land demand was calculated to exceed available supply by anywhere from 83 acres (estimated with the population based historic trend approach) to 2,425 acres with the economic emphasis approach. Five specific policies were recommended to facilitate the economic recovery approach aimed at reversing past trends:

- 1) Ensure an adequate supply of industrial land to meet the needs of a growing labor force.
- 2) Encourage job creation to achieve a target unemployment rate of 5%.

- 3) Encourage higher real wages and the creation of high-wage jobs rather than low-wage jobs.
- 4) Identify and designate large-scale (50+ acre) sites for future industrial development.
- 5) Ensure that an adequate supply of prime developable industrial land is available over the 20-year and 50-year planning horizons.

These policies are also recommended with this regional market analysis for consideration in conjunction with guiding principles for the determination of industrial and employment land needs for the South County Subarea.

***South Lewis County Subarea Transportation Plan.*** Concurrent with this market analysis, Cook Engineering and Development Services PLLC (CEDS) has prepared a South Lewis County Subarea Transportation Plan (SLCSTP). Starting with a base year employment estimate of 2,245 jobs, three alternative forecasts were prepared for the South County Subarea as the basis for transportation modeling and planning purposes.<sup>3</sup> The 2035 range of CEDS prepared employment projections are 3,804 (low), 5,614 (medium), and 11,050 (high).

While the time frame for the CEDS forecast is five years longer than the 2030 projection (provided in Section VI of this report), the outcomes of the two approaches are reasonably consistent. The base case scenario (provided with Section VI) is somewhat below the CEDS low forecast, while the high growth scenario fits between the CEDS medium and high projections.

***Implications for South Lewis County Future Market Potentials.*** Based on this review of local and regional market conditions, this analysis now turns to more specific consideration of economic development potentials – focused on job-creating industrial, commercial and tourism-related opportunities for South Lewis County. This market assessment takes what can be considered as an *outside perspective* regarding current and future opportunities.

The extent to which these market driven opportunities match with community expectations is an important part of the community planning process. In those instances where community interests and market opportunities are in close alignment, aggressive steps to best facilitate achievement are clearly warranted.

In other cases, market opportunities may not fully align with community objectives. In these instances, community planning might suggest actions to limit economic development that is not desired or to frame the opportunities in ways more supportive of South County growth objectives.

### III. I-5 CORRIDOR DEVELOPMENT EXPERIENCE

Lewis is one of nine counties on the Washington State portion of the Interstate 5 freeway corridor extending from the Canadian to the Mexican border. With just under 75,000 residents as of 2008, Lewis is the least populated of the nine counties, accounting for less than 2% of the 4.5 million residents along the I-5 corridor in this state. In turn, these nine counties currently represent nearly 7 out of every 10 (or 69%) of 6.6 million residents statewide.

From 2000-08, population of the I-5 corridor has increased by an average of 1.5% per year – with Clark and Thurston both increasing by more than 2% annually. The slowest growing counties of this decade to date are the most populated (King at 1.0% annual growth) and the most rural (Cowlitz at 0.8% and Lewis at 1.1% annual growth).

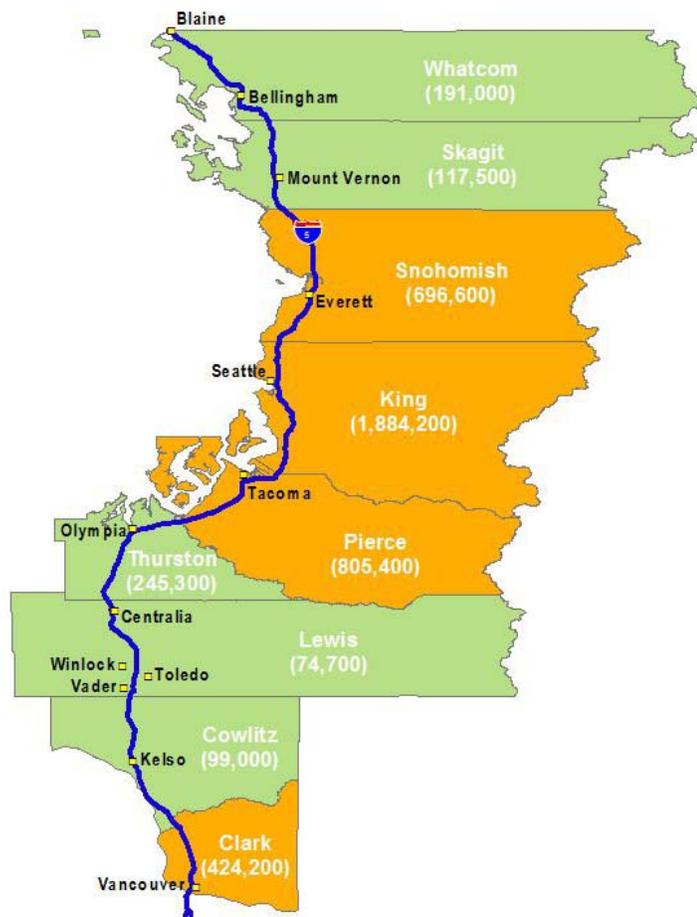
#### URBAN & LESS URBAN I-5 CORRIDOR EXPERIENCE

A better understanding of the pattern of development that has occurred along the I-5 corridor involves review of the historic pattern of population growth extending back over the last century to 1900.

While the interstate freeway itself was constructed primarily in the 1960s, this corridor had been previously served by Highway 99 and earlier major rail plus wagon roads that connected the Puget Sound with the Columbia River.

Five relatively urban counties – King, Pierce, Snohomish and Clark – each have anywhere from more than 400,000 to nearly 2 million residents. For the five less urban counties – Thurston, Whatcom, Skagit, Cowlitz and Lewis – population ranges from about 75,000 to less than 250,000.

Figure 12. I-5 Freeway Corridor Counties (with 2008 Population)



Source: State of Washington Office of Financial Management, and E. D. Hovee & Company, LLC.

***Five Waves of Development.*** A more detailed review of comparative growth rates over time (since 1900) is provided by the chart and accompanying graph on the following page. Based on this review, development along the I-5 corridor in western Washington appears to have occurred via *five waves* of market activity:

- 1) The first two decades of the 1900s led by King, Pierce and Snohomish Counties in the central Puget Sound;
- 2) 1920s-1930s with rapid Cowlitz County mill-related growth;
- 3) 1940s by Clark and Pierce Counties through World War II;
- 4) 1950s-1980s with prominence for Snohomish, Thurston and Clark; and
- 5) The 1980-2008 period led by Clark, Snohomish and Thurston but with strong growth now felt in urbanizing Whatcom and Skagit Counties.

***Lewis County I-5 Development Role?*** As depicted by the chart and graph on the following page, the counties that have been *growth leaders* have changed over time. The *gap* between the high growth counties and the rest of counties has also fluctuated over time – from a growth advantage of anywhere from 20% to 90% for high growth counties in seven of the eleven decades covered. In four decades, the high growth counties experienced population growth rates more than double the rates of the other I-5 corridor counties (most recently in the 1970s).

To date, Lewis is the only I-5 corridor county that has not yet been a growth leader. This is despite the fact that South Lewis County now has the largest remaining set of undeveloped freeway interchanges across the 276-mile length of the I-5 freeway in Washington State.

As is illustrated by these charts, increased population growth and development pressure is coming from the Puget Sound region to the north and Portland-Vancouver to the south. In recent decades, this pattern of growth has reached out to include Whatcom, Thurston and now Skagit Counties.

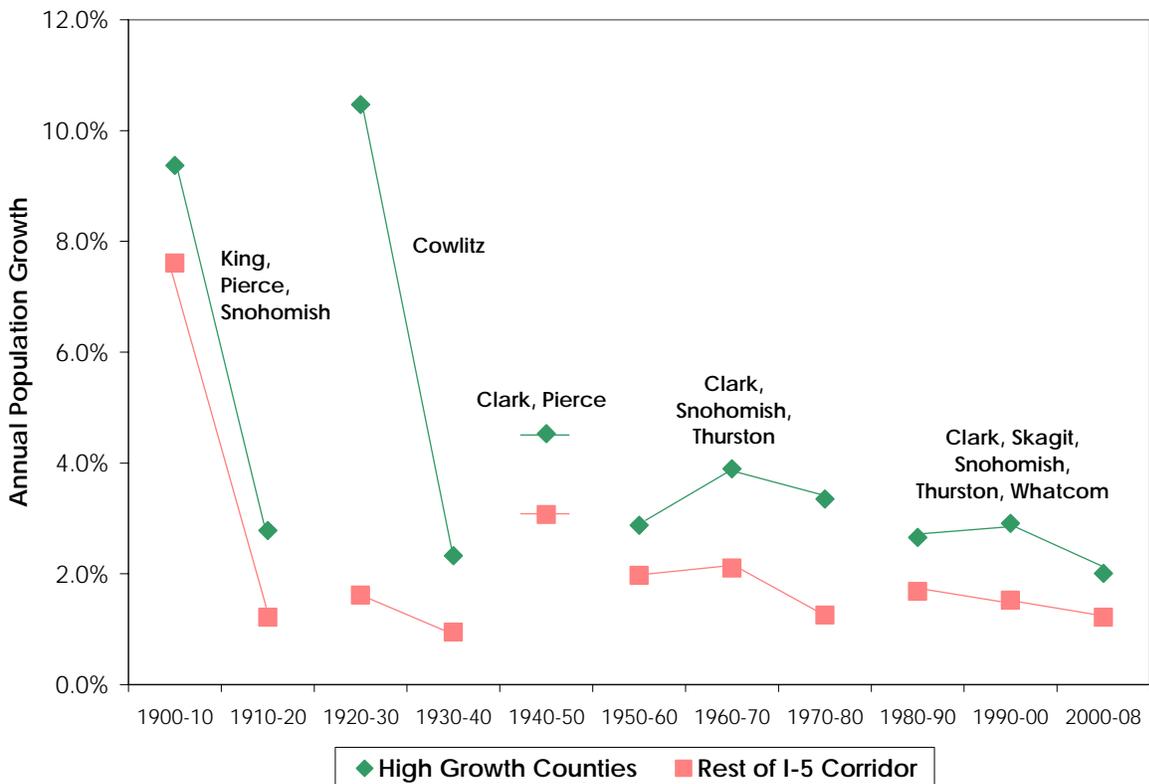
It should be considered only a matter of time before more significant development activity and pressure is experienced in Lewis County – both in the larger communities of Centralia/Chehalis and in smaller I-5 communities as with Winlock, Toledo and Vader.

**Figure 13. Growth Pattern of Washington I-5 Corridor Counties (1900-2008)**

Phase of I-5 Corridor Development	I-5 Counties Affected	Comments
<b>First Wave</b> (1900-1920)	King Pierce Snohomish	1st decade of the 20 <sup>th</sup> century posted rapid growth corridor-wide; King County averaged 10% per year. 2 <sup>nd</sup> decade through World War I was a period of slower growth, still led by King County.
<b>Second Wave</b> (1920-1940)	Cowlitz	Longview formed as quasi-company lumber town with 10-11% per year county growth in 1920s; much slower growth corridor-wide.
<b>Third Wave</b> (1940s)	Clark Pierce	Rapid population growth in Clark County created by shipyards for World War II; Pierce County impetus from Fort Lewis.
<b>Fourth Wave</b> (1950-1980)	Snohomish Thurston Clark	Post World War II saw rapid suburbanization from the most populated counties of King & Pierce out to Snohomish & Thurston. Clark became a suburban bedroom community to Portland.
<b>Fifth Wave</b> (1980-Present)	Clark Snohomish Thurston Skagit Whatcom	Snohomish was the growth leader in the 1980s, Clark in the 1990s and since 2000, but with increasing spillover to other I-5 counties. Ramped up growth extended to Whatcom (starting in the 1970s) and later to Skagit (the 1990s) as the next ring of suburban/exurban counties on the I-5 corridor.

Sources: U.S. Census, State of Washington Office of Financial Management, E. D. Hovee & Company, LLC.

**Figure 14. Population Trends of Washington I-5 Corridor Counties (1900-2008)**



Source: State of Washington Office of Financial Management

## PATTERNS OF I-5 RURAL INTERCHANGE DEVELOPMENT

For this assessment, E. D. Hovee & Company, LLC also has profiled 45 out of approximately 276 total interchanges on the I-5 system in Washington State. In effect, these 45 rural interchanges now comprise only about one out of every six (or 16%) of the I-5 interchanges in the state. Detailed interchange-by-interchange inventory information is provided by Appendix C to this report.

***Patterns of Development.*** What follows are major observations regarding interchange and associated development experience and implications for the five I-5 interchanges in South Lewis County:

- Commercial and industrial growth along rural interchanges appears to be highly dependent on highway or rail access and not on urban scale residential uses that are largely not permitted outside of a designated Urban Growth Area (UGA).
- Consequently, the primary uses most often located in close proximity to rural I-5 interchanges are gas stations, retail or general commercial that service highway traffic and industrial uses that require highway and/or rail access for daily operations.
- Service stations (for autos and trucks), retail and general commercial were more frequent in exit areas with higher intensity uses such as industrial, commercial or residential.
- Further comparison indicates that gas stations and supporting commercial uses are more prevalent in urban interchange areas.
- Industrial uses evidence some tendency to cluster together at or in the vicinity of some rural interchanges and not others. Large site area lot industrial appears to form in dense clusters while smaller scale and user-oriented industrial forms more independently or in less concentrated and relatively dispersed clusters.
- Farmland and supporting agricultural uses are not as predictable a land use pattern in the immediate vicinity of these rural interchanges but do maintain an expected rural character – especially once the traveler is outside of an approximately 1,000 foot radius of the ramp exit area. Heavily forested areas, however, tend to provide more defined boundaries around interchange area development limiting their potential growth.
- Overall, the rural interchanges along I-5 in Washington are largely underdeveloped (even when some development is present). Many of the areas around the exits at the 45 interchanges profiled remain vacant.

***Characteristics of Development.*** With this analysis, the rural interchanges were given rating designations (on a scale of 1-3) based on the characteristics of land use and development. The ratings were determined for interchange quadrants as follows:

1. For quadrants that contained underdeveloped or vacant land.
2. Older properties that still hold marketable value.
3. New properties or highly developed properties with high marketability.

Overall ratings for the 45 rural interchanges reviewed were relatively low, with only 11 quadrants receiving the highest score of 3 out of the total 180 quadrants rated. Comparatively low ratings reflect the low intensity of development and limited new development along rural interchanges.

From a market perspective, the relatively poor quality of rural interchange development currently indicates opportunity for as yet underdeveloped interchanges to establish a more competitive market presence. This can occur through construction of new, high quality commercial auto-oriented service and retail uses that are attractive and well-maintained for the traveling public.

**Rural I-5 Traffic Volumes.** A final factor of importance with this evaluation is the pattern of traffic volumes on the I-5 system in Washington State. For the major urbanized areas of the I-5 corridor (as through Seattle), traffic volumes can range up to 240,000 vehicles per day. By comparison, no portion of I-5 through less urban areas of the state yet exceeds the 100,000 mark.

**Figure 15. Average Daily Traffic Volumes Along Selected Rural I-5 Interchanges (1997-2007)**

State Route Milepost		Location (2007)	Nearest City/Town	Traffic Volume			Absolute Change		% Change	
1997/2002	2007			1997	2002	2007	1997-2002	2002-2007	1997-2002	2002-2007
9.94	9.94	After Ramp SR 502	Battle Ground	48,000	74,000	79,000	26,000	5,000	54.20%	6.80%
14.55	14.55	After Ramp SR 501	Ridgefield	53,000	63,000	76,000	10,000	13,000	18.90%	20.60%
22.19	22.19	After Ramp SR 503	La Center	51,000	49,000	58,000	-2,000	9,000	-3.90%	18.40%
31.91	31.01	After Ramp Oak Rd.	Kalama	55,000	59,000	62,000	4,000	3,000	7.30%	5.10%
36.30	32.75	After Ramp Kalama River	Kalama	46,000	58,000	61,000	12,000	3,000	26.10%	5.20%
37.48	37.48	After Ramp SBCD Lane	Kelso	NA	51,000	51,000	NA	0	NA	0.00%
39.90	39.90	At SR 4 Bridge	Kelso	NA	46,000	40,000	NA	-6,000	NA	-13.00%
50.41	50.41	After Ramp SR 504	Castle Rock	40,000	38,000	44,000	-2,000	6,000	-5.00%	15.80%
61.40	61.40	After Ramp Toledo Vader Rd	Toledo	39,000	43,000	42,000	4,000	-1,000	10.30%	-2.30%
68.94	68.94	After Ramp SR 12	South of Napavine	37,000	48,000	51,000	11,000	3,000	29.70%	6.30%
82.08	82.08	After Ramp SR 507	Tenino	56,000	64,000	69,000	8,000	5,000	14.30%	7.80%
88.67	88.67	After Ramp Old SR 99	Tumwater	45,000	48,000	56,000	3,000	8,000	6.70%	16.70%
207.78	207.78	At ADC Location R001	Arlington	68,000	79,000	86,000	11,000	7,000	16.20%	8.90%
215.51	215.51	After Ramp 300th St NW	Stanwood	47,000	56,000	58,000	9,000	2,000	19.10%	3.60%
230.79	230.43	After Ramp SR 20	Burlington	43,000	50,000	54,000	7,000	4,000	16.30%	8.00%
236.85	236.85	After Ramp Bow Hill Rd	Unincorporated Bow	34,000	44,000	44,000	10,000	0	29.40%	0.00%
242.63	241.36	After Ramp Lake Samish Rd	Alger	34,000	41,000	43,000	7,000	2,000	20.60%	4.90%
253.62	253.34	After Ramp Lakeway Dr	Bellingham	56,000	49,000	77,000	-7,000	28,000	-12.50%	57.10%
255.25	255.25	After Ramp SR 542	North of Bellingham	55,000	56,000	80,000	1,000	24,000	1.80%	42.90%
261.33	261.33	At ADC Location P04	Ferndale	38,000	40,000	46,000	2,000	6,000	5.30%	15.00%
265.39	264.14	After Ramp Portal Way	Ferndale	29,000	34,000	36,000	5,000	2,000	17.20%	5.90%
269.41	269.56	After Ramp Custer Rest Area	Custer	25,000	24,000	27,000	-1,000	3,000	-4.00%	12.50%
274.56	273.93	After Ramp Blaine	Blaine	24,000	20,000	17,000	-4,000	-3,000	-16.70%	-15.00%

Note: In some instances, WSDOT is calculating average daily traffic volume at different mileposts in 2002 and 2007. The milepost selected in 2007 most closely replicates the characteristics of the 2002 milepost.

Source: Washington State Department of Transportation.

