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## Technical Memorandum

**To:** Erika Conkling, Senior Planner, City of Renton

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**Subject:** City of Renton, Shoreline Management Program Update:  
**Economic Market for Shorelines Uses – Water Dependent Uses**

### INTRODUCTION AND SUMMARY

Parametrix, Inc (PMX) and Economic Consulting Services (ECS) are providing assistance to the City of Renton on the Update of the Shoreline Master Program. The objective of this Technical Memorandum is to provide a brief overview of the current and expected market conditions for water -dependent and water-related land uses in the city. This analysis by Economist Ben Frerichs responds to specific guidance in the Shoreline Management Act and Shoreline Guidelines that provide a preference for “water-dependent” uses.

The findings of this analysis are:

- The Lake Washington Shoreline in Renton has a number of site and infrastructure limitations that make it unlikely that it would compete successfully for water dependent industrial uses such as cargo ports, shipbuilding or similar uses. The same conditions also put it at a disadvantage for water-related uses such as processing water related products.
- Moorage, however, is a water-dependent use for which there is likely to be a strong demand, oriented to recreational users of Lake Washington.
- There is likely to be significant market demand for mixed use development on Renton’s Lake Washington shoreline, and to some extent on portions o the Cedar River. These uses can incorporate water-related uses and public access as an element and can experience some synergism through use of facilities such as parking when demands for uses such as office is less during evening hours and on weekends.

### ISSUES AND METHODOLOGY

Washington’s Shoreline Management Act was passed by the State Legislature in 1971 and adopted by the public in a referendum. The SMA was created in response to growing concerns about the effects of unplanned and unregulated development on the state’s shoreline resources. state’s shorelines.”

The goals of the act include (RCW 90.58.020 and WAC 173-26-176(3)):

- (a) The utilization of shorelines for economically productive uses that are particularly dependent on shoreline location or use.
- (b) The utilization of shorelines and the waters they encompass for public access and recreation.
- (c) Protection and restoration of the ecological functions of shoreline natural resources.

The following uses are defined by WAC 173-26-020 and .202(2)(d) in relation to the preference for uses that are particularly dependent on shoreline location or use:

- A water dependent uses is a use that “cannot exist in any other location and are dependent on the water by intrinsic nature of its operation”. Examples of water-dependent uses include shipyards and dry docks, ferry terminals, waterborne cargo terminals, marinas, log booming, and aquaculture.
- Water-related uses are those not intrinsically dependent on a waterfront location but whose operation cannot occur economically without a shoreline location. Examples include vessel parts and equipment manufacture, container shipping yards, seafood processing plants, marine salvage yards and similar uses.
- Water enjoyment uses provide the opportunity for a significant number of people to enjoy the shoreline. They must be located, designed and operated to assure the public’s ability to enjoy the physical and aesthetic qualities of the shoreline and they must be open to the public with shoreline space devoted to public shoreline enjoyment. Examples include parks, fishing piers, museums, restaurants (depending on design) interpretive centers and resorts (depending upon design)
- Non-water-oriented uses have no functional relationship to the shoreline and are not designed to enhance the public’s enjoyment of the shoreline.

## **Methodology**

The assessment of the relative strength and prospect for waterfront uses in Renton is based on a survey by Economic Consulting Services of existing and readily available studies, reports, and public documents. Limited interviews with jurisdictions and/or agencies that contain such and similar lands in the Puget Sound and Lake Washington market areas were conducted. Marine industry associations and information resources were also contacted. In addition, we have relied on information and past reports in our firm’s files. ECS also relied on many years of experience providing market analyses of industrial, commercial, and mixed-use real estate in more than two-dozen communities with non-residential waterfront areas and ten port districts in Washington State. Ben Frerichs was responsible for waterfront redevelopment while serving as Economic Development Manager for the City of Tacoma, including early stage planning and implementation of redevelopment of the Foss Waterway and Ruston Way.

The survey of Internet databases and academic literature searches plus limited interviews did not uncover a recent and/or comprehensive market analysis for waterfront development of commercial or industrial land uses in the Lake Washington or Puget Sound market areas. There was specific information on market trends in moorage space in Puget Sound. Recent projections for waterfront land uses does not appear to be available.

