

## COMPREHENSIVE LAND USE PLAN

### ECONOMIC DEVELOPMENT ELEMENT BACKGROUND MEMO

#### 2015 GROWTH MANAGEMENT ACT

#### UPDATE to the COMPREHENSIVE PLAN

##### ***I. Introduction***

The City of Tukwila is committed to the economic well-being of its residents, property owners, and businesses because an adequate tax base is necessary to help achieve the City's vision for the future. Cities in Washington State have a limited authority in encouraging economic development. The most obvious role is for the City is to provide adequate services and infrastructure to complement the retail, manufacturing uses, offices, and residences that are located in the City. The City's plans, programs, policies, taxes, and service levels can encourage economic activity.

Historically, the City of Tukwila has had a diverse and growing economic base primarily because of:

1. Its location;
2. Commercial and industrial properties located on level land;
3. Access to regional and global transportation network;
4. Lack of a Business and Occupancy Tax; and
5. Small responsive government.

Tukwila has a major concentration of retail and services businesses. In the past, Tukwila also had a large concentration of manufacturing in the City; however, manufacturing in the City is declining. Tukwila's proximity to Sea-Tac Airport allows it to have a strong and growing lodging industry. Tukwila has a significant job and retail base, much larger than the City's nighttime population.

Tukwila's economic well-being is also facing some challenges.

Tukwila's median income is lower than the median for King County and Tukwila residents' median incomes are not keeping pace with inflation. While King County as a whole is well educated, Tukwila's residents have a level of income below the average education attainment for the County. This puts Tukwila residents at a disadvantage for attaining higher paying jobs. The City has also seen a gradual loss in sales tax market share to surrounding cities.

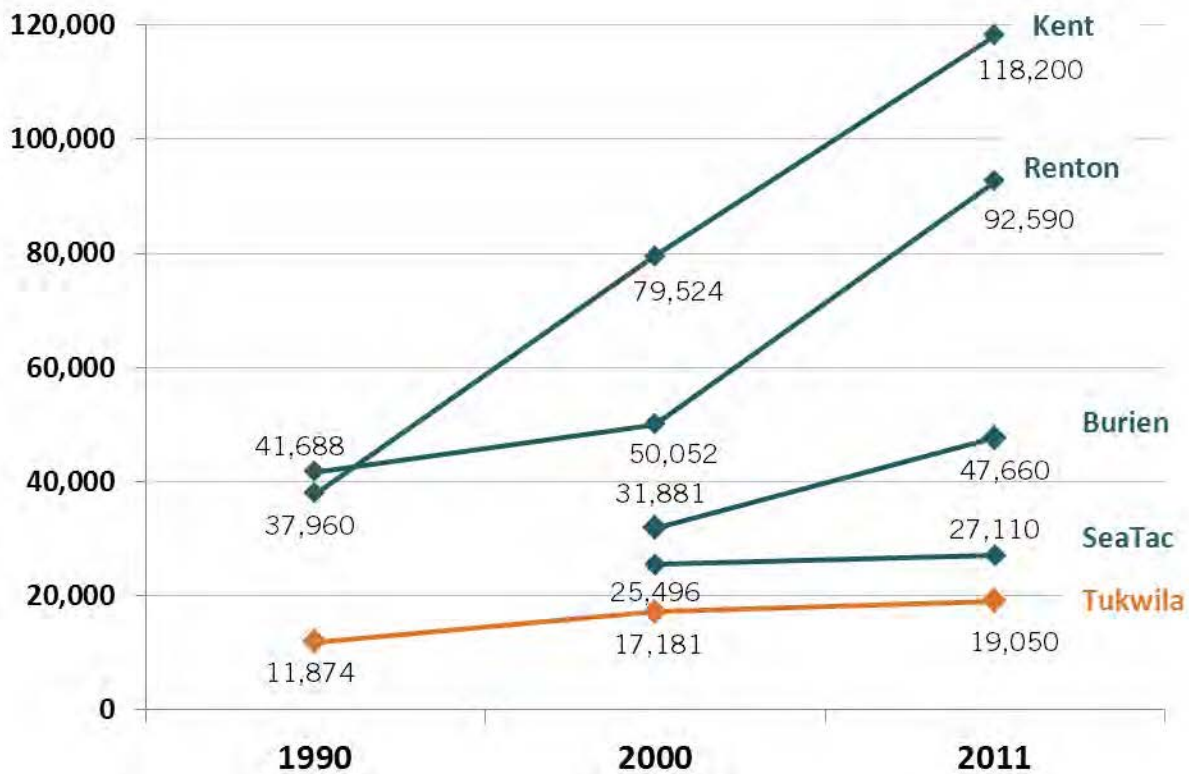
In 2012, Tukwila created a Strategic Plan and one of the five goals and objectives was "A Diverse and Regionally Competitive Economy." The City's economic development efforts will continue to be multi-pronged, addressing three aspects of the City's economy:

1. Protecting the City’s role as a strong regional retail center and preparing for the retail market of the future.
2. Supporting the retention and expansion of the City’s commercial and industrial businesses.
3. Cultivating the success of the City’s entrepreneurs and small businesses, including businesses owned by refugees, immigrants, and non-native English speakers.