The range of average daily traffic (ADT) in the vicinity of rural interchanges is from as low as 17,000 at Blaine to 86,000 just west of Arlington. The greatest increases in traffic volumes over the five-year period from 2002-2007 appear to be on rural portions of I-5 in closest proximity to

major urban areas – such as near Vancouver, Olympia/Tumwater, and Bellingham/Ferndale (all with ADT increases of 15%+):

- Traffic volumes as recorded near two interchanges through South Lewis County appear to be in the range of 42,000-51,000 ADT – about in the mid-range of the less urban segments of the I-5 corridor.
- From 2002-2007, I-5 traffic volumes actually declined near Toledo with a 6% increase indicated just south of Napavine. This follows a five-year period of much higher ADT growth from 1997-2002. Somewhat surprisingly, Castle Rock is the only other rural community to report 15%+ ADT increases from 2002-2007 (reversing a 5% decline in the five years prior).

Not surprisingly, this data indicates that the best opportunities for rapid traffic volume growth are found in proximity to areas of the I-5 corridor experiencing greater levels of urban development or where new destination activity has occurred. An example is Bow Hill Road near Burlington with retail development in the northern Puget Sound region from 1997-2002.

***Combined I-5 Corridor Market Demand Potential.*** To this point, the discussion on I-5 development experience has been focused on the portion of the corridor within Washington State. However, the effects of the corridor do not end at the state line. Of particular importance to the economic development prospects of South Lewis County is not only the economic health of the Puget Sound region to the north, but also that of the bi-state Portland-Vancouver metro area to the south.

Despite the current weakness of the national/regional economy and uncertain outlook for recovery, the long-term prospects for the Pacific Northwest remain extremely positive. This is reflected in continued positive press drawing attention to the Pacific Rim location, creative energy, and commitment to sustainability of the Pacific Northwest. For example, Forbes.com has ranked Seattle as the #1 market most likely to rebound from the current economic downturn.

Similarly, the national real estate trade organization Urban Land Institute (ULI) and accounting firm Pricewaterhouse Coopers have identified Seattle as the top commercial and industrial real estate market in the U.S., noting that: “This Northwest magnet for brainpower industries grows into one of America’s important gateways and job incubators.” Seattle also receives top ranking from ULI (as of 2009) for commercial/multi-family investment and Puget Sound ports as the “nation’s number-one buy among industrial ports.”

Unlike Seattle, Portland is not viewed as a directly competitive global pathway city. Rather, ULI notes that: “Portland prospers in Seattle’s shadow, but increasingly plays second fiddle.” This disparity in economic performance shows in relative unemployment rates, with Oregon now moving to the nation’s second highest rate (behind Michigan) as of April 2009.

It is to these broader economic development potentials situated on both sides of Lewis County and their implications for future employment and business activity that this analysis now turns.

## IV. ECONOMIC DEVELOPMENT POTENTIALS

I-5 development experience clearly indicates that an expanded set of development opportunities can be expected to materialize at some point for the communities of South Lewis County. What prior experience can not do is to readily predict when that development will occur, or what the catalyst(s) for a new wave focused on Lewis County will prove to be.

To get a better understanding of what the *tipping points* might be, this section of the market analysis turns to a more detailed consideration of the forms of employment-related development that might occur. This assessment of economic development potentials is organized to cover:

- *Industrial development* – including potentials for manufacturing, transportation/logistics and business park development.
- *Commercial development* – covering office space, interchange retail, and local serving retail.
- *Tourism development* – including accommodations, destination retail, entertainment, and recreation-related uses.

Each of these types of economic development opportunities is considered in turn. This is followed by a summary of South County development potentials – based on a *matrix evaluation* of the opportunities available and associated implementation requirements.

Consistent with the pattern of I-5 corridor development, each of these potential opportunities is evaluated in the context of economic development activity occurring in the two metropolitan areas situated just north and south of Lewis County – the Puget Sound region and Portland-Vancouver metro area. Opportunities for substantially increased economic growth occurring in Lewis County can be expected to be driven largely – though not exclusively – from the economic momentum generated from these neighboring major metro centers.

### INDUSTRIAL DEVELOPMENT

Industrial opportunities that may be realized for South Lewis County are particularly dependent on economic activity and demand generated out from the Puget Sound and Portland metro markets. Consideration of industrial development potentials begins with a metro market overview, followed by more detailed discussion of specific submarkets for manufacturing, distribution, transportation/logistics and business park activities.

***Metro Market Overview.*** Taken together, the Puget Sound and Portland metro regions have a combined total of more than 430 million square feet of competitive industrial space (as of year end 2008). The Puget Sound accounts for 56% of this total versus Portland metro (including Clark County) for the remaining 44% of the combined two-metro area total.

Of the two markets, the Puget Sound area historically has been aligned to the aerospace industry but has become increasingly diversified in recent years – with more activity related to the Ports of Seattle and Tacoma and associated regional distribution plus growth of new sectors including high technology/software and biomedical. Portland-Vancouver has traditionally been somewhat

more diversified – with historic strengths in wood products (now largely gone), metals, transportation equipment, regional distribution, and more recently with high technology (especially semi-conductors). Following the recession of the 2000-01, the Portland metro area has encountered greater challenges with finding *new drivers* of industrial activity than the Puget Sound region.

**Figure 16. Puget Sound & Portland Metro Industrial Markets (2008)**

<b>Industrial Real Estate Metric</b>	<b>Puget Sound</b>	<b>Portland Metro</b>
Rentable Space Available (sq ft)	240,300,000	190,900,000
Under Construction	2,270,000	870,000
Construction % of Inventory	0.9%	0.5%
Vacancy Rate	5.5%	6.4%
Rental Rate (per sq ft monthly)	\$0.55	\$0.40

Source: CBRE Richard Ellis, *MarketView* reports for Puget Sound and Portland, OR industrial. Industrial real estate data is as of 4<sup>th</sup> Quarter 2008.

As a larger and more dynamic market, the Puget Sound region has commanded somewhat lower vacancy rates and substantially higher rent rates than Portland metro for industrial space. Higher quality flex-tech space (as occurs with high technology companies) is also a larger part of the Puget Sound industrial mix than is the case for Portland/Clark County:

- A substantial 45% portion of the *Puget Sound* industrial space inventory is located in the Kent Valley south of Seattle, with another 11% in Pierce County. While the Kent Valley seems to consistently add warehouse space every year, the largest vacant space currently under development is only 50,000 square feet in Auburn – a reflection of the economic downturn now fully underway.

The Puget Sound industrial market is heavily dependent on Boeing activity (which has held relatively steady to date) and cargo shipments through the Port of Seattle and Tacoma (which declined in 2008).<sup>4</sup> The most prominent building in progress is the 900,000 square foot Panattoni warehouse being constructed for Whirlpool in Pierce County’s Fredrickson Industrial Area.

- The majority (53%) of the *Portland metro* leaseable industrial inventory lies in Northwest/Northeast Portland and Clark County. Unfortunately, the largest increases in vacant space in 2008 were also experienced in Clark County and Northwest Portland – in closest proximity to Cowlitz and Lewis Counties.

Industrial space construction in 2009 is anticipated at less than 40% of 2008 space added. The largest project currently underway regionally is a new 415,000 square foot FedEx distribution hub at the Troutdale Reynolds Industrial Park. Colgate-Palmolive also committed to a more than 150,000 square foot distribution space at the Port of Portland’s Rivergate Corporate Center.

Both metro regions faced increasing industrial vacancy rates earlier this decade as Washington and Oregon experienced some of the highest unemployment rates in the nation – and in the aftermath of 9/11. However, by 2004 industrial real estate was on the rebound, with strong demand experienced over the next several years, through 2007.

The effects of the current economic downturn began to be felt by the 2<sup>nd</sup> quarter of this past year (2008). The result has been a return to a pattern of increased industrial space vacancy rates, with even higher vacancies expected through 2010 and likely into 2011.

The current occupancy situation is exacerbated by new industrial space already committed and under construction – which will further heighten industrial vacancy rates at least near-term. Fortunately, much of the space under construction in both markets was pre-leased or sold prior to coming to market. However, once job growth returns the excess vacant industrial inventory will need to be re-filled before substantial new construction demand can again be expected.

**Manufacturing.** Nationally, manufacturing jobs have been on the decline since at least the 1980s, dropping from 18.7 million jobs in 1980 to 14.2 million as of 2005. Like some other areas of the country, Washington State has been able to buck this trend somewhat – especially during years of dollar de-valuation in the recovery from the 2000-01 recession.

Between 2002-2006, manufacturing jobs statewide increased at the relatively modest rate of 0.4% per year (compared to 2.0% growth for all non-farm employment):

- Statewide manufacturing growth was strongest for durable goods, with overall job loss still experienced for non-durable goods (except plastics).
- Durable good sectors reporting strong job growth (of 3%+ per year) up to the current recession have included non-metallic mineral products, furniture, machinery, fabricated metals, electrical equipment, and wood products.
- Manufacturing job growth is shifting from urban to less urban counties of the state. Job growth was below the statewide average for all I-5 corridor counties in Washington State at just 0.1% per year. However, Lewis County manufacturing jobs increased by an average 4.3% per year from 2002-06.

Even with economic recovery, the long-term outlook is for continued erosion of U.S. manufacturing employment (to a projected 11.5 million jobs by 2030). This decline is not limited to traditional sectors such as autos or wood products, but is also forecast for virtually all manufacturing sectors except food processing.

Factors that could dampen (or possibly reverse) this trend projection include return to a weak dollar (stimulating exports), sustained economic growth of China and India (driving demand for U.S. produced capital goods), economic protectionism (but with reduced purchasing power), and/or technological sophistication and cutting-edge design of U.S. products.

As recent experience has demonstrated, there are opportunities for specific communities to buck this overall projection. These potentials are greatest for counties like Lewis that are less urban but in good proximity to major global pathway metro areas, offering outstanding freight transportation capabilities, available skilled and reasonable cost labor, and large competitively priced industrial sites with available infrastructure and no major environmental constraints.

Perhaps the best example of this type of manufacturing-based expansion for Lewis County in recent years is provided by the location of Cardinal Glass just north of Winlock. Constructed in

2005-06, Cardinal Glass represents an estimated \$130 million investment on an approximately 40-acre site, employing more than 220 at wages averaging \$57,000+ per year. The Winlock facility is part of a multi-plant operation intended to manufacture glass for residential window companies primarily in the Pacific Northwest – as well as coated glass for export. The plant relies on rail for imported product including soda ash, silica, and limestone.

Manufacturing businesses that could find a South County location attractive in the future, especially as the economic recovery takes hold, could include firms involved with other non-metallic mineral products, metal fabrication, wood products, machinery (including electrical), and transportation equipment.

Food product manufacturing and distribution represents a not to be overlooked potential, especially given growing interest in preservation of western Washington farmlands and impetus for growing and manufacturing food products (including organic foods) closer to home.

Alternative energy-related manufacturing can also be expected to gain an increasingly strong foothold nationally, especially in the Pacific Northwest. Examples are potentially diverse, including wind, solar and biomass/biofuels related industrial processes.

To be competitive, South County would need to be prepared to provide a diversity of small (5-20) and larger (20-50+ acre) industrial sites, competitively priced and appropriately zoned – with both rail and freeway access and with infrastructure readily available. Critically important is that environmental reviews and permitting processes occur in a predictable, timely fashion.

***Distribution.*** Employment growth and industrial demand for distribution-related space has been more robust for distribution than manufacturing uses in recent years. Statewide, jobs in wholesale trade increased by 3.3% per year from 2002-06, compared to 0.4% growth for manufacturing.

As indicated by regional brokerage data for both the Puget Sound and Portland-Vancouver metro areas, a significant portion of the major industrial investment in recent years has been for warehouse and distribution facilities. As larger sites have become more challenging to find, more of the demand for distribution centers (DCs) has shifted to outside the core of these metro areas.

This decentralization of regional DC demand was experienced first in Lacey (at Hawks Prairie) – with development of an 800,000 square foot distribution center by Home Depot and a 1.2 million square foot center for Target (both on approximately 44-acre sites).

Lewis County has also now experienced demand for two major regional DC facilities. In 2005, the Port of Chehalis sold 35 acres for a 310,000 square foot “flow-through” Fred Meyer regional service center (as a regional grocery and general merchandise retailer). Subsequently, the Michael’s craft store chain has developed an approximately 715,000 square foot distribution center on 38 acres in Centralia.

With the current economic downturn, demand for added regional distribution facilities can be expected to wane – at least temporarily. Longer term demand and location decisions for regional distribution is likely to be affected by three factors now on the horizon:

- *Changes in consumer demand and global distribution with economic recovery.* With a return to pre-2008 patterns of strong consumer demand for imported products through Puget Sound ports, further distribution center development could be expected. If the post-recovery period is accompanied by weak consumer demand, higher cost imports, and/or shift to other ports (as through the Panama Canal), regional DC demand could drop well below the levels of the last decade.
- *Effects of higher fuel prices.* If fuel prices return to high levels with more robust oil demand, major retail chains and other product distributors may decentralize facilities to get closer to customers and reduce cost of freight transportation. This could lead to more but somewhat smaller DCs than in the past, but with more demand diverted to the historically underserved Pacific Northwest.
- *Availability and community support for large scale distribution sites.* As is indicated by the experience in both Thurston and Lewis Counties, the large amounts of land required for DC development but relatively low numbers of jobs (per square foot of building area) has substantially reduced the appetite for encouraging additional, similar development in the years ahead. Community opposition to major distribution center development has emerged in more central portions of the Puget Sound and Portland-Vancouver markets. The combination of a shrinking inventory of large metro area sites, expensive land, and community opposition will tend to drive demand toward less urban sites on the I-5 corridor for which there is both infrastructure capacity and community support (based on tax base, low job impact and relatively high-wage considerations).

Questions of whether and how to facilitate or discourage major distribution facilities represent perhaps the most pivotal planning issue for the South Lewis County planning process. Once the economic recovery is in full swing, interest and demand for I-5 corridor facilities central to serve both the Puget Sound and Portland-Vancouver markets can be expected to re-emerge.

Reasons to consider a South County distribution function include opportunity for added tax base, relatively low job count impact but with relatively high wages. Distribution could also serve as perhaps as the *first-in* development (or the most market-ready use) that makes added community infrastructure investment possible, setting the stage for subsequent diversification with other forms of non-distribution related investment to follow.

Reasons to discourage South County distribution center investment could include concerns with the large amounts of site area required, relatively low number of added jobs created, aesthetic and visual concerns with warehouse buildings that can be larger than multiple football fields, and environmental issues (potentially exacerbated with *large footprint* site development). The degree to which these concerns could be addressed or mitigated could be the subject of a master planning process – either for the entire South County area or on a site-specific basis.

***Transportation & Logistics.*** Potential market demand for transportation and logistics functions are related to but yet distinct from needs associated with regional distribution activity. Two transportation/logistics activities appear to be especially relevant for South County consideration – a regional logistics center and/or regional airport needs.

### *Regional Logistics Center:*

Probably the best recent example of what a regional logistics center might entail is exemplified by the Port of Tacoma's efforts to develop the 745-acre Maytown property situated 12 miles south of Olympia just north of Lewis County. As initially conceived, Maytown would be developed around rail system enhancements together with attraction of revenue-generating, rail-dependent uses as part of what was labeled as the "South Sound Logistics Center." The Ports of Tacoma and Olympia "envisioned a rail yard where trains carrying intermodal containers could be stored and perhaps loaded while awaiting movement to the port's wharveside rail yards ... [as] space for rail yards near the port was increasingly difficult to find."<sup>5</sup>

Major attributes of the property included proximity to major centers of population, existing zoning for rural industrial use, and ready access to the I-5 freeway. Tacoma Rail bisects the property with the BNSF/Union Pacific rail line bordering the site to the east. Approximately 250 acres of the site is also permitted for gravel extraction.

Due to a combination of environmental concerns, public opposition and a softening real estate market, the Port of Tacoma terminated its plans for site development. After investing \$27.5 million in property acquisition and site enhancements, the property is now being marketed for sale through a public bid process. Based on bids received and the outcome of negotiations currently underway, the Port may be in position to authorize a purchase and sale agreement by summer 2009.<sup>6</sup>

While Maytown may not be developed for this use, continued interest in this type of major regional facility can be expected to re-surface in the years ahead. This is due to the growing demand for rail service coupled with severe rail system congestion in the Pacific Northwest (affecting both the Puget Sound and Portland-Vancouver metro areas).<sup>7</sup> If successfully developed to serve the I-5 corridor, a regional logistics center would most logically be located between these two metro areas.

As the Maytown experience indicates, logistics center feasibility will be strongly conditioned on ability to: a) secure adequately sized contiguous property offering both I-5 and rail main line service; b) successfully address environmental and infrastructure issues; and c) achieve active community support. Also required will be a project sponsor (public and/or private) with the financial resources to support a lengthy permitting process and multi-year phased development program.

### *Regional Airport Needs:*

The State of Washington Department of Transportation (WSDOT) is in the process of conducting a *Washington Aviation System Plan*.<sup>8</sup> The draft report (as completed to date) classifies the 138 airports open for public use across the state into the following categories:

- Commercial service – accommodating at least 2,500 passenger boardings per year
- Regional service – generally with 40 or more aircraft and a 4,000 foot long runway
- Community service – for at least 20 based aircraft and with a paved runway

- Local service – with fewer than 20 based aircraft and paved runway
- Recreation or remote – other land-based airports including residential airparks
- Seaplane bases – as identified by FAA

Washington’s airports span a broad range in terms of reported scale and role – from Sea-Tac International as the nation’s 18<sup>th</sup> busiest commercial airport – down to 39 remote or recreational airports mainly served by turf runways. As is depicted by the following chart, the statewide study has assessed future needs and capacities for airfields, commercial passengers, air cargo, aircraft storage, and airspace system.

