

MACKENZIE.

February 2, 2023 (*Revised February 6, 2023*)

City of Lake Stevens
Attention: Christi Schmidt – Senior Planner
1812 Main Street – PO Box 257
Lake Stevens, WA 98258

Re: **Lake Stevens Industrial Center Analysis Summary**
Project Number 2220142.00

Dear Christi:

The purpose of this letter is to provide a brief overview and preview of our analysis for the Lake Stevens Industrial Center as we continue toward issuing our draft report.

Executive Summary –

The Lake Steven Industrial Center (LSIC) analysis covers approximately 280 acres, consists of two storm drainage basins, two major road networks (Old Hartford and Machias Road), and limited sanitary sewer and stormwater utilities. Stakeholder meetings were held with the LSIC property owners (September 27, 2022), the City Planning Commission (October 19, 2022), and the City Council (November 15, 2022). Meetings with city departments and leadership were also conducted. Various GIS data sets, utility studies, as-builts of complete development, and pre-application notes were reviewed.

To date, the lack of a comprehensive network of sanitary sewer and stormwater infrastructure has limited the quantity and scale of development. The LSIC development pattern shows sites within proximity to existing infrastructure are being redeveloped; the Hartford Industrial Center is one of those examples with several others in the pipeline.

The goal of our analysis is to provide a multi-year vision for the LSIC to determine the potential additional building square footage and potential additional employment capacity yield as a result of redevelopment within the LSIC. Our analysis will reflect how potential future development will occur based on a tiering methodology. The team will propose a tiered classification overlay for the LSIC in the final report. The three tiers indicate the degree of difficulty to achieve new industrial development. Attributes for the tiering include utilities, topography, and adjacency to existing development.

Land Use Overview –

The LSIC current consist of two zoning designations: General Industrial (GI) and Light Industrial (LI). We recommend consolidating the entire LSIC area into one zoning designation, General Industrial (GI). The uses table can be combined as many of the uses identified in Table 14.40 are allowed in both zones. The one permitted residential use of “apartment(s) above permitted nonresidential use” and a few other uses should be evaluated for removal from the General Industrial (GI) zone.



Regulatory Requirements and Design Standards –

Nonresidential density and dimensional standards (Table 14.48.-II) would need to be consolidated to only reflect General Industrial (GI). The current city-wide design guidelines do not have specific standards for industrial buildings. We recommend a separate chapter be added to the existing design guidelines.

Land Use Allowance and Limitations for Redevelopment –

Based on the existing allowed uses and development standards in the General Industrial zone, we provide several examples of a typical industrial development. These will be tools to develop a city design vision for the LSIC. Please refer to site development scenario (Attachment B).

Transportation-Related Considerations –

The LSIC is served by Old Hartford a minor collector and N. Machias Road a major arterial. The classification of N. Machias Road has several different classifications depending on the data source. As part of our analysis, we will recommend the correct road classification based on the anticipated buildout of the LSIC and projected traffic volumes within our final recommendations. The intersection of Old Hartford and 28th Street NE is being evaluated for possible realignment. Mackenzie traffic engineers have requested traffic counts at said intersection that were recorded in September 2022 by a private party. The crossing and alignment of the Centennial Trail will also be evaluated.

Utilities –

The Industrial Study Area is within the service boundary of the Lake Stevens Sewer District (LSSD) which provides services to the area for sanitary sewer. According to the Lake Stevens Sewer District General Sewer/Wastewater Facility Plan, dated October 2022 and prepared by Gray & Osborne, Inc., there are no public sanitary sewer or wastewater systems within the study area and most of the properties within the study area are on septic systems. The Gray & Osborne study identifies an additional lift station is needed but did not propose a specific gravity pipe network for the area.

Snohomish County PUD provides water and electric service within the LSIC. Snohomish County PUD confirmed no known deficiencies in the area.

The city of Lake Stevens manages the storm water system, which discharges to Catherine Creek for the western half of the LSIC. The eastern half of the LSIC discharges into Little Pilchuck Creek. We will recommend possible locations within both drainage basins for regional stormwater facilities.

Ziply Fiber provides standard internet speed to the LSIC. High speed (fiber) internet service is not available with the LSIC, high speed service is available within the Lake Stevens Downtown Subarea. There are no immediate plans by Ziply Fiber to expand high speed service to the LSIC.

Economic Analysis –

Please reference the attached memo from ECONorthwest (Attachment A).