The following is a synthesis of the findings, research and analysis that forms the background for an assessment of the market location and prospect for shoreline areas in Renton.

## **MARKET ECONOMICS FOR SHORELINE LAND USE/REAL ESTATE**

## **Supply of shoreline land**

Both for the City of Renton and most areas within urban areas of the Pacific Northwest, waterfront/shorelines areas tend to provide a complex environment for development. In addition to their inherent relative scarcity, there are few shoreline areas that have not already experienced development. Current development opportunities therefore are most often redevelopment from previous viable uses.

Moreover these waterfront non-residential areas often have been the subject of past commercial or industrial development that make them ‘brownfields’ areas. “Brownfields” typically contain some level of environmental pollution in the soils or waters at or adjacent to the site. These problems are due to the previous development in industrial use when the regulations and community concern for environment quality did not exist as it does now. The cost of redevelopment, including assembly, demolition and remediation, as well as additional layers of local, state and federal regulation, make redevelopment an expensive and risky challenge. An example of a “brownfields” site in Renton is the Quendall Terminals site which is contaminated because of its previous use for creosote treatment of wood products.

Waterfront properties have inherent attributes which influence opportunities and constraints for development or redevelopment. Location on the water edge assures that such properties are in relative short supply. The conditions of the water areas influence potential for shore-side development. Water depth, wave, or tidal patterns, marine animal migration habits, wind & weather exposure contribute to potential redevelopment costs or complexities; as does the shore-side topography, transportation networks and the existing surrounding complementary, supplementary and/or conflicting development. Jurisdictional location, local policies and state/federal regulations typically add another dimension of development issues, as do public ownership policies and regulation, both for the water and shoreline areas. For example, ownership and/or leasing rights of water areas influence how uplands and shorelines may be developed.

The water depth of adjacent waterfront areas on Lake Washington in Renton is typically not deep enough to be able to attract many heavy industry water-dependent uses such as shipyards, dry docks, and waterborne cargo terminals. Renton shorelines have has some issues related to wind-exposure attributes, as well as marine animal migration patterns.

Ownership of the land on the Renton waterfront on Lake Washington not in single-family residential uses primarily resides in several large parcels in only a few ownerships: Boeing, the municipal airport, the partially redeveloped Southport site, Gene Coulon Park; the Barbee Mill sawmill site (subject of a recent residential re-development), the adjacent vacant Quendall Terminals site (currently the subject of a US Environmental Protection Agency Superfund cleanup) and the Seahawks training site are the major sites and ownerships on the shoreline. These are currently viable uses of long duration.

Each parcel of land has a complex package of attributes; location adjacent to water adds to the complexity. Then in addition, each parcel’s location within its appropriate market area also influences market development potential.

## **Location and infrastructure**

By their nature waterfront areas are usually ‘edges’ with respect to their location in market areas. Many non-residential uses tend to gravitate to centers of market areas not edges. Depending on the specific use, location at the edge of a market area may be a positive or negative attribute. For example, most retail development has a preference for being at or near the center of market areas. Conversely up-scale ‘occasion-oriented’ restaurants tend to benefit from waterfront view

locations whereas high-volume fast foods do not, unless it is a tourist-intense area. Industrial and commercial (non-retail) uses tend to be either land-price sensitive or sensitive to location, including waterfront. Recent trends in non-residential real estate, especially office developments tend to value and be attracted by location with amenities, including waterfront locations and views.

Recreational and residential uses value waterfront views and access. In addition there tend to be more attempts by communities to preserve waterfront for public access related uses. In communities around the nation with histories of waterfront development, there are movements to preserve waterfront for historic industrial and water-dependent uses, even when the future prospects for these uses may not continue historic patterns. Overall industrial waterfront preservation has tended to have less actual priority than non-water dependent uses, even in the face of statewide emphasis on protecting waterfront. Conversions to residential, mixed-use and commercial uses have tended to predominate in re-development of industrial waterfronts. More people appreciate and desire access to those waterfronts than those who favor traditional industrial waterfront

There are historic reasons why the municipal airport and the Boeing complex are in their locations on the Renton waterfront. Today these would not be typical locations for those uses. The City of Renton's Gene Coulon Park is an edge-attracted use; or to say that in the obverse, public waterfront areas tend to attract parks so that the general public as well as water-sports enthusiasts can have easy access to the water. The residential complex adjacent to Boeing benefits from waterfront location and was located there after the previous industrial use vacated the site.