**Figure 17. Statewide Air Travel Demand & Capacity Summary**

Capacity Indicator	Current Condition & Trend	Projection to 2030
<b>Airfield Capacity</b>	<ul style="list-style-type: none"> <li>• 3.7 million landings/departures annually</li> <li>• Less than 15% of overall capacity utilized; primary capacity issues are in the Puget Sound</li> <li>• Smaller airports have 60% of capacity but only 32% of activity statewide</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial operations to increase by 2.1%, general aviation by 1.6% per year</li> <li>• Only four airfields (including Sea-Tac) to exceed capacity by 2030</li> <li>• <i>Upgauging</i> could extend Sea-Tac capacity beyond 2030; however traffic distribution or demand management may be needed</li> </ul>
<b>Commercial Passenger &amp; Terminal Capacity</b>	<ul style="list-style-type: none"> <li>• 17+ million scheduled passengers annually</li> <li>• Terminals currently @ capacity for 4 smaller airports – Anacortes, Kenmore (air harbor and seaplane) &amp; Orcas</li> </ul>	<ul style="list-style-type: none"> <li>• Forecast 2.5% per year passenger increase to 31 million enplanements by 2030</li> <li>• Anticipated to remain highly concentrated @ Sea-Tac &amp; Spokane</li> <li>• Sea-Tac &amp; Tri-Cities to exceed terminal capacity by 2030</li> </ul>
<b>Air Cargo</b>	<ul style="list-style-type: none"> <li>• 600,000+ tons annually</li> <li>• 15 airports currently with airport cargo activity (but with 98% of tonnage thru Boeing Field &amp; Spokane)</li> <li>• Sea-Tac &amp; Boeing Field currently at or above 60% of cargo capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively rapid 3.5% annual growth to 1.4 million tons in 2030</li> <li>• Availability of <i>off-airport</i> cargo processing likely determines the need for new or added on-airport facilities (@ Sea-Tac/ Boeing Field)</li> <li>• Puget Sound future air cargo needs addressed by 2006 PSRC study – indicating future growth will be focused around Sea-Tac and Boeing Field</li> </ul>
<b>Aircraft Storage &amp; Parking</b>	<ul style="list-style-type: none"> <li>• Approximately 8,000 aircraft based in state, utilizing 83% of storage capacity</li> <li>• Typically parking &amp; storage is constructed <i>on demand</i></li> </ul>	<ul style="list-style-type: none"> <li>• As a whole the airport system is expected to maintain adequate storage capacity</li> <li>• About ¼ of airports may experience storage constraints by 2030 (including Packwood in Lewis County)</li> </ul>
<b>Airspace System</b>	<ul style="list-style-type: none"> <li>• The only significant airspace overlaps currently exist in the four Special Emphasis Regions (primarily Puget Sound, secondarily in SW Washington as affected by Portland)</li> </ul>	<ul style="list-style-type: none"> <li>• Future conflicts anticipated to be greatest for central Puget Sound (Sea-Tac &amp; Boeing Field), requiring flight path coordination</li> </ul>

Source: Excerpted from *Washington Aviation System Plan: Summary Report*, Draft, March 3, 2009.

The Ed Carlson Memorial (Toledo-Winlock) airport is classified as a community service airport by this statewide system plan, as is the Chehalis-Centralia Airport. Both have a comparable number of planes based at their sites (between 75-80 each).<sup>9</sup> Chehalis-Centralia experiences about 16% more traffic in terms of total operations, though Toledo-Winlock is projected to experience stronger growth through 2030. Both airports currently exceed 60% of aircraft storage capacity but are expected to remain within 60% of operations capacity through 2030.

Future projections of air travel are driven by assumptions including:

- Doubling of statewide population in the last 30 years – with 40% more residents forecast by 2030.
- Anticipated continued concentration of aviation activity in key regions of the state – with Puget Sound, Southwest Washington (Clark, Cowlitz Counties), Spokane and the Tri-Cities identified as Special Emphasis Regions.
- Major airport-related constraints – including limited funding, local land use conflicts, uncertain economic conditions, and lack of other transport modes (including high speed rail) to significantly alleviate anticipated air travel increases.

While general aviation demand can be expected to increase, there are no external market sources that could be expected to shift substantial passenger or air cargo demand from current airfields in the Puget Sound or Portland metro areas. Sea-Tac is addressing much of its *passenger needs* with addition of a third runway. By 2030, Sea-Tac may reach its operating capacity but is still expected to account for 85% of the state’s total emplanements.<sup>10</sup> Portland International Airport (PDX) also has substantial capacity for additional growth within its existing footprint – as indicated through its *Airport Futures* planning process.

Similar observations can be made regarding cargo. At present, Puget Sound air cargo activities occur primarily at Sea-Tac and Boeing Field. A recent *Regional Air Cargo Strategy* report concludes that: “Unless there are major changes in how the industry operates regionally or the amount of tonnage that is handled, planning for future air cargo growth will most logically be focused around these two airports.”<sup>11</sup> If future air cargo were to be diverted, the most logical candidates would be Paine Field or possibly other regional airports including McChord – though none of these are considered “a viable strategy from an industry perspective.”

Portland-Vancouver air cargo needs are expected to be handled by the PDX airport. This is despite some dissatisfaction with air cargo service (and regional congestion issues) for high technology companies in Washington County, who would welcome provision of air cargo service capabilities through the Hillsboro Airport. However, feasibility analysis to date indicates that there is not adequate demand and would not be feasible to split air cargo operations between PDX and another airport (e.g. Hillsboro) in the Portland metro area.

#### *Summary Transportation/Logistics Opportunity:*

In summary, transportation and logistics related development remains a potential opportunity for South Lewis County – more for the long than short-term. Both rail and air service (as well as I-5

corridor trucking) activities could be involved, with a rail-oriented development as the more likely option for the readily foreseeable future.

A regionally significant facility would require ability to assemble and control a several hundred acre site, potentially over a multi-year period (of as much as 20-30 years before substantial new development was realized). Successful development likely requires some form of active public-private sector partnership, for which there are prototype examples elsewhere in the U.S. and internationally.<sup>12</sup>

In the absence of this aggressive strategic initiative, some level of transportation/logistics opportunity is still possible in South Lewis County. Development would more likely occur as a series of smaller scale projects, materializing incrementally over time at dispersed locations based on site and infrastructure availability and specific user needs. The total level of development that could be expected over a 20-30 year time period would be less than with a more coordinated, master-planned approach.

***Business Park Development.*** A final industrial-related option would involve construction of multi-tenant business or industrial park space. Because space is typically built for lease to multiple tenants, it is usually financed, developed and owned by a real estate investor or developer. This is in contrast with larger manufacturing or distribution facilities built for a specific use, which are more often owned by the end-user.

Business and industrial parks come in various configurations. Sites can be as small as 5 acres and range up to 50+ acres. Some are primarily oriented to small to medium size wholesale and distribution firms as well as related industrial tenants such as contractors and as incubator manufacturing/assembly space. Others are built out for firms with more intensive on-site office use, for example, businesses that may have 50% of the space for warehouse distribution and the other 50% as administrative and sales office.

Lewis County has had experience with recognized Puget Sound area developers who have multi-tenant business and industrial park experience (as well as large end-user project capabilities). Examples of firms involved in the Lewis County market include:

- Tarragon Development (developer of the Michael's distribution center in Centralia as end-user space)
- Opus NW (purchaser of 77 acres from the Port of Centralia for an up to 1.76 million square feet of warehouse distribution space as part of the planned Opus Centralia Logistics Center)
- Benaroya (who previously has considered an I-5 oriented industrial development project in South County)

Because of the need to fill buildings with multiple tenants (who may pose a higher credit risk), business park development usually follows earlier investment by larger manufacturing and distribution businesses. Smaller communities also typically do not have the investors and developers with extensive business and industrial park experience, or the real estate brokerage firms who specialize in leasing of industrial space.

In some cases, communities that have identified small tenant space (including for business start-ups) have taken a more active public sector role in development. This is the case, for example, with municipalities and economic development organizations that create business incubator facilities. In addition to providing low cost space suited to small businesses, some incubators also offer shared services, such as front office reception and conference functions, shared copiers, and (in some cases) technical assistance as for business and financial planning.

To date, this market study has not identified any extensive needs for low cost multi-tenant space to serve small business needs. Small industrial businesses such as contractors, distributors and shops tend to use their own properties whether in one of the three South County incorporated cities or on rural property that they own.

Due to lack of perceived demand and the anticipated difficulty with creating a financially feasible development, a business park is not recommended as an initial phase development for the South County area. Rather, market demand and feasibility should be re-evaluated in the future once larger users are secured and/or definitive developer interest is indicated.

## COMMERCIAL DEVELOPMENT

Commercial opportunities potentially realized in South Lewis County may be affected by demand that is both external and internal to the South County market. As with industrial, this analysis begins with a metro market overview. This is followed by more detailed discussion of South County commercial potentials for office, interchange retail and local serving retail.

***Metro Market Overview.*** As is the case with industrial, office and retail activity is largely driven by the I-5 corridor metro areas to the north and south of Lewis County. As of 2008, the Puget Sound and Portland metro areas had a combined 132 million square feet of rentable office inventory and an identified 91.5 million square feet of competitive retail space.

**Figure 18. Puget Sound & Portland Metro Commercial Markets (2008)**

Real Estate Metric	Puget Sound	Portland Metro
<b><i>Office Space:</i></b>		
Rentable Space Available (sq ft)	89,600,000	42,100,000
Under Construction	5,030,000	1,160,000
Construction % of Inventory	5.6%	2.8%
Vacancy Rate	12.7%	10.7%
Rental Rate (per sq ft annually)	\$32.00	\$24.30
<b><i>Retail Space:</i></b>		
Rentable Space Available (sq ft)	45,600,000	45,900,000
Under Construction	640,000	370,000
Construction % of Inventory	1.4%	0.8%
Vacancy Rate	4.4%	4.5%
Rental Rate (per sq ft annually)	\$23.00	\$19.40

Source: CBRE Richard Ellis, *MarketView* reports for Puget Sound (4Q 2008) and Portland, OR (2Q & 3Q 2008). Office space rents are for Class A space.

The Puget Sound inventory of office space is more than double that of Portland metro, reflecting the greater dominance of financial, professional and creative services in the Seattle area. More roughly balanced inventories of retail space are indicated – likely due in part to sales tax free Portland retail and the greater presence of non-center retailing in the Puget Sound area:

- The *Puget Sound* market has been experiencing greater office and retail space construction activity and higher supportable rents than Portland, due largely to stronger job growth related demand. New office construction is heavily concentrated in the downtown Seattle and Bellevue submarkets. By comparison, retail expansion is more focused south of Seattle – including a 400,000 square foot expansion of Southcenter, completion of The Landing in Renton, and the 550,000 square foot Sunrise Village center in Puyallup.
- The *Portland metro* market has experienced some resurgence of downtown leasing activity, with vacancies about half those of suburban office product. In addition to downtown and nearby Pearl District development, new construction is occurring in the suburban Kruse Way, Wilsonville and Airport Way areas. Retail development is much more oriented to suburban residential growth – with primary construction activity occurring recently in the Beaverton and Vancouver/Clark County areas.

As with industrial space, demand for commercial office and retail space took a turn for the worse in 2008. Vacancies began to move up in the mid-latter part of the year, with a more troubled outlook for 2009-10.

Downtown Seattle's *office market* has been rocked by the nation's largest banking collapse with Washington Mutual and layoff of 3,400 Seattle area employees (about 80% of its local workforce). A major driver of suburban office space need, Microsoft, has also announced layoffs. However, the international Internet bookseller Amazon has continued work on its 1.6 million square foot headquarters located at Lake Union just north of Seattle's downtown.

Due to the reduced presence of major corporate tenants, Portland's office slowdown has been less dramatic to date, though vacancies are also on the increase. Construction of a major new downtown high-rise has been halted after initial work on the below-grade parking garage.

Retail space vacancies began to increase dramatically after one of the worst holiday shopping seasons in recent years. Retail bankruptcies are affecting well-known store brands such as Levitz Furniture, Circuit City, Linens 'N Things, Sharper Image – and even major regional retailers such as Portland based Joe's sporting goods. This downturn is also affecting mall owners, led by the April 2009 bankruptcy of the nation's second largest developer General Growth Management (which owns malls on the I-5 corridor in both Washington and Oregon).<sup>13</sup>

Discount chains – notably Wal-Mart – are making major inroads as the market shifts at least temporarily away from higher priced retailers. Other retailers, such as grocers that supply daily necessities, are also better able to continue expansion plans.

***Office Space.*** There are two primary sources of potential demand for office space in South Lewis County:

- *Locally generated demand* – as for accountants, real estate offices, medical clinics, and public agencies. Demand growth is expected to be modest at least for the near-term as the need for added office employment is generated primarily by South County population and employment growth. While some professionals may work out of their home, most of the demand for added space can be expected to be accommodated by existing or new commercial buildings in or near the downtown areas of Toledo, Vader and Winlock.
- *Externally generated demand* – could materialize for regional facilities such as data or call centers for which the attraction of a South County location might be inexpensive real estate and available labor force together with good freeway access. Prospects for U.S. growth are uncertain, especially during the economic downturn. Many call center functions now seek reuse of existing buildings (such as former grocery stores) which is typically less expensive than construction of a new building.

For different reasons, neither local serving nor external market oriented office use should be expected as a major source of South County job growth or real estate demand at least over the near-term of the next five years. Over a 20-year time period, other opportunities may arise.

The need for additional local professional offices can be expected as other industrial and commercial retail/tourism activities come into the area and as the population of South County communities continues to grow. Regional office park development could also occur once the viability of the South Lewis County is more proven as a successful location for industrial activity.

***Interchange Retail.*** The build-out of freeway interchanges for industrial and commercial purposes has been well demonstrated along the I-5 freeway corridor. This is especially the case for the more than 85% of I-5 corridor interchanges which can now be defined as urban in character. The results are more mixed for the more rural interchanges, with many interchanges vacant or developed with uses that are now outdated or not of adequate quality to as readily attract pass-by traffic.

What could be expected over the next 3-5 years is an initial 5-10 acre commercial development anchored by a service station/convenience store with potential for on-site or adjoining dining and small multi-use commercial center. Total amount of commercial space could range from as little as 5,000-10,000 square feet up to perhaps 50,000 square feet.

In addition to gasoline/fuel service, examples of businesses serving both travelers and the local community could include fast-food, drive thru coffee/espresso, express sit-down dining, motor inn, auto parts or quick lube store, antiques/gift shop, pet/farm supplies, banking ATM, and visitor information services. Total footprint of a development could expand if vehicle fuel and service capabilities were expanded to a facility that served commercial trucking – as with a truck stop.

Other interchange retail development that might be considered as more of *long-shot opportunities* could conceivably include:

- *An outlet or similar destination retail center.* While outlet centers are no longer a favored form of retail development nationally, a South Lewis opportunity might be predicated on potential success of a major local visitor destination (discussed below) and/or the now somewhat undersized and more obsolete character of the existing outlet facilities in the Centralia area.<sup>14</sup>
- *A regional auto, RV, truck or heavy equipment dealer mall.* This may seem counterintuitive at a time when dealerships are being forced to close by American automakers. However, continued impetus can be expected for dealer consolidation and market regionalization, together with construction of highly visible if not eye-popping showroom facilities.

In summary, interchange retail can be expected to come in two waves. The *first wave* will occur with gas service and related convenience services oriented to capture I-5 pass-through traffic. Successful market capture is highly dependent on providing a high image, high quality and easily accessible development that will be viewed as a cut above what is offered at other interchanges that represent alternatives to the traveling public.

The *second wave* most likely comes much further in the future, possibly in the next 10-20 years. Market capture is contingent on momentum created with early phase industrial and commercial investment, the quality and aesthetics of what is developed, and the ability to retain well-located vacant acreage of a size that is suitable for the added destination activities envisioned.

***Local Serving Retail.*** As noted with the earlier discussion of retail sales and leakage, up to an estimated 75,000 square feet of added retail space potentially could be supported to fully serve the current South County Subarea population. *On paper*, the greatest future subarea residentially generated retail market need would appear to be for general merchandise and restaurant activity. Lesser but still significant space needs are indicated for retail categories such as apparel and furniture/home furnishings.

However, due to the relatively small current population base of the South County Subarea, it will prove challenging to effectively recapture leakage in all merchandise categories – especially for retail uses that typically require more square footage for a competitive store than what subarea population alone can support. Opportunities for new locally oriented retail can be expected to come from either or both of the two following sources:

- Substantial population growth within South Lewis County resulting from creation of added employment opportunities. For example, an added 5,725 new jobs in South County might support up to an added 10,000+/- residents – increasing the amount of added South County retail space supported by nearly three-fold and creating more of the critical mass necessary to meet minimum store size thresholds.<sup>15</sup> *Note:* 5,725 jobs is a figure associated with the high growth scenario, detailed later in this market analysis report.
- Visitor-oriented development (either freeway interchange or major destination attractions) sufficient to create the critical mass for serving both local and visitor markets (that the local market would not be adequately sized to support on its own). Restaurant and fast food dining represents one example of the type of development that can cater

both to visitors and local residents. Other examples include auto services and specialty retail.

Short-term opportunities for added local retail are expected to be focused on the existing downtown areas of the three South County communities. Longer term, the effects of rapid job and population growth may create an impetus for development close to the interchange areas. This is because freeway-oriented retail will be more centrally located to serve all three cities and also capture complementary visitor demand.

## TOURISM DEVELOPMENT

Tourism-related development represents another layer to some of the retail opportunities discussed above. Of greatest interest is the identification and creation of destination attractions that can change visitation from a primarily pass-through activity to more of a stay-over function. This can be an important strategic objective as the #1 impetus for added local travel-related spending that occurs when the visitor decides to stay overnight or, better yet, for several nights.

The most discussed tourism-related development project for South Lewis County is a proposed regional equestrian center. However, other opportunities have also been identified in conjunction with South Lewis County Plan Advisory Committee discussion. These are briefly considered in turn.

**REQ Center.** A Southwest Washington Regional Equestrian (REQ) Center has been proposed for South Lewis County.<sup>16</sup> While a specific site has not been determined, the project is planned to be located on approximately 40-50 acres in close proximity to the Interstate 5 freeway.<sup>17</sup>

The REQ Center is currently planned for potential development of:

- An approximately 7,000-seat indoor sports entertainment complex – planned primarily for equestrian and livestock/rodeo activity but with multi-purpose capability that could range from auto and home shows to conventions and concerts.
- Related equestrian and livestock facilities – including show and western arenas (each with approximately 2,500 seating capacities), indoor warm-up and training areas, and dressage plaza.
- Potential visitor complex – that could eventually include lodging, retail and related service business activities.

Southern Lewis County is well situated to capture a large I-5 market with approximately 6 million residents living within a 2-hour drive time.<sup>18</sup> Project planning by proponents indicates that, when compared with much of the U.S., Washington State is relatively underserved with modern equestrian and rodeo facilities, with existing events forced to play in county fairgrounds or in other seasonal use and older facilities.

Facility revenues could be expected to come from sources such as ticket revenues, concessions, merchandise sales, arena rentals, parking and RV facilities, equestrian boarding, sponsors, and promotional activities.<sup>19</sup> Public funding support is also possible, as through a Public Facilities District (PFD).

As a private entity, the REQ Center, LLC is planning to serve as project developer, operator and promoter of this sports and entertainment venue. The REQ Center is currently seeking investment capital for the operations and management components of the project.

In August 2007, Lewis County passed a resolution creating a County PFD that would qualify for 0.033 percent credit against the sales and use tax to support funding of a regional center project such as the REQ. In recognition of December 2007 flooding in Lewis County, the 2008 Legislature (via HB 3151) extended the required start date of regional center construction in Lewis County from January 1, 2009 to January 1, 2011.