Environmental Makeup and Constraints –

The Riley Group provided both an environmental risk assessment and a geotechnical analysis based on historic records; no field work was performed. There are 26 properties within the LSIC that are currently listed on various environmental regulatory databases reviewed by Environmental Risk Information Services (ERIS). Of the 26 properties listed, seven

properties are considered an elevated environmental risk to soil, groundwater, and/or soil vapor. The at-risk properties follow:

- Lake Stevens Best Storage (formerly Cooper Lumber/Old Cedar Mill) – 2303 and 2311 131st Avenue Northeast
- Lake Conner Grocery – 2730 Hartford Drive (and North Machias Road)
- Arnold's Body Shop – 2710 and 2720 North Machias Road
- Old Apex Wood Building – 2524 North Machias Road
- Gunner Auto Parts and Braven Metals and (formerly NW Auto Recyclers) – 2315 and 2317 North Machias Road
- 360 Auto Recycling – 2017 North Machias Road
- Furby's Truck Repair – 1901 North Machias Road

The entire environmental risk assessment will be provided as an exhibit to the final LSIC report.

The geology of the LSIC indicates the central portion of the site as underlain by Till which is a mixture of clay, silt, sand, and gravel deposited at the base of the Vashon ice sheet. The western portion of the site is primarily mapped as Older Alluvium, which is sand and gravel deposited as terraces above the younger alluvium. The LSIC site generally does not have high erosion hazard areas. There are certain areas along the western bank of Little Pilchuck Creek with steeper slopes, specifically adjacent to Machias Road. A Snohomish County Well Head Protection Radius occupies the northern portion of the site. Stormwater infiltration may be feasible in the younger and older alluvial deposits on the site, specifically in the area west of Hartford Road.

Redevelopment Concepts –

The report will provide three broad Strategic Concepts of the LSIC. In these concepts, major actions are explored to envision scenarios and possibilities for the industrial district. These include connection points to Highway 92, routes through the district, alignment of the Centennial Trail, modifications to the intersection of Old Hartford and 28th, prioritization of land uses within the industrial district from larger scaled industrial developments to Maker/Start-up industrial uses to community commercial/industrial uses. Each concept has been developed to elicit conversation on the path to developing a Strategic Concept for the LSIC.

Sincerely,



Michael Chen
Principal Planner

Enclosure(s): Attachment A – ECONorthwest Letter, dated February 1, 2023
 Attachment B – Site Development Scenario

c: Chris Blakney – ECONorthwest
 Brett Conway – Mackenzie

DATE: February 6, 2023
TO: Michael Chen; Mackenzie
FROM: Oscar Saucedo-Andrade and Chris Blakney; ECONorthwest
SUBJECT: Lake Stevens Industrial Market Analysis

Progress to Date

As of February 1st, ECONorthwest has an 80 percent draft of Lake Stevens' industrial center market study. ECONorthwest has completed the following as part of the market study deliverable:

- Compiled real estate market trends for industrial and flex real estate. These include rent rates, vacancy rates, deliveries and net absorption, and a comparison of market performance of Lake Stevens to North Snohomish County.
- Compiled recent industrial development examples.
- Conducted a comparison of industrial centers to describe Lake Stevens competitive position in the North Snohomish County submarket.
- Compiled and analyzed drivers of industrial land demand. These include trends in GDP, growth in GDP, consumer price index, unemployment rate, employment by industry, industrial sector employment, wage growth, population growth, commute trends, and education attainment.
- Described Lake Stevens' competitive advantages and disadvantages for industrial development.
- Compiled case study examples of other industrial parks/centers.

Preliminary Key Findings

Industrial Market Overview:

North Snohomish County

- Stable to low vacancies which have driven recent increases in rent growth.
- Average rent is at a decade-high of \$13.00 per square foot.
- The market has experienced large industrial development concentrated in Arlington and Marysville.
- Total industrial inventory as of Q1 2023 is 7.5 million square feet with approximately 3.4 million under construction or proposed.

Lake Stevens

- Very low vacancy rate with increases in industrial rent growth.
- Limited inventory of industrial space which has kept vacancies low.
- As of Q1 2023, there is 217,000 square feet of industrial space with no proposed or under construction projects other than the application recently received.

- The market has experienced limited new industrial construction. Recently new industrial construction has been steel warehouses, largely comprised of storage space.

Competitor Analysis:

- Marysville and Arlington have stood out as the major competitors for industrial space. This is due to their locational advantages of highway and air access and large served sites suitable for DCs.
- Recent new development in these two cities have been large warehouses and distribution centers. Construction is typically concrete tilt up.

Market Strengths:

- Demand for new industrial space will come from the consistent year-over-year growth of wholesale trade, transportation, and utilities, and construction/resources.
- The wholesale trade and transportation industry are likely to demand larger industrial space in the future. Although the manufacturing industry saw a small decline in jobs since COVID-19, the industry makes up a large share of Snohomish County's industrial jobs that will continue to demand industrial space in the future as well.
- Lake Stevens could continue to support light warehouse uses and specialty niche production uses. However, it will likely not serve large employment opportunities.
- Proximity to downtown lends opportunities for niche industrial.
- Access to workforce.