From a sub-regional location perspective, the Renton waterfront locations are not a central location, but the fact that there are large parcels already assembled there is attractive to many types of modern land uses, witness the Frye Electronics large format retail development. From a regional perspective the Renton sites on the waterfront are close to one of the strongest commercial and residential location in the Puget Sound regions, the Eastside market area.

For many truly water-dependent uses, the Renton waterfront is at some actual and practical distance to the main Pacific Northwest water transportation system, which connects Puget Sound to the Pacific Ocean. Renton is separated by a system of locks, narrow cuts and drawbridges from the main body of industrial water transportation, Puget Sound. In addition to the physical 'hurdles' for the industrial water transposition is a chemical one, the salt water versus fresh water difference between lake Washington locations and those of Puget Sound.

There are few non-residential, non-recreational waterfront areas that front on Lake Washington. With the exception of the Kenmore area of the north shore of the lake and the commercial area of the Kirkland its downtown business district and the Carillon Point area; non-residential uses on the lake tend to be isolated. There are also few marinas or moorage areas on Lake Washington. The reverse is true for Lake Union the other large non-saltwater body that is located within Seattle and much closer to the Puget Sound. Residential and public recreation uses are less prevalent around Lake Union. Recent developments on the Lake Union and Ship Channel shorelines areas reflect a trend to non-water-dependent uses. Major new developments around South Lake Union, Fremont, the University of Washington's campus, and scattered in Ballard are non-water-dependent and not traditional waterfront industrial uses.

### **Market Demand for Waterfront Areas**

The historic need for industrial uses to have water access for ease and cost of transporting cargo and raw materials has declined. In the past, central business districts and industrial areas in the

Pacific Northwest tended to be collocated where rail and water transportation system linked. A number of trends have weakened the link between industrial centers and waterfronts, including globalization of manufacturing, off-shoring, containerization, telecommunications, the interstate highway system, and general improvements in the technology of transportation. At the same time the attraction of waterfronts for access and location of non-industrial uses including residential, tourism and recreation, as well as just being able to view water, of any kind, has grown. Market demand for any real estate is a complex set of factors generally influenced by demographic, economic and cultural preferences. An important dynamic of real estate markets is that once demand factors produce specific real estate development, it does not change much for some time unless there are very strong market pressures that can overwhelm the costs and risks for redevelopment. Much of the current uses on the Renton waterfront has been there for a while and is anticipated to continue there for some time.

### **Industrial-Commercial Waterfront Uses**

Industrial-commercial and other non-residential real estate or land uses tend primarily to be either location or price sensitive. Occasionally other non-economic factors influence the demand for industrial-commercial real estate. For instance, a business owner wanting to locate their firm close to their residence, their yacht or with views can overcome or influence the trade-offs between location and price sensitivity. Demand for these non-residential land uses is considered to be derived demand. Industrial-commercial land derives its value from how and what the land can be used for to generate income for businesses. The use of land to build shelter for households or facilities for recreation directly satisfies consumer demand. Private for-profit recreation businesses, including marinas are also the result of derived demand.

As a practical matter, the primary industrial-commercial land uses that are now water-dependent or water-related are those that still require transportation by ship, ship containers, barges, large outdoor facilities for processing, storing, lay-down assembling/manufacturing space and typically need easy and ready access to rail facilities for over land shipment of same and containers. Even uses long associated with waterfronts, such as fish-processing and small boat manufacture and repair can and do locate where land and buildings are cheaper, not necessarily on waterfront parcels. Water and waterfront areas for vessel moorage, haul-out, dry storage are among those that remain water-dependent uses.