***Other Tourism-Related Opportunity.*** Other potential destination activities that have been identified (to date) as actual or potential draws to South County include:

- *Phillipsville* – a proposed 190-acre Master Planned Resort (MPR) at the southeast corner of the I-5 / SR 505 interchange. This proposal could encompass the REQ or similar venue together with other hotel, restaurants, retail and visitor services. Since May 2008, the MPR application has been on hold without a clear timeframe of when mitigation and other issues will be resolved.
- *Mount St. Helens National Volcanic Monument* – including the Johnston Ridge Observatory accessed from SR 505 through Toledo and the State operated Seaquest/Silver Lake center accessed via a loop from SR 505 to SR 504 back through Castle Rock.<sup>20</sup>
- *Winlock Waters* – a private water ski community with multiple lake courses and 30 approved home/recreation lots that also hosts head-to-head USA Water Ski and other competitions.<sup>21</sup>
- *Community Attractions and Events* – including St. Francis Mission (the oldest Catholic mission in the Northwest) and Lewis and Clark State Park near Toledo. Winlock is known for its annual (June) “Egg Day” and antique dealers. Vader has the 1896 Little Falls Jail and Ben Olsen (Victorian style) House. Annual Toledo events include May Day (May), Cheese Days (July), Threshing Bee (August), and Pow Wow (October).<sup>22</sup>
- *Outdoor Recreation Activities* – notably fishing and hunting that are already proven draws. Increased spending potential may be possible via expanding the list of activities that draw overnight visitation, such as added equestrian activity, hiking and biking trails.
- Added spending potential is also associated with a shift toward more value-added services such as guide services, formalized RV/tent campgrounds, and bed and breakfast operations. Longer term, ability to capture Amtrak traffic with a South County stop would further strengthen the region’s tourism potential, though there are not plans to add a stop in the subarea at present.

South County can best position itself both for major destination and more dispersed tourism by assuring the availability of high amenity attractions in proximity to and away from the I-5 corridor, including preservation of high value environmental stream, wildlife habitat and landscape of the area’s existing natural setting.

## SOUTH COUNTY ECONOMIC DEVELOPMENT POTENTIAL SUMMARY MATRIX

As an final step in this review of economic development potentials, the full range of industrial and commercial uses that have been considered for South Lewis County have been compiled in the form of an *evaluation matrix* chart, as depicted on the next two pages.

Eight different industrial and commercial use concepts are presented as a starting point for further discussion and evaluation. With each use concept, the potential market opportunity is described together with prospective advantages and disadvantages linked with South County development and associated implementation requirements.

***Economic Development & Employment Use Mix.*** As depicted by the matrix chart, the following detailed types of uses could be considered as part of a *menu of options* for transition from base case to high growth :

- *Manufacturing* – with economic recovery for capital intensive industries serving export markets
- *Distribution* – for good wages but low employment as an anchor for early phase development
- *Transportation/logistics* – for truck, rail and/or airport uses based on mid-metro market location
- *Business park* – with 1-2 story multi-tenant buildings developed in phases with market demand
- *Office space* – to better serve local businesses and/or major recruited employers
- *Interchange retail* – to better serve I-5 travelers with new facilities
- *Tourism development* – a major I-5 attraction plus lower impact tourism away from the freeway
- *Local serving retail* – both at interchange areas and with downtown revitalization

There may be other related forms of development that could be considered but are not within the scope of this non-residential market analysis. These include direct residential development plus quasi-commercial forms of residential use such as a senior retirement community, assisted living, and public and community recreation facilities. Taken together or individually, these uses likely will be important to complement employment-related development for a *full service* South County community.

Figure 19. South Lewis County Development Opportunities Evaluation Matrix

Use Concept	Market Opportunity	Advantages	Disadvantages	Implementation?
<b>Industrial Development</b>				
<b>Manufacturing</b>	An opportunity with recovery from the current economic recession for capital intensive businesses serving export markets and/or as suppliers to other PNW industries (e.g. metals/machinery, forest products, green energy)	<ul style="list-style-type: none"> <li>• Takes advantage of interstate freeway &amp; rail access</li> <li>• Ability to offer large, low cost sites buffered from incompatible urban uses</li> <li>• High-wage job potential</li> </ul>	<ul style="list-style-type: none"> <li>• Limited local labor pool requiring two-county draw + workforce training</li> <li>• Forecast for continued decline of U.S. manufacturing jobs</li> </ul>	Requires active participation of property owners & city/county jurisdictions for <i>shovel-ready</i> sites with infrastructure, rapid permitting capability & availability of incentives
<b>Distribution</b>	Potentially a market ready opportunity for large & mid-box distribution centers (DCs) as suitable large, competitively priced Puget Sound/Portland-Vancouver metro sites with I-5 & rail become increasingly difficult to secure	<ul style="list-style-type: none"> <li>• Mid-way location between PNW metro areas with direct I-5 &amp; rail access</li> <li>• Potential ability to offer large, low cost sites</li> <li>• Relatively high wholesale trade wage comparable to manufacturing statewide</li> <li>• Limited demands on local water/sewer infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Possible reduced future need for large DCs with moderated retail demand</li> <li>• Industry flux with possible transition to more mid-box sites as DCs get closer to metro markets to reduce energy costs</li> <li>• Relatively few employees with less local tax yield per acre of land used</li> </ul>	Requires policy support for South County distribution, large (20-50+ acre) shovel-ready sites with good transportation access to I-5 freeway (& possible rail siding)
<b>Transportation / Logistics</b>	Intermodal consolidated freight terminal/hub oriented to highway, rail & possible air freight functions serving the Seattle/Portland markets	<ul style="list-style-type: none"> <li>• Could address well documented PNW freight congestion issues, especially for rail</li> <li>• Airport potential to accommodate either a major air freight facility (with improvements) or small business “within the fence” use</li> <li>• Relatively high paying and stable jobs (though not equal to manufacturing wages)</li> </ul>	<ul style="list-style-type: none"> <li>• Rail intermodal could require up to several hundred acres &amp; involve significant permitting process with possible public opposition (as with the now terminated 745-acre Port of Tacoma Maytown proposal)</li> <li>• Air freight market potential uncertain unless Sea-Tac/PDX become inadequate</li> </ul>	Requires South County, Lewis County & State of Washington support + active participation of major rail carrier (for rail intermodal) and/or significant air freight user (with substantially expanded airport business use)

Use Concept	Market Opportunity	Advantages	Disadvantages	Implementation?
<b>Business Park</b>	Development of multi-tenant 1-2 story business/industrial park buildings on multi-year phased basis (for uses such as small manufacturing, distribution, professional & business services, ancillary support retail)	<ul style="list-style-type: none"> <li>• Best addresses needs of small (including start-up) businesses to lease rather than build their own space</li> <li>• Development can be phased to match demand as actually experienced</li> </ul>	<ul style="list-style-type: none"> <li>• Typically viewed as risky speculative investment in a less populated, non-urban market</li> <li>• Requires well capitalized developer &amp; likely initial anchor use</li> </ul>	Most likely a later phase & support business opportunity once demand is clearly demonstrated for major manufacturing, distribution and/or transportation/logistics investment
<b>Commercial Development</b>				
<b>Office Space</b>	Office buildings to better serve existing local businesses and/or major recruited employers (as with data processing or call centers)	<ul style="list-style-type: none"> <li>• Might be accommodated at an existing downtown or interchange location</li> <li>• Could be marketed to firms desiring mid-market location between Seattle &amp; Portland</li> </ul>	<ul style="list-style-type: none"> <li>• Likely limited demand from existing local firms</li> <li>• Small local labor pool may discourage larger non-local employers</li> </ul>	Not recommended as a near-term priority except as possible opportunity in response to inquiries
<b>Interchange Retail</b>	Retail & commercial services aimed to capture and serve I-5 travelers (as with gas service, truck stop, espresso/convenience dining, & motel)	<ul style="list-style-type: none"> <li>• Definite opportunity as other urban interchanges become too congested to accommodate travelers</li> <li>• Opportunity for better quality as well as budget offerings</li> <li>• Potentially important source of local revenue (sales tax)</li> </ul>	<ul style="list-style-type: none"> <li>• Can create visual blight unless development is master planned</li> <li>• Relatively low wage (but provides entry level &amp; part-time employment)</li> </ul>	Recommended as a priority for initial site master plan concept in conjunction with interested/affected property owners to identify near term (3-5 year) + longer term buildout potentials
<b>Local Serving Retail</b>	Encouragement of added retail @ interchanges or in existing downtowns to better serve existing & growing area population	<ul style="list-style-type: none"> <li>• Will better serve as yet unmet local market needs</li> <li>• Greater opportunity with area job &amp; population growth</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of critical mass @ present for many retailers</li> <li>• May pull from downtowns if developed near freeway</li> </ul>	Best opportunity near-term is to orient existing & new retail to serve both local & visitor clientele, when possible
<b>Tourism Development</b>				
<b>Accommodations plus Destination Retail &amp; Entertainment</b>	Development of a major regional attraction serving a two-state I-5 corridor market (as proposed for REQ or might be developed with a destination retail center/anchor)	<ul style="list-style-type: none"> <li>• Can yield substantial tax benefits for local jurisdictions</li> <li>• Generates spillover demand for related facilities (e.g. lodging, supplemental downtown retail)</li> </ul>	<ul style="list-style-type: none"> <li>• Destination market now served by outlet malls @ Centralia (though mature)</li> <li>• Specialty facilities like REQ have to be evaluated on a case-by-case base</li> </ul>	Potential opportunity to develop as a unique South County destination; depends on active regional marketing, local public planning, & infrastructure support

***Selecting a Preferred Approach.*** These varied opportunities should not be viewed as mutually exclusive. In many cases, success with one development concept could serve to stimulate or reinforce opportunities with another use concept. In conjunction with the South Lewis County Subarea Plan process, a single concept or some combination of concepts could be prioritized as a preferred approach – as best meeting a combination of realistic market opportunities and community aspirations.

While market support can be demonstrated for each of these uses, a preferred scenario may emphasize some uses over others. These choices can be considered with the South County planning process, recognizing that some choices will likely prove more viable than others, especially over the next 3-5 years. An action plan of key implementation steps can then be shaped to affect the choices that best fit both reasonable market and community expectations.

The employment and land use implications of alternative scenarios are outlined in more detail with Section VI to the report – as the basis for then recommending and selecting a preferred scenario. First, this report turns to one other important item for consideration – other comparable (or competitive) site opportunities elsewhere on the I-5 corridor in Southwest Washington.

## V. I-5 COMPARABLE SITE OPPORTUNITIES

Major industrial, commercial and tourism-related development does not occur in a vacuum. Prospective businesses typically first choose a general region of interest and then compare different industrial sites before selecting a preferred location.

Consequently, it is important to address properties that may be comparable to – and competitive with – potential South Lewis County industrial areas. This review *sets the stage* for considering South Lewis County alternative scenarios – within the context of the broader regional market for site location.

### COMPARABLE SITE INVENTORY

For purposes of this analysis, the geographic frame of reference extends along the I-5 corridor from southern Pierce County south to Cowlitz County.<sup>23</sup> Comparable properties inventoried are focused on *large industrially designated sites of 50+ acres that are currently being marketed*. Both publicly and privately owned properties are noted.

**Site Comparisons.** For ease of comparison between sites, ratings of strong (●), moderate (○) and weak fit (⊕) are assigned to siting factor criteria related to transportation, infrastructure and environmental suitability status as follows:

**Transportation Services:** (●) if located within one mile of a freeway interchange, (○) if 1-5 miles, and (⊕) if over 5 miles. Access to rail, air or marine facilities is noted as an added bonus, if available.

**Infrastructure:** (●) if water and sanitary sewer are currently available to site; (○) if one but not both utilities are available, or if utilities are planned or in the vicinity but not currently serving the site; (⊕) if neither utility is available, planned or in the vicinity.

**Environmental Suitability:** (●) if no environmental limitations; (○) if one or more environmental limitations as noted.

**Zoning:** HI denotes heavy industrial, LI is for light industrial, RI is for rural industrial, and I covers general industrial designations.

**Comparable Sites (Of 50+ Acres).** Ten site areas totaling more than 1,400 acres have been identified and inventoried on a preliminary basis. This includes an estimated 320 acres currently being marketed as the Grand Prairie site in Winlock. Overall, the sites inventoried average over 135 acres in available land area per property.

Of the 10 properties noted, four are publicly owned or have a major public investment component involved. Five sites are available only on a for sale basis – at prices ranging from slightly more than \$0.50 to \$2.75 per square foot (albeit with only partial reporting of property pricing). Lack of readily available sales pricing provides flexibility to the property owner but can be a deterrent to prospective purchasers or lessees.

Figure 20. Comparable Sites (50+ Acres)

Location/ Site Name	Acreage Available	Price per Square Foot	Transport Services	Utility Infrastructure	Environmental Suitability	Comments	Zoning
<b>Pierce County</b>							
<i>Public Sites:</i>							
Port of Tacoma - Fredrickson Industrial Area	100	N/A	● I-5, Rail	●	●	For sale; utilities & infrastructure in place but not specified	HI
<b>Lewis County</b>							
<i>Public Sites:</i>							
Port of Centralia - Opus Centralia Logistics Center	77	N/A	● I-5, Rail	●	●	For sale or lease; SEPA approved; all utilities to site but not specified	I
<i>Private Sites:</i>							
Centralia North II	55	N/A	● I-5, Rail	●	●	For sale or lease; entitled for up to 1.2 million sf; water & sewer available from city	I
Chehalis I-5 Corporate Park	60	N/A	● I-5	●	●	For sale or lease; SEPA & site plan approval up to 1.1 million sf; water & sewer available from city	I
Grand Prairie - Winlock	320	\$2.75	● I-5	○	○-Wetlands minimal	Sale; level site; water & sewer in engineering	I
Napavine Industrial Park	156	N/A	● I-5, Rail	○	N/A	For sale; proposed zoning Rural Industrial not in place; level site; sewer not specified	RI
<b>Cowlitz County</b>							
<i>Public Sites:</i>							
Port of Kalama - North Port	70	N/A	● I-5, Rail, Marine	○	N/A	Lease only; sites filled; sewer not specified	HI
City of Longview - Mint Farm	5 to 143	N/A	○	●	N/A	For sale; master planned	HI
<i>Private Sites:</i>							
Hwy 432 @ Barlow Point	318; 5 to 80	Sale \$1.03/sf; Monthly lease \$750/ac (or \$0.02 per sf)	● I-5, Rail, Marine	⊕	○-Wetlands, Hydrolic Soils	Mostly flat sites; 318 acres for sale; 5-80 acre lots for lease; sewer @ 7,000 ft; water not specified	HI
I-5 & Huntington - Castle Rock	110	\$0.56	● I-5	○	N/A	For sale; level site; sewer @ 300 ft	LI

Legend: ● = Strong Fit      ○ = Moderate Fit      ⊕ = Weak Fit

Note: No major industrial sites are identified as for sale or lease currently in Thurston County.

Source: E.D. Hovee & Company, based on Internet research,<sup>24</sup> updated as of May 2009. This listing is preliminary and subject to revision based on comments and additional information received.

One site is available only on a for-lease basis, publicly owned by the Port of Kalama. While exact lease rates are not identified, leases typically are tagged to property value.

Another four sites are listed for sale or lease. Barlow Point in Cowlitz County is the only site with pricing information – 318 acres for sale at \$1.03 per square foot gross and 5-80 acre sites for lease at \$750 per acre annually.

Most of the sites are indicated as having access to I-5 plus rail service availability. All are being marketed as having infrastructure available, though in some cases utilities are not yet directly to the site. A mix of conditions is noted with respect to environmental conditions.

Not directly included with this inventory is the potential future availability of industrial sites at the TransAlta mine, located northeast of Centralia. Due to closure of the coal mine, the owner is working with the Lewis County Economic Development Council to explore market feasibility of industrial park development on a portion of this site.

While there are some similarities between this site and those that are or may become available in South Lewis County, a key difference is that TransAlta does not have direct I-5 freeway access. Also noted is that the TransAlta site has been intended to be marketed primarily to large capital intensive heavy and light manufacturing users (generally on large sites of 100+ acres) and therefore should not be directly competitive with the attributes of a South County location.

## **SOUTH LEWIS COUNTY COMPETITIVE POSITION**

As indicated by this inventory, many of the site comparables have attributes very similar to those of South Lewis County (including the Winlock property noted). Some of these sites are superior to South County in that infrastructure is already in place, with more clearly defined environmental suitability, and/or may be better priced. These are issues that would need to be remedied for South County property to be more directly competitive, especially over the near-term of the next 5+/- years.

Compared to the alternatives, potential advantages of South County property include:

- Availability of more total acreage – though possibly including multiple ownerships and interchange locations.
- Relatively undeveloped acreage – without an industrial look allowing for a better mix of master planned industrial and commercial development than locations where inadequate planning has resulted in incompatible adjoining uses and lower overall quality of development.
- Greater opportunity for a mix of employment use – including commercial and tourism as well as industrial for greater overall critical mass and improved market presence.

This assessment of potential property comparables together with the preceding review of economic development potentials set the stage for more detailed discussion of alternative and preferred South County potentials – which now follows.

## VI. ALTERNATIVE DEVELOPMENT SCENARIOS

To this point, this regional market analysis has focused on describing historic conditions that could affect future development. These conditions include profiling of local and regional market conditions together with patterns of population growth and industrial/commercial development both in Lewis County and on the I-5 corridor of Washington State.

The focus of the analysis is now shifted to identification and assessment of future prospects, specifically for the South Lewis County planning subarea. Considered with this South County regional market analysis are two alternative employment growth and land demand scenarios – base case and high growth.

### EMPLOYMENT GROWTH & LAND DEMAND SCENARIOS

Due to the confluence of an as yet relatively undeveloped area with a freeway travel corridor that has experienced dramatic growth elsewhere, two very different scenarios for future employment growth and associated land demand can be envisioned. With this regional market analysis, these dramatically varied alternatives are described as:

- *Base case development* – predicated on continuation of recent trends with relatively weak market capture by Lewis County (and South County) of I-5 corridor employment growth.
- *High growth scenario* – assuming that Lewis County increases its capture of I-5 corridor employment (as is happening in other less urban counties of the I-5 corridor) and that South Lewis County is positioned to capture the majority of industrial job growth plus a significant share of non-industrial activity building up over a 20-year time period.

Both the base case and high growth scenarios are forecast over a 20-year planning horizon – from 2010-2030. The forecast period is divided between the first five years (2010-2015) followed by the next 15 years (2015-2030).

***Context of Statewide & I-5 Corridor Employment Patterns.*** Historic and forecast employment growth potentials follow a methodology rooted in statewide job growth projections, translated to the more urban versus less urban counties of the I-5 corridor, then to Lewis County, and finally within Lewis County to the South County planning subarea:

- *State of Washington* – forecast expectations are based on *Non-Agricultural Wage and Salary Projections* prepared by the Employment Security Department from 2006-2011 (short-term) and 2011-2016 (long-term).<sup>25</sup> Consistent with similar national projections, ESD forecasts that rates of job growth statewide will decline from an annual rate of 2.0% (from 2002-06) to 1.6% per year (2006-11), then further drop to a rate of 1.3% (2011-16). Manufacturing employment statewide is projected for no growth over the long-term time horizon.
- *I-5 Corridor Counties* – have experienced more rapid growth than has occurred statewide, but the State ESD expectation is growth rates for the I-5 corridor and rest of state will converge over the long-term.