Market Challenges:

- Lake Stevens' market share of industrial development is relatively small and mostly comprised of steel warehouses.
- The Industrial Area has no direct access to the larger transportation network and lacks infrastructure.
- The combination of infrastructure and tilt-up development costs create a high financial barrier to development—especially for small local businesses.
- Physical land constraints limit large industrial development primarily seen in Marysville and Arlington.

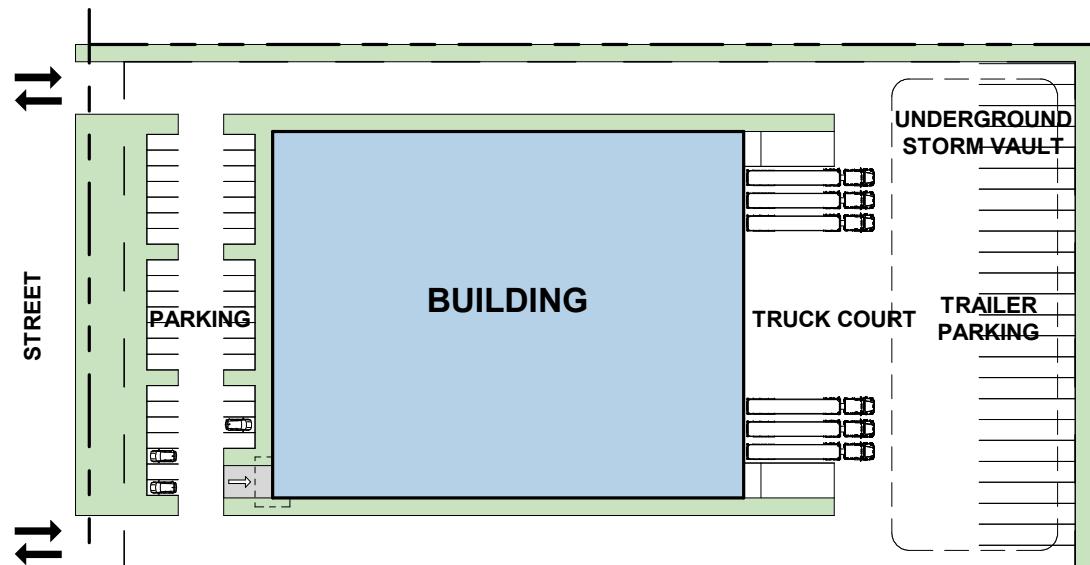
Implications for Lake Stevens:

- Lake Stevens will continue to see smaller, low-cost industrial development. This may include steel warehouses and some flex development.

Funding Strategy

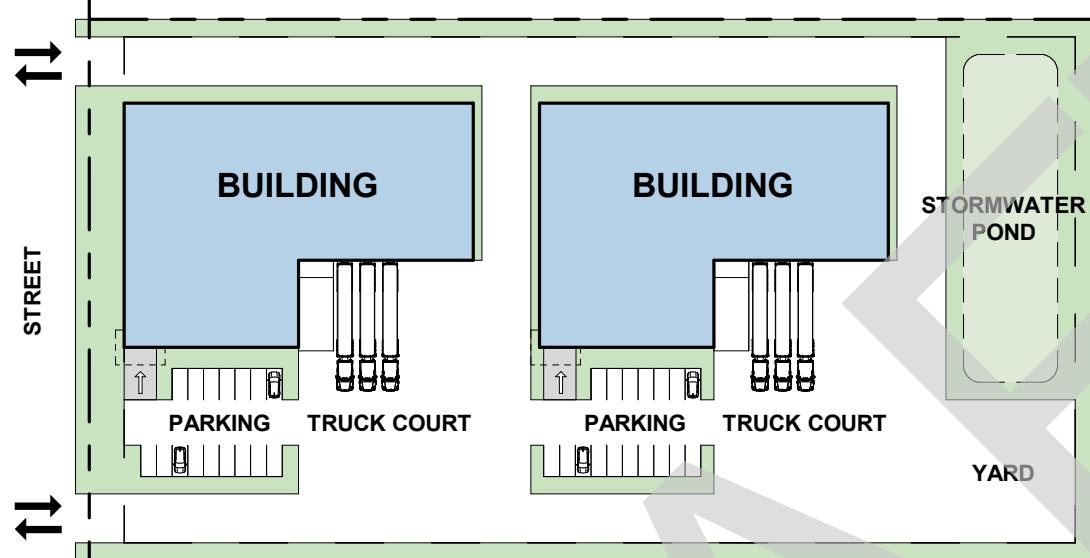
Our funding strategy will be completed in response to recommendations from Mackenzie. Preliminary findings suggest that the lack of high-value development opportunities will limit the effectiveness of value-capture strategies like tax-increment financing. A local improvement district would likely be more effective if there is support from existing property

owners and businesses. We would expect outside sources like grants to play a larger role in the funding opportunities for the area.