Renton has potentially large parcels that are (re) developable, but are currently occupied with long-term viable uses. Should one or other of those users decide to leave, the assembled large parcels could theoretically attract industrial uses. Whether these would necessarily be industrial or commercial water-dependent uses would depend on the water depth, potential impacts on marine resource habitat, and proximity to supplementary and complementary businesses and facilities near and available in Renton. One important aspect is proximity to and availability of rail service. There are many competitive locations for waterfront dependent operations that have components lacking in Renton. There are now several viable and competitive locations for waterfront dependent uses in Puget Sound including Seattle's Harbor Island, the Duwamish Industrial Area, the Ship Canal, the Port of Tacoma and other facilities on Commencement Bay as well as in Olympia, Anacortes and Bellingham. Other opportunities are available elsewhere on the west coast of Oregon, Washington and British Columbia. Smaller port areas such as Olympia, Anacortes, Grays Harbor and others have available land at less cost with readily available supplementary and complementary facilities as compared with existing major centers in Seattle and Tacoma. These areas do not have the challenges of location and access (locks, narrow cuts and drawbridges) that Renton has and may be considered to be at a competitive advantage..

Cargo patterns for the Puget Sound port areas tend to specialize in containers and grain shipments, with bulk and break-bulk cargo a much smaller portion of waterborne trade. These types of cargo would require specialized facilities that would be problematic for Renton lakefront areas.

### **Water-Related and Non-Water-Related Uses**

Typically mixed-use development of real estate today is some combination of residential over retail or office over retail in multi-storied buildings (vertical mixed-use). This type of mixed-use development has become common throughout much of the metropolitan region. There are some combinations that occur in single storied multi-use buildings called 'flex-tech' buildings. These buildings can contain horizontal mixes of uses including office, retail, restaurant, commercial, small assembly/service/storage, and showrooms. These 'flex-tech' types of buildings/uses tend to occur in business and office parks in suburban areas. Renton has several good examples including those in the Blackriver business park area.

A well-known regional example of a waterfront mixed-use complex is Carillon Point in Kirkland on Lake Washington, which combines offices, restaurant, retail, residential and moorage in a large single integrated project. The project has multi-storied mid-rise buildings, structured parking, intensive landscaping and amenities. Carillon Point was for some time the "100% corner" for office space in the Seattle area during the high-tech-software boom of the 1990's. Carillon Point incorporates a marina as a water dependent use, provides restaurants as water enjoyment uses, and provides public access through a trail system and public access on parts of the over-water docks.

Another in a waterfront location is the Quadrant -Lake Union Center on the Ship Channel in Fremont where Adobe is the prime tenant. This large multi-tenant project has added large amount of commercial, mostly office space with supplementary retail to the Fremont downtown redeveloped in old industrial-warehouse waterfront area. This project does not have a recognizable component of water-related uses such as restaurants related to the water, but has substantial public access to the waterfront areas in the form of a waterfront trail.

Similar developments can be expected to find the Lake Washington waterfront in Renton to be attractive. The Cedar River waterfront may similarly have many of the visual amenities that are viewed as attractive for such development.

The growth in commercial space in the form of mixed-use is a response to the growth in employment in the finance, insurance, real estate, business, professional and medical-dental industries and the administrative offices of firm who are engaged in more industrial activities. One of the key determinants of where this type of vertical mixed-use locates is land values. Higher land values will support the vertical mixed-use type of development. Typically waterfront areas have higher land values.

Typically the mixed-use building developments have three components: office space with some retail or service to supplement office business; parking (surface, structured or underground) and whatever landscaping and amenities are typical for the market area or required by local regulations. This type of development can be accommodated into waterfront locations where communities value access to and views of the water or waterfront. In order to comply with the Shoreline Management Act and Shoreline Guidelines, public access and water-related uses such as restaurants with water views can be included with little adverse effect on the economic viability of the development. There is potential for complementary use of project elements such as parking to serve water-related uses and public access in evenings and on weekends when office demand is reduced and most visitors come to recreate.

## **Moorage**

Demand for moorage - in-water storage of vessels - typically is always ahead of the supply of moorage slips in the Pacific Northwest. There is perennially a shortage of slips and waiting lists at most marinas. For commercial-industrial moorage, conditions are quite the same, a relative shortage of moorage space, though technology has provided some relief as hips have gotten larger and fishing moorage has declined in this area.