- *Less Urban I-5 Counties* – are defined for purposes of this analysis to include Whatcom, Skagit, Thurston, Cowlitz and Lewis Counties. As a group, these five counties have experienced more rapid job growth in recent years than the other more urbanized I-5 counties of Snohomish, King, Pierce and Clark – both generally and especially in key industrial sectors such as manufacturing, wholesale trade, and transportation. Of the five less urban counties, the lowest job growth rates have been in Lewis and Cowlitz Counties – well behind rates of job growth experienced in Whatcom and Thurston Counties.
- *Lewis County* – has captured a declining share of the job growth occurring with less urban I-5 counties in recent years, a pattern expected to continue with the ESD-derived county-level forecasts applied with the base case development scenario. An exception is in manufacturing, for which Lewis County is taking an increasing share of added I-5 corridor jobs. This historic pattern of reduced job shares for non-manufacturing also has the potential to be reversed in the event that a high growth scenario takes hold – with Lewis County capturing an increased share of overall job growth among I-5 corridor counties.<sup>26</sup>
- *South Lewis County* – for which historic shares of total countywide job growth are forecast with the base case forecast. With high growth, it is assumed that the South County capture within 20 years could increase to as much as 80% of countywide industrial job growth *above what is otherwise forecast* by ESD with a base case scenario.<sup>27</sup>

**Alternative Employment Scenario Results.** The implications of these varied job capture assumptions for South Lewis County are illustrated by the following chart. As noted, the number of added South County jobs created over 20 years ranges from about 440 with base case development to as much as 5,725 added jobs with the high growth scenario (fully 13 times more than with the base case scenario).

**Figure 21. South Lewis County Alternative Employment Scenarios (# of Jobs)**

# of Jobs by Industry Group	Base Case			High Growth Scenario		
	2010-15	2015-30	2010-30	2010-15	2015-30	2010-30
<b>TOTAL ALL USES</b>	<b>80</b>	<b>360</b>	<b>440</b>	<b>730</b>	<b>4,995</b>	<b>5,725</b>
Industrial	15	100	115	390	2,530	2,920
Retail & Services	55	225	280	235	1,710	1,945
Tourism	10	35	45	105	755	860

Source: E. D. Hovee & Company, LLC. See Appendix B for more detailed data tables.

Of more specific note is that:

- Industrial jobs comprise a minority (26%) share of South County development with the base case scenario versus a majority (approximately 51%) with the high growth scenario – as the number of industrial jobs is multiplied nearly 25 times with the high growth scenario.
- Retail and services represent the majority (64%) of base case jobs versus 34% with high growth.

- Tourism-related leisure and hospitality (including dining) demand accounts for about 10% of base case and 15% of high growth scenario added employment.

Of these three use groupings, industrial use can generally be expected to offer the prospect of the highest average wage jobs. Retail/service sector employment offers a more varied wage schedule, typically including more part-time opportunities.

Tourism-related jobs tend to have the lowest average wage levels, including considerable part-time employment. However, tourism activity also often offers business opportunity for small firms and sole proprietors.

Of the total number of jobs created for all uses combined, between 10-20% would be expected in the first five years of the forecast period. The majority of jobs would be added over the subsequent 15 years (from 2015-2030).

**Land Demand by Scenario.** The implications of these two alternate employment scenarios for industrial, retail/service and tourism-related land demand are shown by the table below as well as by the following graphic. As with employment, the range is from less than 50 acres of net employment land need with continuation of historic trends to an estimated 800 acres occurring through the duration of a 20-year time horizon.

**Figure 22. South Lewis County Net Employment Land Use Need (in Acres)**

Acreage by Industry Group	Base Case Scenario			High Growth Scenario		
	2010-15	2015-30	2010-30	2010-15	2015-30	2010-30
<b>TOTAL ALL USES</b>	<b>8</b>	<b>37</b>	<b>44</b>	<b>142</b>	<b>658</b>	<b>800</b>
Industrial	4	23	26	80	520	600
Retail & Services	3	12	15	12	90	102
Tourism	1	2	3	50	48	98

Notes: Potential land demand is calculated for uses with added employment attributable to specific industrial, commercial or related building types. Acreage for uses requiring more land than is typical for a specific building type or where virtually all of the use consists of outdoor activity are not included with the net land calculations but are accounted for by gross-up factors to yielding gross acreage needs. Such uses could range from heavy equipment storage and auction facility to a major destination resort property requiring more acreage than for site improvements as might be the case with land for recreation, conservation, or other open space purposes.

Source: E. D. Hovee & Company, LLC. See Appendix B for more detailed data tables.

Acreage figures are shown in terms of *net acreage* requirements, which equates to the amount of land actually needed to accommodate building space together with land for on-site parking, loading and typical outdoor storage requirements. This is *before* addition of infrastructure, critical area, open space/holding and market factor considerations (considered further below).

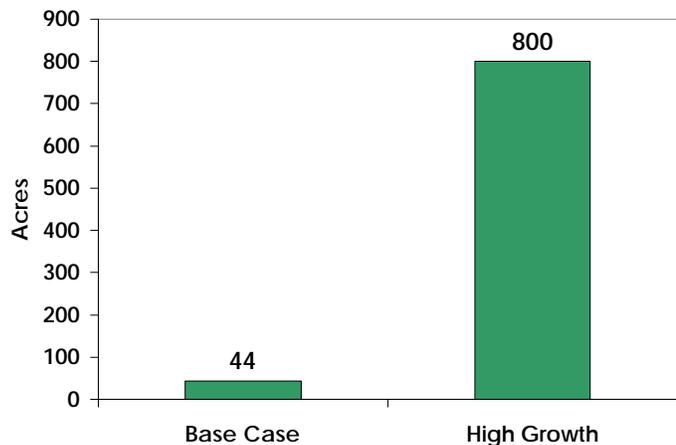
With *base case development* (as a continuation of past trends), South Lewis County could expect to experience relatively modest levels of commercial and industrial development over the next five and 20 years. Land demand experienced would total in the range of 40-50 acres of added employment activity over a 20-year time period.

With *high growth*, South County would come into its own as a competitive player for I-5 corridor industrial, tourism and retail/service related development in western Washington. Demand over 20 years could conceivably increase as much as 18-fold over base case expectations – to a total of nearly 800 acres of net acreage demand over a 2010-2030 time period.

Approximately 75% of market demand (600 acres) for employment land would be for industrial use, 12% (98 acres) for tourism-related development, and 13% (102 acres) for other retail and services.

About 15-20% of the employment land demand indicated would be expected from 2010-2015 with either scenario. Regional job and land capture rates (especially with the high growth scenario) are expected to increase over time, with more rapid demand after 2015, except for the REQ facility that is assumed for initial development within the first five years.

**Figure 23. Net Land Demand Comparison**



Source: E. D. Hovee & Company, LLC.

**Converting Net to Gross Acreage Employment Land Need.** The 800-acre net land need figure translates to a range of about 2,500-3,000 acres when the full range of factors that account for a complete allocation of employment land use is considered. This conversion is often termed as the translation of *net to gross* acreage employment land need.

Key factors associated with land *gross-up* requirements include:

- Allocation of needed land area for *infrastructure* to support the employment land activity. Key infrastructure needs include land allocated for roads and for stormwater management. For an as yet undeveloped interchange area, this factor is estimated at approximately 50% of net land need.
- *Critical areas and buffers* for portions of a site that likely will not be developable. This allocation can vary widely on a site-by-site basis, but is estimated to average about 30% of net land area consistent with the natural environment component of the draft Subarea Plan, utilizing analyses from the State of Washington Department of Ecology (DOE) and State of Washington Department of Fish and Wildlife (WDFW).
- A potentially substantial *open space and land holding allocation* is anticipated to meet the goals of the Subarea Plan. This is for three potential purposes including: a) master planned resort facilities with significant open space, conservation areas and recreation features as a part of the site separate from land for building and parking improvements; b) ability to accommodate extraordinary outdoor storage and sales activities as occurs in the vicinity of a number of other rural interchange areas; and c) the ability to offer a prospective employer land for future expansion in excess of near-term facility needs. For

purposes of this plan, this allocation is estimated at up to a 70% addition to the built environment functions associated with net acreage demand.

- *Market factor* to assure a competitive range of sites and land pricing meeting a wide variety of potential employer needs. Within the State of Washington, market factors typically found are in the range of 25%-50%. While both figures are indicated with the following chart, a 50% reserve is recommended as more applicable for a rural interchange area where needs will undoubtedly evolve as the market matures.

**Figure 24. South Lewis County High Growth Scenario Gross Land Need (in Acres)**

From Net to Gross Acreage Need	@ 25% Market Factor		@ 50% Market Factor	
	Gross-Up	Acres	Gross-Up	Acres
<b>Net Employment Land Demand</b>		<b>800</b>		<b>800</b>
Infrastructure (roads, stormwater mgmt)	50%	400	50%	400
Critical Areas & Buffers	30%	240	30%	240
Open Space & Land Holding	70%	560	70%	560
<b>Subtotal</b>		<b>2,000</b>		<b>2,000</b>
Market Factor	25%	500	50%	1,000
<b>Gross Employment Land Demand</b>		<b>2,500</b>		<b>3,000</b>

Source: BHC Consultants and E. D. Hovee & Company, LLC.

The application of these *gross-up* factors to net acreage results in an estimated gross acreage land need of between 2,500-3,000 acres for allocation to industrial, commercial and related ancillary uses with the South County Subarea Plan pursuant to a high growth scenario. The 3,000-acre figure is consistent with the acreage proposed with the South County Subarea Plan.

By comparison, a base case scenario of 44 acres of net land demand would gross-up to between 140-165 acres of gross acreage land need, depending on application of a 25% or 50% market factor. As with the high growth scenario, the base case gross-up is based on application of similar factors for infrastructure, critical areas, open space/holding, and market factor.

**Comparison with Subarea Development Plan Concepts.** As is depicted by the maps provided with Appendix D to this market analysis, BHC Consultants has prepared three alternative concepts – to facilitate conservative, moderate or aggressive South County development.

**Figure 25. South Lewis County Subarea Plan Concepts (& Land Needs)**

Development Concept	South Lewis County Employment Land Area (in acres)			
	Industrial	Retail	Tourism	Total
Conservative	525-625	200-300	375-475	1,100-1,400
Moderate	1,000-1,100	500-600	975-1,075	2,475-2,775
Aggressive	1,700-1,800	1,600-1,700	950-1,000	4,250-4,500

Source: BHC Consultants LLC, based on map date of April 2009. See Appendix D for concept maps.

The conservative development concept does not allocate adequate land to meet anticipated demand with a high growth scenario. The moderate scenario fits within the lower bound of a

2,500-acre gross land need figure estimated above, though application of a larger market factor of 50% would imply a need for somewhat more land at about 3,000 acres. This is above the moderate growth range but below that noted for an aggressive development concept.

While the application of generous gross-up factors runs some risk of overstating long-term land needs, assumptions associated with a high growth scenario likely will prove beneficial for the South Lewis County area, for several important reasons:

- There is a buffer of added capacity if demand manages to exceed even high growth expectations.
- Generous supply offers added market place choice to prospective users, better meeting a wider range of potential development needs not fully predictable at present.
- More land is available for open space and/or industrial, commercial, and/or destination tourism uses requiring considerable outdoor use without employment generated building square footage.
- Allocating more land to future development early-on may better allow for a long-term reserve with potential to extend beyond the 20-year Subarea Plan time horizon.

***Conditions for Scenario Realization.*** The *base case* condition is expected to be realized with relatively modest improvements to public utility and transportation infrastructure. This assumes that utilities would not be extended great distances to serve a small, isolated project.

By comparison, the ability to move from a base case scenario toward a pattern associated with *high growth* is predicated on:

- Ability for non-urban I-5 counties – especially Lewis – to capture an increased share of I-5 corridor employment growth in future years.
- South Lewis County move to capture a majority share of countywide industrial job growth – above base case growth levels within 20 years.
- Community interest in a full range of industrial activity – including manufacturing, transportation/logistics, and wholesale/distribution.
- South County capture of at least one major tourism destination facility – as with the proposed REQ facility.
- Ability to provide competitive sites with full utility and transportation infrastructure – either ahead of or in synch with major user requirements.
- Appropriate urban growth area (UGA) designations – as consistent with local community priorities and provisions of the Growth Management Act (GMA).<sup>28</sup>

## VII. ECONOMIC DEVELOPMENT ACTION PLAN

The final element of this regional market analysis begins with identification of a preferred South County development scenario followed by the initial outline of an action plan for subsequent plan implementation.

### PREFERRED SOUTH COUNTY DEVELOPMENT SCENARIO

Recommended for consideration by the Plan Advisory Committee and local jurisdiction partners is endorsement or adoption of a strategy comparable to that of the *high growth scenario*. While some elements of this strategy may be emphasized over others, this overall approach appears to offer the best circumstances to create diverse economic opportunities for current and future South County residents in a way that best serves the entire subarea together with individual community objectives.

As is detailed by the action plan which follows, selection of a high growth scenario also places greater responsibility on subarea cities and Lewis County, area residents, businesses, and property owners to be actively engaged both in continued South County planning and subsequent implementation – both now and on a continuing basis.

### ACTION PLAN

An action plan involves a statement of recommended implementation activities (including plans and projects). When complete, each recommended action step also includes identification of:

- Lead and supporting project participants
- Resources required for implementation
- Project priority or timeline

On the following page is provided a preliminary outline plan for discussion and refinement prior to market study completion.

### NEXT STEPS

As noted at the outset, this market analysis is intended to provide an independent evaluation of South Lewis County potentials for employment generating industrial and commercial uses. Observations and findings are most useful as background information and as deemed to be appropriate for incorporation into the South Lewis County Subarea Plan.

E. D. Hovee & Company, LLC appreciates the opportunity to prepare this South Lewis County Regional Market Analysis on behalf of Lewis County and the South County Subarea Plan Advisory Committee. Questions and suggestions regarding any aspect of this regional market analysis report are welcome.

Figure 26. Economic Development Action Plan (Initial Outline)

Action Step	Lead Role (& Support)	Resources Needed	Priority
<i>Refine &amp; Adopt Subarea Plan</i>	Plan Advisory Committee (Lewis County & Cities)	Community stakeholder & State agency input	<i>Immediate</i> – as critical first step for implementation
<i>Revise Comprehensive Plan(s) &amp; Zoning</i>	Lewis County & Cities (State of WA CTED)	Possible need for State OFM review of countywide population forecast & consistency with GMA (with City and/or free-standing UGAs)	<i>Near-Term</i> – to set a framework for allowed expanded employment use
<i>Economic Development “Tool-Kit”</i>	Lewis County EDC (Lewis County, Cities & State CTED)	Identification of technical assistance, infrastructure & incentive funding for targeted economic development investment	<i>Near-Term</i> – in advance of infrastructure plan finalization (then revised on continuing basis)
<i>Property Owner Coordination</i>	EDC & Property Owners (Lewis County & Cities)	Determination of property availability & infrastructure needs	<i>Near-Term</i> – in advance of infrastructure plan finalization
<i>Coordinated Transportation &amp; Utility Infrastructure</i>	Lewis County & Cities (with State agency involvement)	Funding plan for key elements of local & regional economic development infrastructure	<i>Mid-Term &amp; Continuing</i> – with initial investments for shovel-ready projects @ priority interchanges (e.g. Winlock)
<i>Shovel-Ready Site Marketing</i>	Property Owners / Brokers (Lewis County EDC, State CTED)	Suggest coordinated marketing & South County (SoCo) branding	<i>Mid-Term &amp; Continuing</i> – by time of recovery from current recession
<i>Site Master Planning &amp; Development Agreements</i>	End Users & Developers (Property Owners, EDC, Lewis County & Cities, State agencies)	Recommended with SEPA for large site development (as primary responsibility to development proponent)	<i>Mid-Term &amp; Continuing</i> – completed for each large site project proposal
<i>Subarea Plan Revision &amp; Update</i>	Reconstituted Plan Advisory Committee (Lewis County, Cities & key community interests)	Benchmark monitoring & plan refinements based on experience plus new opportunities	<i>Long-Term</i> – within 5-10 years of initial plan adoption

## APPENDIX A. PREPARER PROFILE

This market analysis report has been prepared for Lewis County by the economic and development consulting firm E. D. Hovee & Company, LLC. From the planning to the completion of strategic business, real estate and public investments, E. D. Hovee & Company, LLC provides consulting services for public agencies, private firms, and individual investors.

**Business Profile.** Based in a Vancouver, Washington office, the firm is focused primarily on the Pacific Northwest states of Washington and Oregon – albeit with substantial experience throughout the U.S. as well. Our economic and development services include:

- *Economic research* – from economic forecasting to impact analysis.
- *Market and feasibility assessments* – for private business and development projects as well as for public/private ventures.
- *Development planning and strategic services* – to better position businesses and communities for success in today’s increasingly differentiated marketplace.
- *Development packaging and marketing* – for public/private projects ranging from public parking facilities to mixed-use revitalization in urban centers and neighborhoods.

For over 25 years, the firm has been committed to the ongoing process of economic restructuring for entire communities, for emerging and revitalized downtowns, and for successful business and residential developments both in and outside the Pacific Northwest. A particular strength is a multi-use approach to urban real estate development – covering industrial, office, retail, residential, live/work, lodging, cultural/entertainment, parking, and mixed-use/master planned development.

**Related Project Experience.** E. D. Hovee & Company, LLC has conducted market, business mix, and development consulting for:

- Public and non-profit organizations throughout the state of Washington including the State of Washington Department of Community, Trade and Economic Development, Washington State University, and cities including Tacoma, SeaTac, Renton, Covington, Kirkland, Snoqualmie, Bellingham, Mount Vernon, Yelm, Longview and Vancouver.
- Private real estate development and retail clients such as Opus NW, Gramor Development, Killian Pacific, Birtcher Properties, Fred Meyer, and Home Depot.
- Other public and non-profit clients including the Portland Development Commission, Port of Portland, Portland Business Alliance, and cities of Hillsboro, Beaverton, Gresham, Tigard, Wilsonville, Eugene, Medford and Newport in Oregon; Santa Cruz, Stockton and Thousand Oaks in California; St. Joseph and Hannibal in Missouri – and also across the U.S. for the National Main Street Center and National Trust for Historic Preservation.

**Preparers.** Personnel who have been involved in the preparation of this market overview are Eric Hovee – Principal and Andrea Logue – Research Coordinator.