## II. Demographic Overview

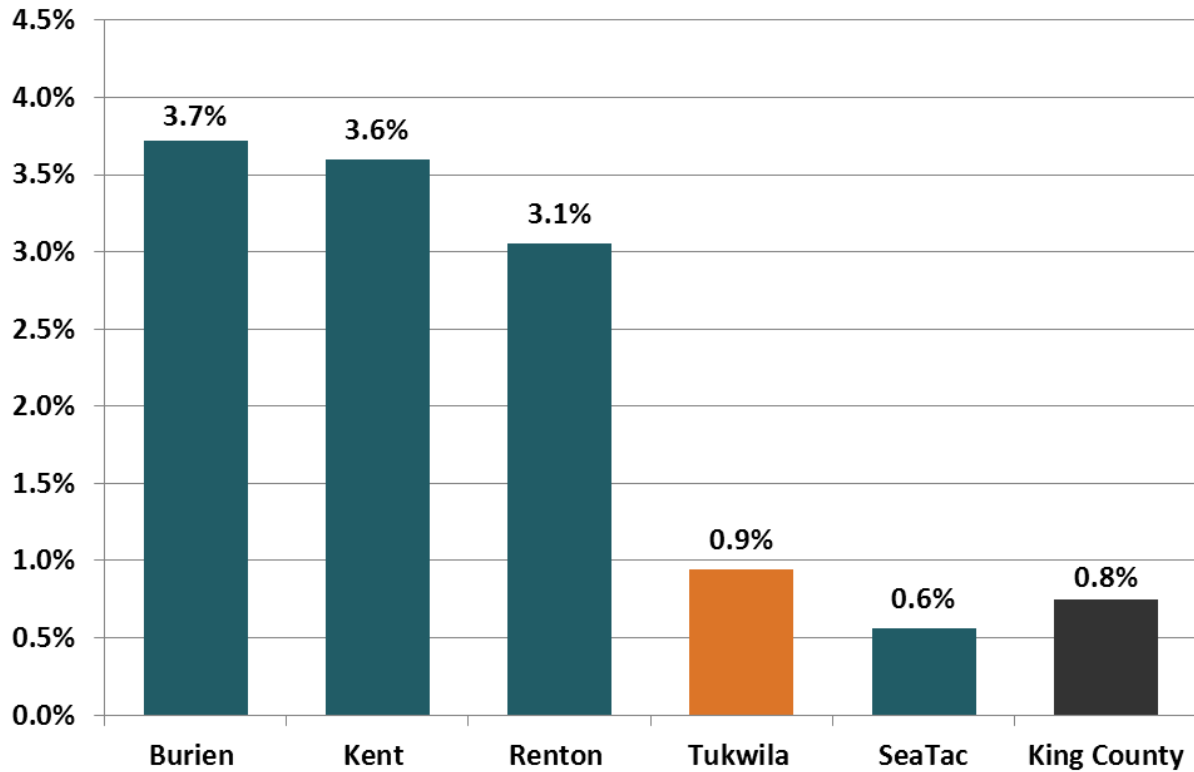
### A. Current Population

Total Population (including annexations) of Select South King County Cities.



Source: City of Tukwila’s Strategic Plan. Note: the cities of SeaTac and Burien became cities in the mid-1990s so population data for 1990 is unavailable.

As indicated in the chart above, Tukwila has experienced a very low growth rate. The chart below shows the annual growth rate of select south King County cities and the County as a whole.



Source: City of Tukwila's Strategic Plan.

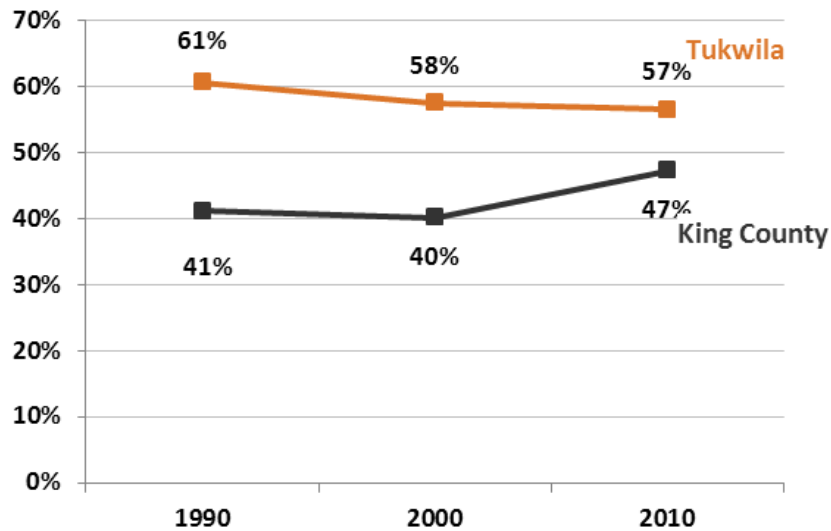
Tukwila's annual growth rate is slightly higher than the County's annual growth rate, but is significantly lower than most of the adjacent cities. While Tukwila's population increased nearly 60% from 1990 to 2011, the populations of Kent and Renton were up 210% and 120% respectively. Both Kent and Renton completed major annexations during this time, but those annexations do not account for the majority of the growth.