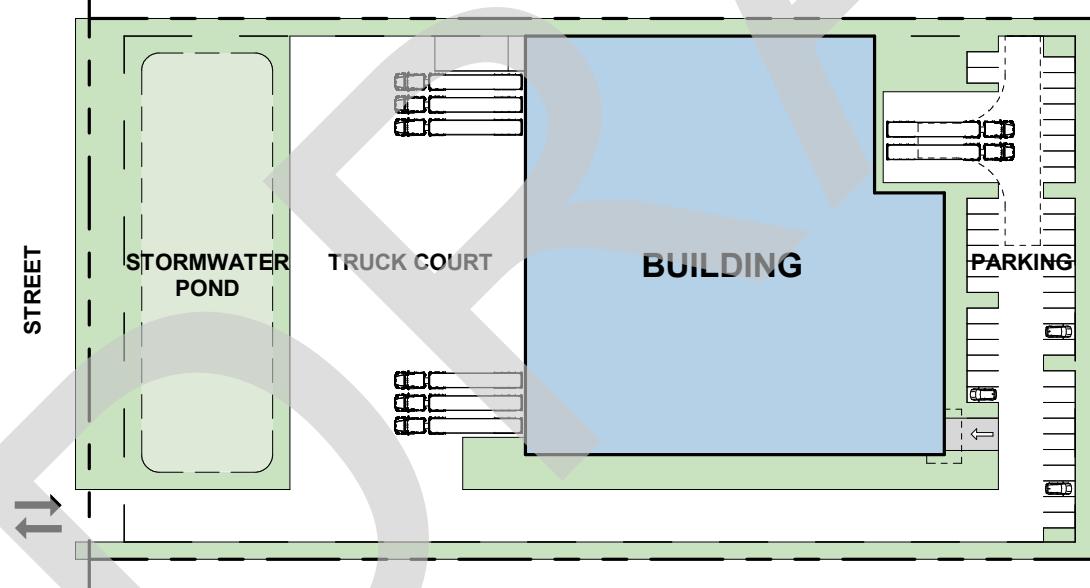
Lot A - Option 1

Parking At Front & Truck Court At Rear



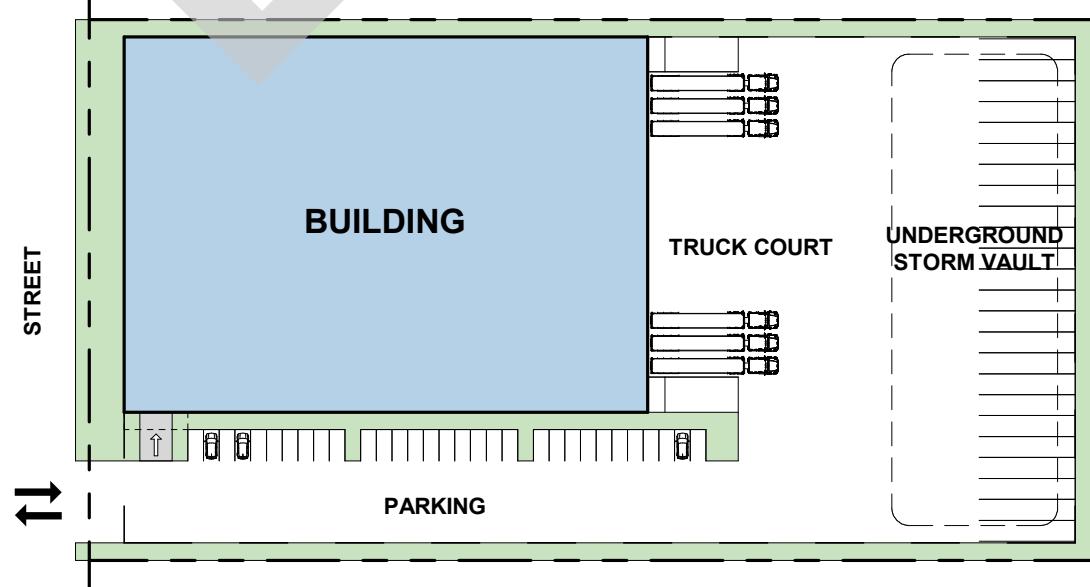
Lot A - Option 2

Multiple Buildings



Lot A - Option 3

Truck Court At Front



Lot A - Option 4

Parking At Side

Site Development Framework

- 20 foot front setback/buffer
- 10 foot rear/side setback/buffer

Not To Scale

Site Development Scenarios



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