## APPENDIX B. SUPPLEMENTAL DATA

Figure 27. Tourism Expenditure Trends (2001-2007)

	2001	2007	% Chg 2001-2007
<b><i>Lewis County</i></b>			
Total Direct Travel Spending (x \$1 million)			
Visitor Spending at Destination	122.2	179.2	47%
Other Travel*	0.5	0.7	40%
Total Direct Spending	122.8	180.0	47%
Visitor Spending by Commodity Purchased (x \$1 million)			
Accommodations	15.4	21.3	38%
Food & Beverage Services	27.3	37.7	38%
Food Stores	9.4	12.1	29%
Ground Tran. & Motor Fuel	31.9	64.8	103%
Arts, Entertainment & Recreation	16.4	19.8	21%
Retail Sales	21.9	23.6	8%
Air Transportation (visitor only)	0.0	0.0	0%
Spending at Destination	122.2	179.2	47%
Tourism Employment (jobs)	2,200	2,010	-9%
<b><i>State of Washington</i></b>			
Total Direct Travel Spending (x \$1 million)			
Visitor Spending at Destination	8,981	12,869	43%
Other Travel*	1,499	1,943	30%
Total Direct Spending	10,480	14,812	41%
Visitor Spending by Commodity Purchased (x \$1 million)			
Accommodations	1,568	2,362	51%
Food & Beverage Services	2,167	3,069	42%
Food Stores	451	592	31%
Ground Tran. & Motor Fuel	1,592	2,999	88%
Arts, Entertainment & Recreation	1,178	1,455	24%
Retail Sales	1,440	1,615	12%
Air Transportation (visitor only)	586	776	32%
Spending at Destination	8,981	12,869	43%
Tourism Employment (jobs)	141,900	149,800	6%

\*Note: Other Travel includes resident air travel and travel agencies.

Source: Dean Runyan Associates.

Figure 28. U.S. Non-Farm Employment Trend & Projection (1980-2035)

	U. S. Employment (in millions)												Annual % Change		% of Total		
	1980	1985	1990	1995	2000	2005	2010	2015	2020	2025	2030	2035	1990-05	2005-35	1990	2005	2035
<b>Total Non-Farm Jobs</b>	90.53	97.51	109.49	117.31	131.79	133.69	135.62	146.5	153.33	159.9	166.49	173.54	1.3%	0.9%	100.0%	100.0%	100.0%
<b>Private Employment</b>	74.15	80.98	91.08	97.87	111	111.89	113.24	123.29	129.36	135.4	141.28	147.88	1.4%	0.9%	83.2%	83.7%	85.2%
<b>Manufacturing</b>	18.73	17.82	17.70	17.24	17.27	14.23	11.99	12.78	12.63	12.00	11.52	11.14	-1.4%	-0.8%	16.2%	10.6%	6.4%
<b>Durable Goods</b>	11.68	11.03	10.74	10.37	10.88	8.96	7.46	8.20	8.04	7.57	7.28	7.10	-1.2%	-0.8%	9.8%	6.7%	4.1%
Lumber	N/A	N/A	0.54	0.57	0.61	0.56	0.43	0.55	0.53	0.49	0.46	0.47	0.2%	-0.6%	0.5%	0.4%	0.3%
Primary Metals	N/A	N/A	0.69	0.64	0.62	0.47	0.37	0.38	0.37	0.37	0.33	0.29	-2.5%	-1.6%	0.6%	0.4%	0.2%
Fabricated Metals	N/A	N/A	1.61	1.62	1.75	1.52	1.29	1.47	1.50	1.45	1.39	1.30	-0.4%	-0.5%	1.5%	1.1%	0.7%
Machinery	N/A	N/A	1.41	1.44	1.46	1.17	1.05	1.20	1.18	1.11	1.05	1.00	-1.2%	-0.5%	1.3%	0.9%	0.6%
Electronics	N/A	N/A	1.90	1.69	1.82	1.32	1.15	1.01	0.94	0.90	0.94	1.01	-2.4%	-0.9%	1.7%	1.0%	0.6%
Transport. Equipment	N/A	N/A	2.13	1.98	2.06	1.77	1.39	1.61	1.47	1.24	1.11	1.10	-1.2%	-1.6%	1.9%	1.3%	0.6%
Oth. Durables	N/A	N/A	2.45	2.43	2.56	2.15	1.79	1.99	2.05	2.01	1.99	1.92	-0.9%	-0.4%	2.2%	1.6%	1.1%
<b>Non-Durables</b>	7.05	6.78	6.96	6.87	6.39	5.27	4.53	4.58	4.59	4.43	4.25	4.04	-1.8%	-0.9%	6.4%	3.9%	2.3%
Food Proc.	N/A	N/A	1.51	1.56	1.55	1.48	1.45	1.55	1.62	1.62	1.62	1.61	-0.1%	0.3%	1.4%	1.1%	0.9%
Paper	N/A	N/A	0.65	0.64	0.60	0.48	0.41	0.42	0.43	0.42	0.40	0.38	-2.0%	-0.8%	0.6%	0.4%	0.2%
Other Non-Dur.	N/A	N/A	4.80	4.67	4.23	3.31	2.67	2.61	2.55	2.39	2.22	2.05	-2.4%	-1.6%	4.4%	2.5%	1.2%
<b>Non-Manufacturing</b>	71.79	79.69	91.79	100.07	114.53	119.45	123.63	133.71	140.71	147.90	154.95	162.39	1.8%	1.0%	83.8%	89.3%	93.6%
<b>Natural Resources</b>	1.08	0.97	0.76	0.64	0.60	0.63	0.72	0.66	0.56	0.55	0.53	0.53	-1.2%	-0.6%	0.7%	0.5%	0.3%
<b>Construction</b>	4.45	4.79	5.27	5.28	6.79	7.33	6.52	7.61	8.11	8.74	9.57	10.47	2.2%	1.2%	4.8%	5.5%	6.0%
<b>Wholesale Trade</b>	4.56	4.91	5.27	5.43	5.93	5.76	6.35	6.98	7.66	7.67	7.87	7.69	0.6%	1.0%	4.8%	4.3%	4.4%
<b>Retail Trade</b>	10.24	11.73	13.18	13.90	15.28	15.28	15.40	15.59	15.38	15.38	15.32	15.44	1.0%	0.0%	12.0%	11.4%	8.9%
Auto parts	N/A	N/A	1.49	1.63	1.85	1.92	1.95	1.91	1.81	1.79	1.78	1.80	1.7%	-0.2%	1.4%	1.4%	1.0%
Food & Bev.	N/A	N/A	2.78	2.88	2.99	2.82	2.94	2.78	2.61	2.60	2.55	2.52	0.1%	-0.4%	2.5%	2.1%	1.5%
Other Retail	N/A	N/A	8.91	9.39	10.44	10.54	10.51	10.89	10.96	11.00	10.99	11.12	1.1%	0.2%	8.1%	7.9%	6.4%
<b>TWU</b>	3.61	3.73	4.22	4.51	5.01	4.92	4.95	5.76	6.38	6.88	7.19	7.23	1.0%	1.3%	3.9%	3.7%	4.2%
<b>Information</b>	2.36	2.44	2.69	2.84	3.63	3.06	2.78	2.96	3.15	3.44	3.80	4.32	0.9%	1.2%	2.5%	2.3%	2.5%
Printing	N/A	N/A	0.87	0.91	1.03	0.90	0.80	0.82	0.84	0.86	0.89	0.95	0.2%	0.2%	0.8%	0.7%	0.5%
Internet, etc.	N/A	N/A	1.82	1.93	2.59	2.16	1.98	2.14	2.32	2.58	2.91	3.37	1.1%	1.5%	1.7%	1.6%	1.9%
<b>Financial Activities</b>	5.02	5.81	6.61	6.83	7.69	8.15	8.24	8.57	8.42	8.44	8.44	8.61	1.4%	0.2%	6.0%	6.1%	5.0%
Finance & Ins.	N/A	N/A	4.98	5.07	5.68	6.02	6.11	6.33	6.22	6.21	6.22	6.39	1.3%	0.2%	4.5%	4.5%	3.7%
Real Estate	N/A	N/A	1.64	1.76	2.01	2.13	2.13	2.24	2.20	2.23	2.22	2.22	1.8%	0.1%	1.5%	1.6%	1.3%
<b>Professional Business</b>	N/A	N/A	10.85	12.85	16.67	16.94	17.73	21.96	25.16	28.42	32.30	36.37	3.0%	2.6%	9.9%	12.7%	21.0%
Pro., Sci., Tech.	N/A	N/A	4.54	5.08	6.70	7.02	7.88	8.98	10.20	12.29	14.79	17.96	2.9%	3.2%	4.1%	5.3%	10.3%
Mgmt. of Companies	N/A	N/A	1.67	1.69	1.80	1.76	1.80	1.72	1.60	1.53	1.45	1.39	0.4%	-0.8%	1.5%	1.3%	0.8%
Admin & Waste	N/A	N/A	4.64	6.08	8.17	8.16	8.05	11.26	13.36	14.60	16.06	17.02	3.8%	2.5%	4.2%	6.1%	9.8%
<b>Edu. &amp; Health</b>	7.07	8.66	10.98	13.29	15.11	17.37	19.90	21.61	22.87	23.64	24.09	24.81	3.1%	1.2%	10.0%	13.0%	14.3%
Education	N/A	N/A	1.69	2.01	2.39	2.83	3.24	3.06	3.01	3.05	3.06	3.09	3.5%	0.3%	1.5%	2.1%	1.8%
Health Care	N/A	N/A	9.30	11.28	12.72	14.54	16.66	18.55	19.86	20.60	21.03	21.73	3.0%	1.3%	8.5%	10.9%	12.5%
<b>Leisure &amp; Hospitality</b>	6.72	7.87	9.29	10.50	11.86	12.81	13.53	14.12	14.39	14.73	14.95	15.33	2.2%	0.6%	8.5%	9.6%	8.8%
Arts & Entertain.	N/A	N/A	1.13	1.46	1.79	1.89	1.97	1.95	2.09	2.29	2.42	2.54	3.5%	1.0%	1.0%	1.4%	1.5%
Accomm. & Food Ser.	N/A	N/A	8.15	9.04	10.07	10.92	11.56	12.17	12.30	12.44	12.53	12.79	2.0%	0.5%	7.4%	8.2%	7.4%
Other Services	2.75	3.37	4.26	4.57	5.17	5.39	5.72	5.31	5.34	5.52	5.69	5.93	1.6%	0.3%	3.9%	4.0%	3.4%
<b>Govt., Civilian, total</b>	16.38	16.53	18.41	19.43	20.79	21.81	22.38	23.21	23.97	24.50	25.20	25.66	1.1%	0.5%	16.8%	16.3%	14.8%

Source: Global Insight, 2008 QR US Long-Term Outlook, as compiled by Metro.

Figure 29. State of Washington Employment Trend & Forecast (to 2016)

Industry	Est. Emp. 2002	Est. Emp. 2006	Est. Emp. 2011	Est. Emp. 2016	Avg. Annual Growth Rate 2002-2006	Avg. Annual Growth Rate 2006-2011	Avg. Annual Growth Rate 2011-2016
<b>TOTAL NONFARM</b>	2,643,700	2,863,300	3,101,400	3,300,200	2.0%	1.6%	1.3%
Natural Resources & Mining	79,400	8,800	7,900	7,800	-42.3%	-2.1%	-0.3%
Construction	142,300	197,400	204,300	217,500	8.5%	0.7%	1.3%
Manufacturing	281,000	285,700	295,500	296,100	0.4%	0.7%	0.0%
Durable Goods	196,300	203,800	214,200	214,500	0.9%	1.0%	0.0%
Non Durable Goods	84,600	81,900	81,300	81,600	-0.8%	-0.1%	0.1%
Wholesale Trade	111,600	127,000	133,800	141,800	3.3%	1.0%	1.2%
Retail Trade	298,000	322,100	340,200	354,500	2.0%	1.1%	0.8%
Transportation, Warehousing & Utilities	82,700	94,000	100,400	106,000	3.3%	1.3%	1.1%
Information	92,700	98,500	111,400	125,300	1.5%	2.5%	2.4%
Financial Activities	141,700	156,800	165,500	172,100	2.6%	1.1%	0.8%
Professional & Business Services	280,000	330,600	388,800	431,600	4.2%	1.1%	3.0%
Education & Health Services	287,400	338,000	385,400	425,000	4.1%	2.7%	2.0%
Leisure & Hospitality	240,600	272,400	299,100	317,500	3.2%	1.9%	1.2%
Other Service	74,500	102,100	109,500	116,500	8.2%	1.4%	1.2%
Government	490,300	529,900	559,600	588,500	2.0%	1.1%	1.0%
Federal Government	69,200	69,300	68,500	68,000	0.0%	-0.2%	-0.1%
State & Local Government other	421,100	227,300	242,200	255,800	-14.3%	1.3%	1.1%

Source: State of Washington ESD, *Nonagricultural Wage and Salary Employment Projections*.

Figure 30. I-5 Corridor Employment Trend & Forecast (to 2016)

Industry	Est. Emp. 2002	Est. Emp. 2006	Est. Emp. 2011	Est. Emp. 2016	Avg. Annual Growth Rate 2002-2006	Avg. Annual Growth Rate 2006-2011	Avg. Annual Growth Rate 2011-2016
<b>TOTAL NONFARM</b>	1,921,740	2,113,490	2,299,000	2,450,840	2.4%	1.7%	1.3%
Natural Resources & Mining	19,370	5,310	4,950	4,950	-27.6%	-1.4%	0.0%
Construction	109,740	149,740	155,570	165,330	8.1%	0.8%	1.2%
Manufacturing	221,860	222,710	231,920	232,230	0.1%	0.8%	0.0%
Durable Goods	167,040	167,030	177,590	177,690	0.0%	1.2%	0.0%
Non Durable Goods	54,820	55,680	54,330	54,540	0.4%	-0.5%	0.1%
Wholesale Trade	86,260	95,870	101,080	107,000	2.7%	1.1%	1.1%
Retail Trade	212,790	228,230	241,960	251,540	1.8%	1.2%	0.8%
Transportation, Warehousing & Utilities	67,310	74,760	79,970	84,190	2.7%	1.4%	1.0%
Information	82,290	88,400	101,020	114,620	1.8%	2.7%	2.6%
Financial Activities	113,280	124,050	130,010	134,860	2.3%	0.9%	0.7%
Professional & Business Services	220,210	261,900	310,840	347,060	4.4%	3.5%	2.2%
Education & Health Services	200,840	237,970	271,030	298,840	4.3%	2.6%	2.0%
Leisure & Hospitality	177,420	199,080	219,050	233,360	2.9%	1.9%	1.3%
Other Service	85,030	76,630	82,240	87,870	-2.6%	1.4%	1.3%
Government	325,340	348,840	369,360	388,990	1.8%	1.1%	1.0%
Federal Government	39,520	39,830	39,430	39,030	0.2%	-0.2%	-0.2%
State & Local Government other	285,830	153,270	163,530	172,520	-14.4%	1.3%	1.1%

Source: State of Washington ESD, *Nonagricultural Wage and Salary Employment Projections*. Aggregated by E. D. Hovee & Company, LLC to cover the nine I-5 corridor counties in Washington State.

Figure 31. Less Urban County I-5 Employment Trend & Forecast (to 2016)\*

Industry	Est. Emp. 2002	Est. Emp. 2006	Est. Emp. 2011	Est. Emp. 2016	Avg. Annual Growth Rate 2002-2006	Avg. Annual Growth Rate 2006-2011	Avg. Annual Growth Rate 2011-2016
<b>TOTAL NONFARM</b>	260,990	290,390	312,900	334,140	2.7%	1.5%	1.3%
Natural Resources & Mining	11,770	3,410	2,950	2,950	-26.6%	-2.9%	0.0%
Construction	15,160	21,640	20,970	22,330	9.3%	-0.6%	1.3%
Manufacturing	26,760	28,210	28,620	28,930	1.3%	0.3%	0.2%
Durable Goods	15,260	15,630	16,490	16,690	0.6%	1.1%	0.2%
Non Durable Goods	11,500	12,580	12,130	12,240	2.3%	-0.7%	0.2%
Wholesale Trade	6,630	8,670	9,280	10,100	6.9%	1.4%	1.7%
Retail Trade	32,440	37,330	39,660	41,640	3.6%	1.2%	1.0%
Transportation, Warehousing & Utilities	7,050	8,560	9,370	9,990	5.0%	1.8%	1.3%
Information	3,940	4,000	4,420	4,720	0.4%	2.0%	1.3%
Financial Activities	9,370	11,550	12,310	12,760	5.4%	1.3%	0.7%
Professional & Business Services	15,560	19,900	24,140	27,360	6.3%	3.9%	2.5%
Education & Health Services	26,760	34,370	39,630	43,940	6.5%	2.9%	2.1%
Leisure & Hospitality	26,980	28,680	31,750	33,860	1.5%	2.1%	1.3%
Other Service	11,250	10,430	11,240	12,070	-1.9%	1.5%	1.4%
Government	67,320	73,640	78,560	83,490	2.3%	1.3%	1.2%
Federal Government	2,930	2,830	2,830	2,830	-0.9%	0.0%	0.0%
State & Local Government other	64,410	42,770	45,830	48,520	-9.7%	1.4%	1.1%

\* Note: For purposes of this analysis, the five *less urban* I-5 counties are defined as Whatcom, Skagit, Thurston, Lewis and Cowlitz.

Source: State of Washington ESD, *Nonagricultural Wage and Salary Employment Projections*. Aggregated by E. D. Hovee & Company, LLC to cover the five less urban I-5 corridor counties.

Figure 32. Lewis County Employment Trend & Forecast (to 2016)

Industry	Est. Emp. 2002	Est. Emp. 2006	Est. Emp. 2011	Est. Emp. 2016	Avg. Annual Growth Rate 2002-2006	Avg. Annual Growth Rate 2006-2011	Avg. Annual Growth Rate 2011-2016
<b>TOTAL NONFARM</b>	24,690	25,890	26,600	27,740	1.2%	0.5%	0.8%
Natural Resources & Mining	2,040	1,410	850	850	-8.8%	-9.6%	0.0%
Construction	920	1,440	1,270	1,330	11.9%	-2.5%	0.9%
Manufacturing	3,050	3,610	3,620	3,630	4.3%	0.1%	0.1%
Durable Goods	2,500	2,930	2,890	2,890	4.0%	-0.3%	0.0%
Non Durable Goods	550	680	730	740	5.4%	1.4%	0.3%
Wholesale Trade	630	570	580	600	-2.5%	0.3%	0.7%
Retail Trade	3,250	3,730	3,860	4,040	3.5%	0.7%	0.9%
Transportation, Warehousing & Utilities	1,550	1,460	1,670	1,790	-1.5%	2.7%	1.4%
Information	270	300	320	320	2.7%	1.3%	0.0%
Financial Activities	640	750	810	860	4.0%	1.6%	1.2%
Professional & Business Services	1,220	1,300	1,440	1,560	1.6%	2.1%	1.6%
Education & Health Services	2,740	3,070	3,330	3,540	2.9%	1.6%	1.2%
Leisure & Hospitality	2,330	2,480	2,750	2,860	1.6%	2.1%	0.8%
Other Service	1,180	730	740	770	-11.3%	0.3%	0.8%
Government	4,870	5,040	5,360	5,590	0.9%	1.2%	0.8%
Federal Government	280	230	230	230	-4.8%	0.0%	0.0%
State & Local Government other	4,590	2,270	2,430	2,520	-16.1%	1.4%	0.7%

Source: State of Washington ESD, *Nonagricultural Wage and Salary Employment Projections*.