The Lake Washington portion of this portion of the moorage market tends to have smaller marinas, smaller boats in a non-salt water setting. Small complexes exist in Seattle at Leschi; at Carillon Point and in the Kirkland downtown; at Newport in Bellevue; and Kenmore. These would compete with development and expansion of moorage space in waterfront areas of Renton. Moorage space in Renton is at some distance from the competitive moorage space in Puget Sound and therefore would be oriented primarily to recreational users of Lake Washington.

Moorage space in the Puget Sound portion of the market tends to lag behind the growth of vessel registrations and waiting lists are typical. Large boats, over 30', can expect to wait 5-7 years smaller boats typically a year or more. Dry storage or trailering and boat launches are the options to moorage. Marinas and their moorage facilities are not large complex structures but escalating costs and lengthy permitting processing make development problematic. Fees for slips have not kept pace with demand conditions in the face of rising development costs. Long-term trends in demographic patterns and generally robust economic times in the Pacific Northwest have propelled boat sales, especially larger boats. Increasing fuel prices and uncertain economic times have reduced sales of boats over all but especially smaller boats.

Moorage is an option for development on the Renton waterfront, but most probably for small boats in the recreational portion of the market. Distance and access from the Puget Sound waterway and lack of backup support and complementary services would not signal this portion of the region's waterfront as a strong option.

## **Long-term Projections**

ECS could not track down recent specific forecasts or projections of employment or land use for waterfront or water-dependent activity. There are long term projection of employment for four the four counties of the Central Puget Sound regional and these forecasts are developed for small areas within the region. Table 1 summarizes projections of employment by industrial categories for the Renton industrial area, which includes the waterfront areas. The data is also presented for both the Eastside sub-region and the Green River sub-region. These are general patterns not specific projections for the waterfront parcels but they indicate some broad trends that relate to the potential for waterfront and water-dependent land uses (real estate).

Several patterns emerge. Employment in those categories that are typically consider industrial and locate into industrially zoned areas (manufacturing, wholesaling, warehousing, transportation. Communications and utilities either grow more slowly than the economy as a whole or decline in absolute terms (manufacturing). In general, one would expect the demand for industrial space including water-dependent uses to decline also. Notice also the faster than overall growth rates of those industries that one would expect to locate in office space (finance, insurance, real estate services). This type of employment growth is, has and likely will continue to drive the demand for non-residential mixed use space. The rates of growth and absolute amounts of FIRES employment growth forecast for the portion of the region that includes Renton ill continue to encourage mixed use development.

**Table 1**  
**Employment Projections**  
**Central Puget Sound – Eastside – Renton Industrial**  
**2000- 2040**

<b>Industries</b>	<b>2000</b>	<b>2040</b>	<b>Annual Average Rate of Growth (% per year)</b>
<b>Renton Industrial Area</b>			
Manufacturing	7,791	3,632	- 1.89%/year
WTCU*	5,081	9,296	1.52
Retail	4,178	6,156	0.97
FIRES**	7,688	24,210	2.91
Gov't. & Education	1,749	1,723	- 0.04
Total	26,487	45,217	1.35
<b>Eastside</b>			
Manufacturing	32,781	19,488	- 1.29%
WTCU*	39,250	52,043	0.71
Retail	58,948	86,436	0.96
FIRES**	151,190	333,597	2.00
Gov't. & Education	24,963	33,647	0.75
Total	307,142	525,208	1.35
<b>Green River</b>			
Manufacturing	66,665	50,069	- 0.71
WTCU*	38,449	63,559	1.26
Retail	35,201	49,583	0.86
FIRES**	43,879	143,847	3.01
Gov't & Education	12,222	14,847	0.49
Total	196,416	322,030	1.24
<b>Central Puget Sound</b>			
Manufacturing	240,068	211,117	- 0.32%
WTCU*	215,040	315,711	0.96
Retail	320,575	487,045	1.05
FIRES**	689,630	1,375,013	1.75
Gov't & Education	299,730	400,407	0.73
Total	1,760,043	2,789,293	1.16

Source: Puget Sound Regional Council: 2006 Population, Employment and Household Small Area Forecasts

Notes: \*Wholesale, Transportation, Communication & Utilities

\*\* Finance, Insurance, Real Estate & Services