**Figure 33. Lewis County Added Employment (2010-2030)**

Industry Sector	Base Case			Aggressive Scenario		
	2010-15	2015-30	2010-30	2010-15	2015-30	2010-30
<b>TOTAL NONFARM</b>	<b>1,140</b>	<b>3,800</b>	<b>4,940</b>	<b>3,810</b>	<b>13,690</b>	<b>17,500</b>
Natural Resources & Mining	-	-	-	-	-	-
Construction	60	200	260	310	1,130	1,440
Manufacturing	10	30	40	580	1,760	2,340
Durable Goods	-	-	-	460	1,380	1,840
Non Durable Goods	10	30	40	120	380	500
Wholesale Trade	20	60	80	140	490	630
Retail Trade	180	590	770	450	1,520	1,970
Transportation, Warehousing & Utilities	120	410	530	230	820	1,050
Information	-	-	-	60	250	310
Financial Activities	50	170	220	130	420	550
Professional & Business Services	120	420	540	310	1,280	1,590
Education & Health Services	210	710	920	680	2,720	3,400
Leisure & Hospitality	110	360	470	420	1,560	1,980
Other Service	30	100	130	100	370	470
Government	230	750	980	400	1,370	1,770

Source: Washington Employment Security Department and E. D. Hovee & Company, LLC.

**Figure 34. South Lewis County Added Employment (2010-2030)**

South Lewis County Added Employment (2010-2030)						
Industry Sector	Base Case			Aggressive Scenario		
	2010-15	2015-30	2010-30	2010-15	2015-30	2010-30
<b>TOTAL NONFARM</b>	<b>80</b>	<b>360</b>	<b>440</b>	<b>730</b>	<b>4,995</b>	<b>5,725</b>
Natural Resources & Mining	-	-	-	-	-	-
Construction	5	40	45	55	410	465
Manufacturing	-	10	10	230	1,395	1,625
Durable Goods	-	-	-	185	1,105	1,290
Non Durable Goods	-	10	10	45	290	335
Wholesale Trade	5	25	30	55	370	425
Retail Trade	15	50	65	50	295	345
Transportation, Warehousing & Utilities	5	25	30	50	355	405
Information	-	-	-	5	55	60
Financial Activities	5	15	20	15	70	85
Professional & Business Services	5	30	35	25	225	250
Education & Health Services	25	100	125	120	930	1,050
Leisure & Hospitality	10	35	45	105	755	860
Other Service	-	10	10	10	70	80
Government	5	20	25	10	65	75

Source: Washington Employment Security Department and E. D. Hovee & Company, LLC.

**Figure 35. South Lewis County Building Space Demand (Square Feet)**

Industry Sector	Space per Job (SF)	Jobs per Acre	Base Case Scenario			High Growth Scenario		
			2010-15	2015-30	2010-30	2010-15	2015-30	2010-30
<b>TOTAL NONFARM</b>			<b>60,300</b>	<b>290,200</b>	<b>350,500</b>	<b>713,600</b>	<b>4,796,500</b>	<b>5,510,100</b>
Natural Resources & Mining	-	-	-	-	-	-	-	-
Construction	1,250	5.2	6,300	50,000	56,300	68,800	512,500	581,300
Manufacturing	-	-	-	7,500	7,500	265,100	1,598,800	1,863,900
Durable Goods	1,250	5.2	-	-	-	231,300	1,381,300	1,612,600
Non Durable Goods	750	11.6	-	7,500	7,500	33,800	217,500	251,300
Wholesale Trade	1,850	3.5	9,300	46,300	55,600	101,800	684,500	786,300
Retail Trade	550	15.8	8,300	27,500	35,800	27,500	162,300	189,800
Transportation, Warehousing & Utilities	1,850	3.5	9,300	46,300	55,600	92,500	656,800	749,300
Information	500	21.8	-	-	-	2,500	27,500	30,000
Financial Activities	350	31.1	1,800	5,300	7,100	5,300	24,500	29,800
Professional & Business Services	350	31.1	1,800	10,500	12,300	8,800	78,800	87,600
Education & Health Services	600	18.2	15,000	60,000	75,000	72,000	558,000	630,000
Leisure & Hospitality	550	15.8	5,500	19,300	24,800	57,800	415,300	473,100
Other Services	550	19.8	-	5,500	5,500	5,500	38,500	44,000
Government	600	14.5	3,000	12,000	15,000	6,000	39,000	45,000

Source: Washington Employment Security Department and E. D. Hovee & Company, LLC.

**Figure 36. South Lewis County Net Land Demand (Acres)**

Industry Sector	Building % of Site (FAR)	Base Case Scenario			High Growth Scenario		
		2010-15	2015-30	2010-30	2010-15	2015-30	2010-30
<b>TOTAL ALL USES</b>	-	<b>7.4</b>	<b>36.9</b>	<b>44.3</b>	<b>142.0</b>	<b>657.6</b>	<b>799.7</b>
Natural Resources & Mining	10%	-	-	-	-	-	-
Construction	15%	1.0	7.7	8.6	10.5	78.4	89.0
Manufacturing	-	-	0.9	0.9	39.3	236.4	275.6
Durable Goods	15%	-	-	-	35.4	211.4	246.8
Non Durable Goods	20%	-	0.9	0.9	3.9	25.0	28.8
Wholesale Trade	15%	1.4	7.1	8.5	15.6	104.8	120.3
Retail Trade	20%	1.0	3.2	4.1	3.2	18.6	21.8
Transportation, Warehousing & Utilities	15%	1.4	7.1	8.5	14.2	100.5	114.7
Information	25%	-	-	-	0.2	2.5	2.8
Financial Activities	25%	0.2	0.5	0.7	0.5	2.2	2.7
Professional & Business Services	25%	0.2	1.0	1.1	0.8	7.2	8.0
Education & Health Services	25%	1.4	5.5	6.9	6.6	51.2	57.9
Leisure & Hospitality	20%	0.6	2.2	2.8	50.0	47.7	97.7
Other Services	25%	-	0.5	0.5	0.5	3.5	4.0
Government	20%	0.3	1.4	1.7	0.7	4.5	5.2

Note: Potential land demand is calculated for uses with added employment attributable to specific industrial, commercial or related building types. Acreage for uses requiring more land than is typical for a specific building type or where virtually all of the use consists of outdoor activity are not included with the net land calculations but are accounted for by gross-up factors to yielding gross acreage needs. Such uses could range from heavy equipment storage and auction facility to a major destination resort property requiring more acreage than for site improvements as might be the case with land for recreation, conservation, or other open space purposes.

Source: Washington Employment Security Department and E. D. Hovee & Company, LLC.

## APPENDIX C. I-5 CORRIDOR INTERCHANGES

As depicted by the table starting on the following page, 45 of the approximately 276 interchanges on I-5 are classified as Rural Interchanges and considered comparable to the interchanges in South Lewis County for analysis. This analysis of existing rural interchanges characterizes existing types of development and land use patterns.

***Rural Interchange Definition.*** For the purposes of this report, rural interchanges were defined as interchanges located outside of city limits:

- The land around the interchanges was divided into quadrants NW, SW, NE and SE within roughly a 1,000 foot radius.
- The quadrants were used to perform analysis of the character of the development around the interchange and its subsequent rating.
- For half interchanges, data was provided only for the relevant quadrants. Otherwise, N/A was used to signify quadrants that were not applicable to that exit number.
- The General Comments column was used to provide more information about rail and river proximity and to clarify and add context about the character of development listed in the quadrants for each interchange.

***Characteristics of Development.*** The rural interchanges were given rating designations based on the characteristics of development from 1-3. The ratings were determined for interchange quadrants as follows:

1. For quadrants that contained underdeveloped or vacant land.
2. Older properties that still hold marketable value.
3. New properties or highly developed properties with high marketability.

Figure 37. Washington's I-5 Corridor Rural Interchanges

Exit	Connection Summary	Nearest City/Town	NW Quadrant		NE Quadrant		SW Quadrant		SE Quadrant		Comments/Vicinity Development
			Development	Rating	Development	Rating	Development	Rating	Development	Rating	
9	SR 502 - 179th St	Battle Ground	Gas Station	2	Vacant	1	Industrial/Office	2	RV Sales	2	Industrial Development SE and SW of exit, Gas Station approx NW of exit
11	SR 502 - 219th St	Battle Ground	N/A	N/A	Vacant	1	N/A	N/A	Vacant	1	half interchange
14	SR 501 - Pioneer St	Ridgefield	Underdeveloped	1	Industrial	2	Gas Station/Retail	3	RV Sales	2	RV sales SE of exit, Large Industrial Sites SW of exit
16	La Center Rd	La Center	Commercial	1	Gas Station/Convenience Store	2	Vacant	1	Parking Lot	1	Underdeveloped with some commercial NE, SE and NW of exit
22	Dike Access Rd	Woodland	Vacant	1	Vacant	1	Vacant	1	Vacant	1	Mostly residential uses concentrated SW of exit
32	Kalama River Rd	Carrolls	Vacant	1	Vacant	1	Vacant	1	Vacant	1	Rail Access W of I-5, River W of I-5, Large Industrial compound W of exit
42	Sparks Dr	Lexington	Vacant	1	Vacant	1	Vacant	1	Vacant	1	Rail on both sides of I-5 River W of I-5, Minimal development off interchange, Provides connection to bridge
46	Headquarters Rd	Castle Rock	Vacant	1	Vacant	1	Vacant	1	Vacant	1	Rail W of I-5, River W of I-5, Residential and Light Industrial Uses near river
48	Huntington Ave	Castle Rock	Vacant	1	Vacant	1	Vacant	1	Vacant	1	Rail W of I-5, River W of I-5, Heavily wooded except on E Side
49	SR 504 - Mt St Helens Way	Castle Rock	Residential	2	Gas Station/Convenience Store/Industrial	2	Residential	2	Industrial	2	Rail W of I-5, River W of I-5, Residential Uses NW and SW of exit, Commercial/Retail/Industrial E of exit
52	Old Pacific Hwy - Barnes Dr	Castle Rock	Underdeveloped	1	Parking Lot	1	Underdeveloped	1	Parking Lot	1	Rail W of I-5, River W of I-5, Sparse Development, One Industrial Site SW of exit
57	Rogers Rd	Vader	Underdeveloped Industrial	2	Vacant	1	Underdeveloped Industrial	2	Vacant	1	Heavily wooded NW and SW of exit, Two Industrial Sites SW and NW of exit
59	SR 506 - Cowlitz Ridge Rd	Vader	Gas Station	1	Commercial	2	Restaurant/ Retail	1	Vacant	1	Restaurants, Retail and Gas Stations NW and SW of exit
60	SR 506 - Toledo Vader Rd	Toledo	Vacant	1	Vacant	1	Vacant	1	Vacant	1	Heavily wooded outside of approx 1,000' radius of exit

Exit	Connection Summary	Nearest City/Town	NW Quadrant		NE Quadrant		SW Quadrant		SE Quadrant		Comments/Vicinity Development
			Development	Rating	Development	Rating	Development	Rating	Development	Rating	
63	SR 505	Winlock	Vacant	1	Vacant	1	Gas Station/ Convenience Store	1	Vacant	1	
68	US 12 - Avery Rd	Napavine/Evaline	Commercial	1	Vacant	1	Vacant	1	Gas Station/ Retail	2	Commercial Development NW and SE of exit
71	SR 508 - Forest Napavine Rd	Napavine	Vacant	1	Metal Mill/ Industrial	2	Vacant	1	Gas Station/ Warehouse	2	Several Industrial Sites approx 500' NE and SE of exit
72	Rush Rd	Napavine	Gas Station	2	Commercial	2	Fast Food	1	Gas Station	2	Gas Stations and Underdeveloped Commercial W and E of exit
	LaBree Road (under construction)	Chehalis									
76	Rice Rd	Chehalis	Vacant	1	Vacant	1	Vacant	1	Vacant	1	Large Development NE of exit, Large Park NW of exit
88A	US 12 - Old Hwy 99	Bucoda/Rochester	N/A	N/A	N/A	N/A	N/A	N/A	Parking Lot	1	Half interchange, Rail access W of I-5, Parking Lot SE of exit
88B	US 12 - Old Hwy 99	Bucoda/Rochester	N/A	N/A	Vacant	1	N/A	N/A	N/A	N/A	Half interchange, Rail access W of I-5, Mostly Vacant in proximity to Interchange, some Industrial approx SE of exit
88	US 12 - Old Hwy 99	Bucoda/Rochester	Commercial/ Mostly Vacant	1	N/A	N/A	Gas Station	1	N/A	N/A	Half interchange, Rail access W of I-5, Mixed Uses (Com, Ind and Res) W of exit
95	SR 121 - Maytown Rd	Maytown/Littlerock	Underdeveloped Industrial	1	Vacant	1	Vacant	1	Vacant	1	Single Industrial Site SW of exit, Industrial Sites NW and SW of exit
99	SR 121 - 93Rd Ave	Tumwater	Vacant	1	Vacant	1	Vacant	1	Vacant	1	Industrial Site SE and SW of exit
202	116th St	Kruse	Vacant	1	Residential/ Underdeveloped	1	Residential	2	Industrial	2	Seattle Premium Outlets SW of exit
208	SR 530	Arlington	Gas Station	2	Gas Station/ Retail/Hotel	2	Vacant	1	Gas Station/ Retail/Hotel	2	Mixed Com/Ind Sites NE,SE and NW
210	236th St	Stanwood	Vacant	1	Vacant	1	Vacant	1	Vacant	1	River SW of exit, Small, Industrial Site NW of exit, Largely underdeveloped with lots of wooded area
212	SR 532	Stanwood	Gas Station	2	Vacant	1	Parking Lot	1	Vacant	1	Rural Residential character SE and NE of exit, Largely undeveloped
215	300th St	Stanwood/Milltown	Underdeveloped	1	Underdeveloped	1	Underdeveloped	1	Underdeveloped	1	Largely underdeveloped, farmland and cemetery E of exit
218	Starbird Rd - Milltown Rd	Milltown	Underdeveloped	1	Underdeveloped	1	Underdeveloped	1	Underdeveloped	1	Largely underdeveloped, farmland E, Heavily wooded area W

Exit	Connection Summary	Nearest City/Town	NW Quadrant		NE Quadrant		SW Quadrant		SE Quadrant		Comments/Vicinity Development
			Development	Rating	Development	Rating	Development	Rating	Development	Rating	
221	SR 534	Conway	Gas Station	2	Underdeveloped	1	Underdeveloped	1	Underdeveloped	1	River W of exit, Largely underdeveloped on E side , W side some small stores/gas stations and rural residential
224	Mt Vernon Rd - Hickox Rd	Skagit City	Industrial	2	Vacant	1	Underdeveloped	1	Vacant	1	Rail W of I-5, Largely underdeveloped/farmland on E side of I-5, W side underdeveloped industrial
225	Anderson Rd	Skagit City/Mount Vernon	Industrial	2	Industrial	2	Industrial/Large Greenhouses	2	Industrial	2	Rail W of I-5, Industrial in close proximity in all quadrants
231	SR 11 - Josh Wilson Rd	Burlington	Government building	2	RV Sales/Some Industrial	2	Vacant	1	RV Sales	2	Rail E of I-5, Development clustered near exit RV Sales and Industrial E of exit, Govt. Building W of exit
232	Cook Rd	Sedro-Woolley	Vacant	1	Gas Station/ Underdeveloped Industrial	2	Vacant	1	Gas Station/ Mixed Use (Res/Com)	2	Rail E of I-5, Overall farm/rural character, heavily wooded,some industrial and gas stations E of exit
236	Bow Hill Rd	Bow	Vacant	1	Skagit Valley Resort and Casino	3	Vacant	1	Gas Station/ Convenience Store	2	Skagit Valley Casino NE of exit
240	Lake Samish Rd	Alger	Vacant	1	Vacant	1	Vacant	1	Gas Station	2	One Industrial Site SE of exit
242	Nulle Rd	Samish Lake	Vacant	1	Vacant	1	Vacant	1	Vacant	1	Some Residential W from exit
246	Samish Way - Lake Samish Dr	Samish Lake	Vacant	1	Vacant	1	Vacant	1	Vacant		Heavily wooded
260	Slater Rd	Brennan	Vacant	1	Underdeveloped	1	Vacant	1	Underdeveloped	1	Sparse Development, One Industrial Site E of exit
262	Main St	Ferndale	Industrial	2	Industrial	2	Industrial	2	Gas Station/ Underdeveloped Industrial	2	Several Industrial Sites NE, SE, SW of exit, Single Industrial Site NW of exit
266	SR 548 - Grandview Rd	Ferndale/Custer	Vacant	1	Vacant	1	Vacant	1	Vacant	1	
270	Birch Bay Lynden Rd	Custer/Blaine	Peach Arch Factory Outlets	3	Vacant	1	Vacant	1	Vacant	1	Rail W of I-5, Heavily wooded except near outlet

Source: E. D. Hovee & Company, LLC.

# APPENDIX D. SOUTH COUNTY LAND USE OPTIONS

On the following three pages are provided three alternative land use/development concepts, prepared by BHC Consultants LLC as part of the South Lewis County subarea land use planning process:

- Conservative Development
- Moderate Development
- Aggressive Development

Acreage allocations associated with each of these land use options are summarized by the following chart.

	South Lewis County Employment Land Area (in acres)			
Concept	Industrial	Retail	Tourism	Total
Conservative	525-625	200-300	375-475	1,100-1,400
Moderate	1,000-1,100	500-600	975-1,075	2,475-2,775
Aggressive	1,700-1,800	1,600-1,700	950-1,000	4,250-4,500

Source: BHC Consultants LLC, based on map date of April 2009.

Figure 38. Conservative Development

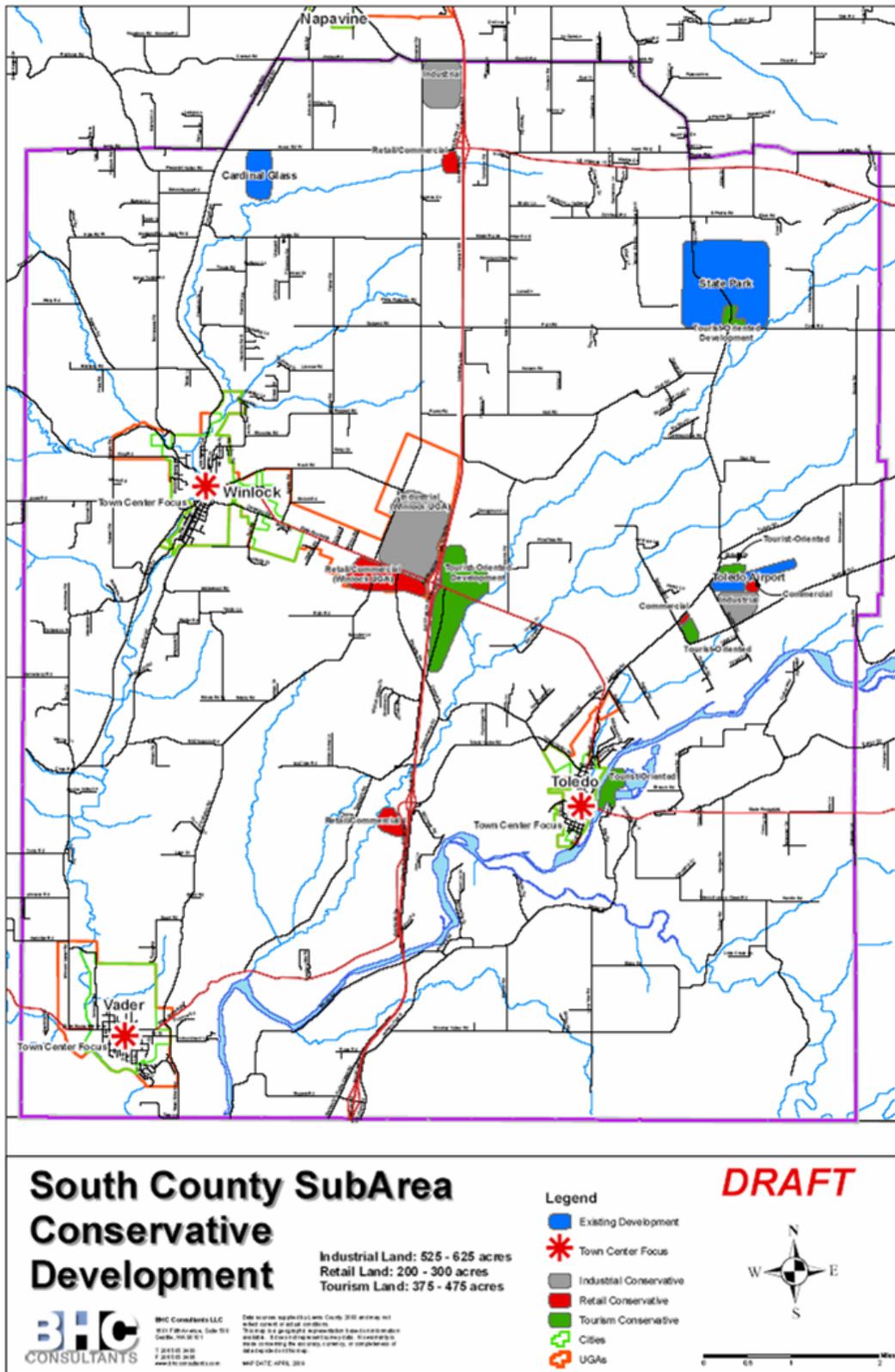


Figure 39. Moderate Development

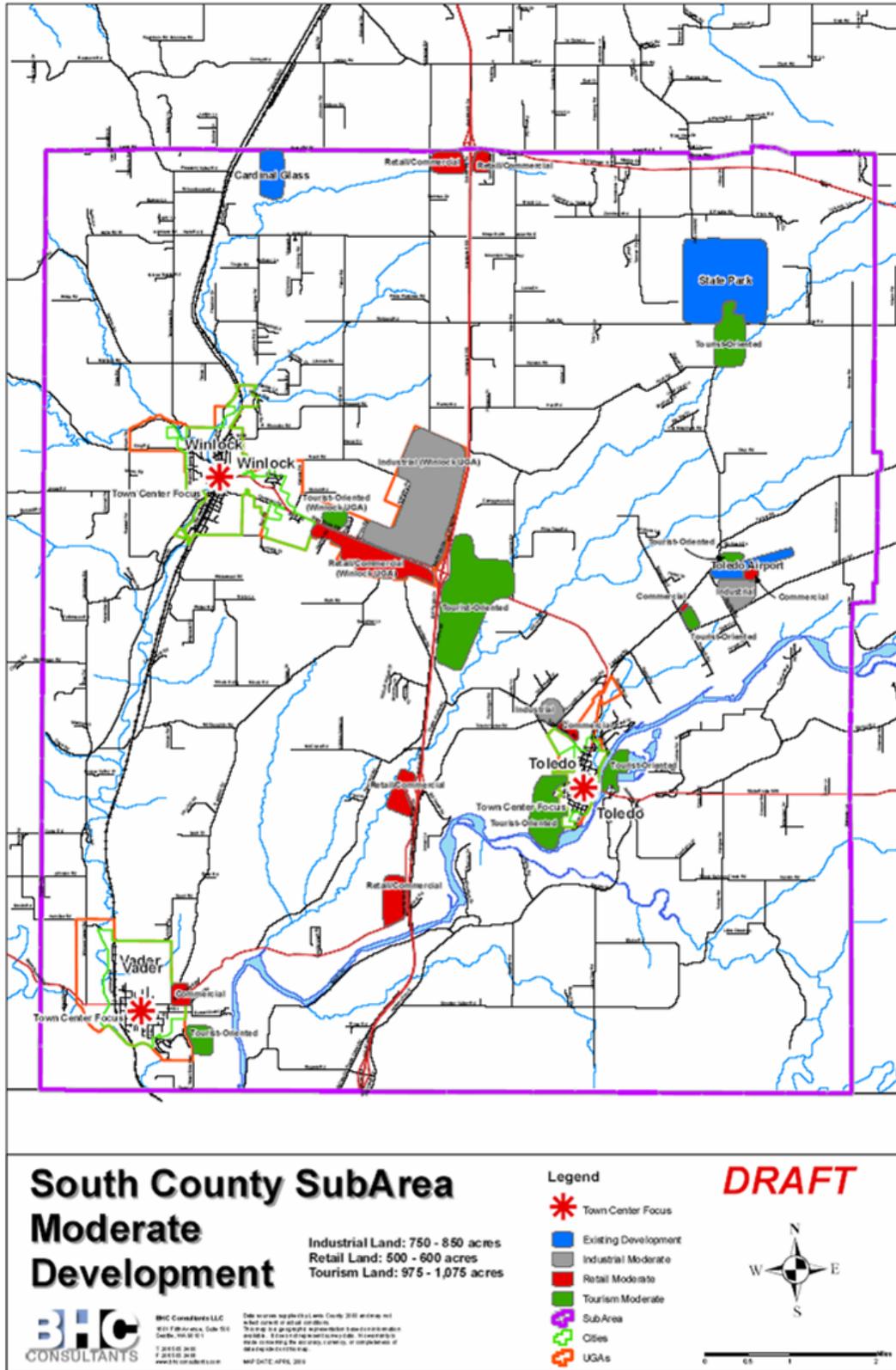
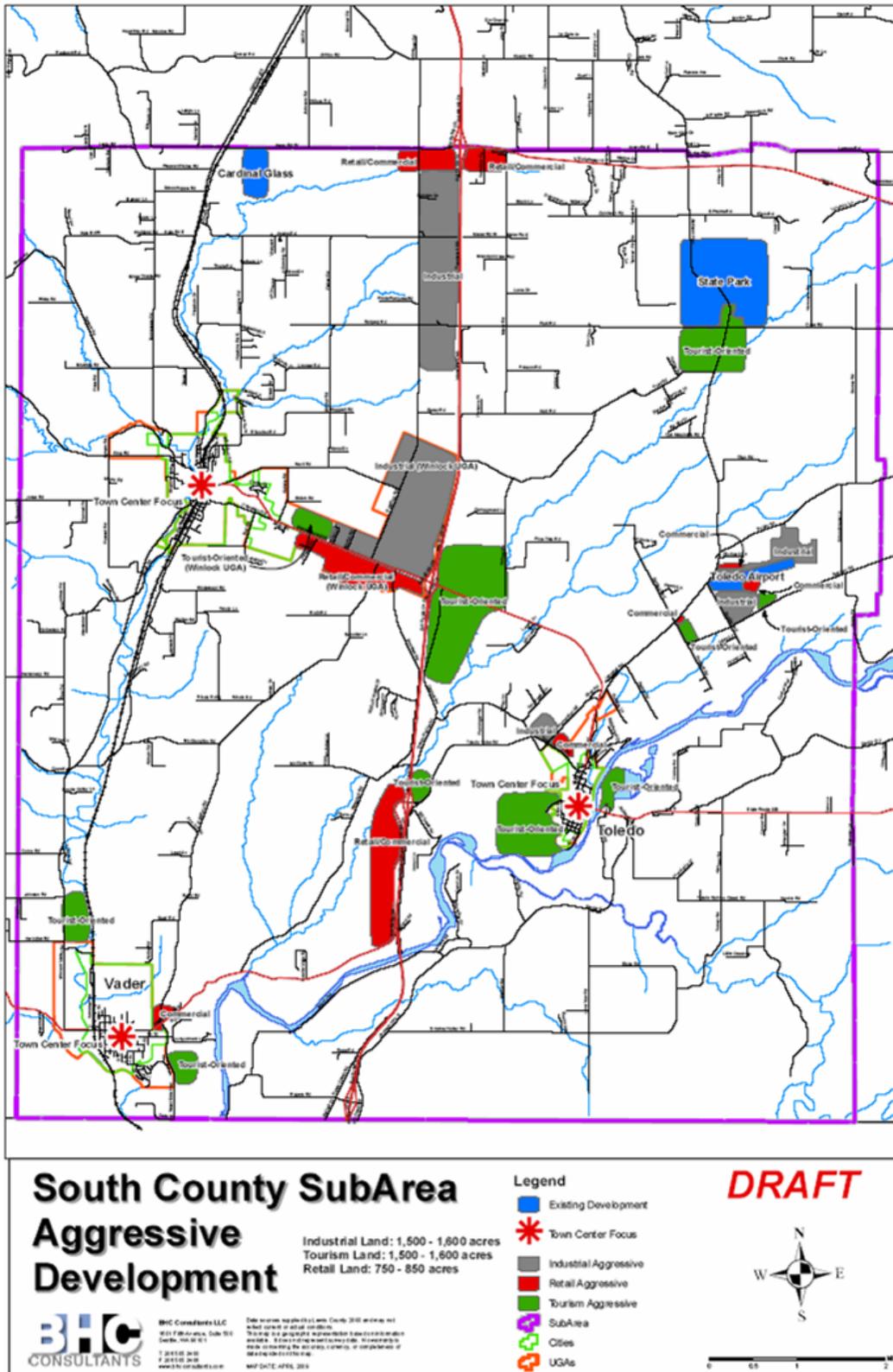


Figure 40. Aggressive Development



# ENDNOTES

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- <sup>1</sup> Information for this economic profile has been compiled from sources generally deemed to be reliable. However, E. D. Hovee & Company, LLC does not guarantee the accuracy of data from third party sources. Information can be subject to change without notice. Portions of this document include intellectual property of Environmental Systems Research Institute, Inc. (ESRI) and its licensors and are used herein under license. Copyright © 2008 from ESRI and its licensors. All rights reserved.

Findings and conclusions are those of the authors. They should not be construed as representing the opinion of any other party prior to their express approval, whether in whole or part.
- <sup>2</sup> A more detailed evaluation of employment by business and industry sector is possible over the 2002-2007 time period for Lewis County and Washington State. Employment is categorized by the North American Industry Classification System (NAICS). Information is for jobs covered by unemployment insurance and therefore excludes some sole proprietors including farm operators. Comparable historical data for the South County Subarea is not as readily available.
- <sup>3</sup> Base year for the CEDS forecast is 2008. The CEDS jobs forecast is based on applying a population to employment ratio to a projected population forecast, while the E. D. Hovee projections (in this report) reflect a market based approach predicated on anticipated I-5 corridor job capture potential. As documented by memorandum from Mark R. Cook to Lewis County Public Works, May 26, 2009.
- <sup>4</sup> Port of Seattle data indicates a 12.5% decrease in 20-foot shipping containers (through November 2008). Port of Tacoma volume is also down for the year but by a lesser amount of 2.4%. As reported by CBRE Richard Ellis, *MarketView: Puget Sound Industrial*, 4<sup>th</sup> Quarter 2008.
- <sup>5</sup> John Gillie, “Port of Tacoma’s Maytown site full of maybes,” *Tacoma News Tribune*, December 21, 2008.
- <sup>6</sup> Information regarding the Maytown site disposition process is from the Port of Tacoma web site [www.portoftacoma.com](http://www.portoftacoma.com), as of May 16, 2009.
- <sup>7</sup> Continuing rail interest in a rail logistics center is indicated by the Union Pacific Railroad which has expressed interest for 65 acres of the Maytown property, as noted by the December 2008 *Tacoma News Tribune* article, cited above.
- <sup>8</sup> Information provided with this market study is from the *Washington Aviation System Plan: Summary Report*, Draft dated March 3, 2009. The system plan was authorized by the Washington State Legislature via passage of ESSB 5121 in 2005.
- <sup>9</sup> In addition, Lewis County has two local service airfields at Packwood and Strom Field.
- <sup>10</sup> The draft WSDOT Washington Aviation System Plan indicates that projections for Sea-Tac to reach 100% of operating capacity by 2030 may be delayed by “upgauging” of aircraft size which could expand the effective capacity of airport operations.
- <sup>11</sup> Puget Sound Regional Council, *PSRC Regional Air Cargo Strategy*, Final Report, October 2006.
- <sup>12</sup> Perhaps the best example of a regional full service transportation/logistics facility in the U.S. is provided by the Ross Perot initiated Alliance Texas – a 17,000-acre master planned, mixed-use community located north of Fort Worth. Anchored by the Alliance Global Logistics Hub and the City-owned but privately operated Fort Worth Alliance Airport (AFW), Alliance Texas is cited as home to more than 200 companies with over 28,000 employees and 7,100+ single-family homes. Further information can be found at [www.alliancetexas.com](http://www.alliancetexas.com).
- <sup>13</sup> Five major I-5 corridor shopping malls are owned by General Growth Management between Seattle and Portland – including two flagship downtown specialty centers. These are the Alderwood and Westlake Center Malls in Seattle, Three Rivers Mall in Kelso, and Clackamas Town Center and Pioneer Place in Portland.
- <sup>14</sup> Another option would be to attract a national large format retailer that builds only a handful of stores in each major region of the U.S. An example of this type of retailer is the recreation outfitter Cabella’s, with a 185,000

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square foot, \$40 million investment adjacent to I-5 at Hawks Prairie in Lacey. Cabella's often locates in proximity to the entertainment and lodging venues of Great Wolf Lodge, which in this case is located south of Olympia in Grand Mound.

- <sup>15</sup> This projection of added retail spending assumes continuation of an average household size of 2.59 residents per South County households and that about 2/3 of persons working in South County eventually decide to reside in the South County area.
- <sup>16</sup> Information for the REQ Center is drawn from the project web site [www.thereq.com](http://www.thereq.com), as of April 21, 2009.
- <sup>17</sup> At the time that Lewis County approved a Public Facilities District for the REQ Center in 2007, cost of the development was estimated to be \$44-\$80 million on an approximately 50-acre site. As cited by the *Business Examiner*, "Lewis County officials approve REQ Center funding district," September 17, 2007.
- <sup>18</sup> Similar bi-state demographics were important to Great Wolf Lodge, a 442,000 square foot, \$100 million aquatics center with nearly 400 hotel rooms on-site. The lodge is located adjacent to I-5 in Grand Mound with utilities in this unincorporated community provided by Thurston County.
- <sup>19</sup> Via its web site, the REQ Center has indicated plans to promote the facility by signing a minimum of 6-10 anchor tenants, such as PCRA1 sanctioned rodeo, PBR2 sanctioned bull riding, a major riding association, and a country concert series.
- <sup>20</sup> The Coldwater Ridge Visitor Center, previously operated as part of the National Monument, has been closed since November 5, 2007.
- <sup>21</sup> The Winlock Waters subdivision was approved in 2000 with 30 lots.
- <sup>22</sup> These attractions are listed by Washington State Tourism with the web site [www.experiencewa.com](http://www.experiencewa.com), with supplemental information based on Subarea Plan Advisory Committee Review.
- <sup>23</sup> Much of this analysis is adapted and updated from industrial inventory work conducted by E. D. Hovee & Company, notably the *Yelm Industrial Area Market & Development Assessment*, July 2001. An initial analysis was prepared for the Yelm Area Chamber of Commerce, City of Yelm, Thurston County Economic Development Council, and Port of Olympia.
- <sup>24</sup> Web sites used to gather data on industrial sites are: [www.washingtonprospector.com](http://www.washingtonprospector.com); [www.pcedc.com](http://www.pcedc.com); [www.lewisedc.com](http://www.lewisedc.com); [www.thurstonedc.com](http://www.thurstonedc.com); [www.portofwoodland.com](http://www.portofwoodland.com); [www.piercecountywa.org](http://www.piercecountywa.org); [www.portoftacoma.com](http://www.portoftacoma.com); and [www.opuscentralialogisticscenter.com](http://www.opuscentralialogisticscenter.com).
- <sup>25</sup> Statewide job growth rates associated with the ESD long-term projection are extrapolated to the full 20-year time frame of this 2030 projection period for South Lewis County.
- <sup>26</sup> The *high growth scenario* is predicated on what is known as a *shift-share* analysis through which the observed 2002-06 changes in: a) less urban counties' share of I-5 corridor job growth (apportioned to Lewis County); and b) Lewis County's share of the less urban counties development are applied to future expectations of Lewis County job potentials. In effect, the greater of options a) or b) are applied as a basis to project future Lewis County employment shares. Exceptions are noted with natural resources and mining (for which no change in competitive share is noted) and tourism (for which an otherwise declining share is changed to modest increase predicated on development of at least one major destination facility).
- <sup>27</sup> Non-industrial capture rates with the high growth scenario for South County are increased by 50% above historic levels over the 5-year forecast period, then doubled again in the out-years from 2015-2030. Tourism capture is increased more dramatically in the first five years reflecting potential development of a major destination facility such as the proposed REQ Center.
- <sup>28</sup> As noted in the draft South Lewis County Subarea Plan, any urban development needs to occur in a UGA, with options for municipal UGAs associated with cities and county UGAs that are free-standing. Freestanding UGAs include master planned resorts and major industrial development (as industrial land banks). The I-5/Highway 12 rail corridor and Trans-Alta Steam Plant area are currently identified as potential industrial land banks. To date, Cardinal Glass is the only approved major industrial development in Lewis County.