#### B. Daytime Growth

For every one person that lives in Tukwila, seven to eight people visit the City every day to work or shop. Tukwila's daytime population is estimated to be between 150,000 to 170,000 persons, including approximately 16 million shoppers a year to Westfield Southcenter, the largest mall in the Pacific Northwest.

### C. Housing

Tukwila and King County Rental-Occupied Housing Unit, 1990-2010



Source: City of Tukwila's Strategic Plan.

The percentage of Tukwila's residents who choose to rent is higher than the rate in the County and other south King County cities. Nationwide more Americans are choosing to rent homes than buy<sup>1</sup>. Tukwila's population is still very mobile, with nearly 24% of households relocating within one year.

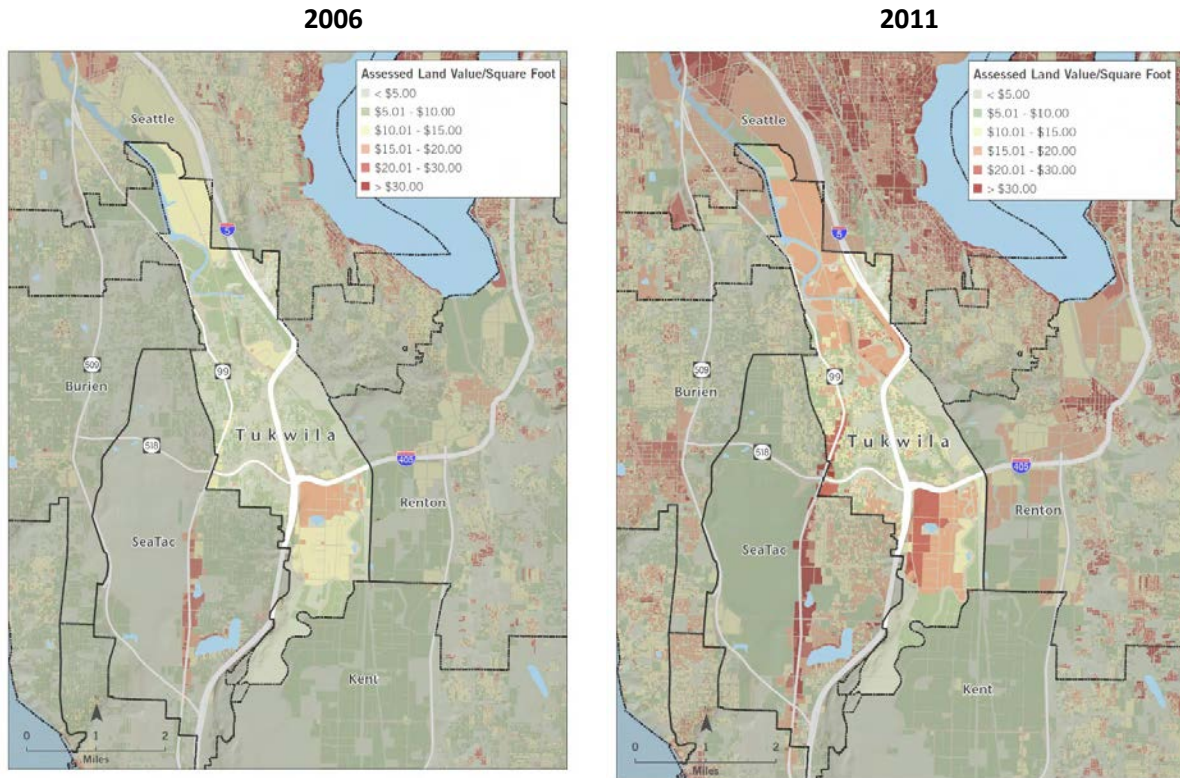
Compared to South King County overall, Tukwila housing is relatively affordable, particularly for purchasing a home. However, renting is far more affordable across income categories rather than purchasing a home. Just under half of Tukwila homes are affordable to purchase for residents earning at least the median income, while less than a quarter of homes are affordable for residents earning less than 80% of the median household income. Nearly all of Tukwila rental units are affordable for residents earning at least the median household income, while 63.2% of rental units are affordable for residents earning under 80% of the median household income.

### ***III. Land Value***

Tukwila's land values continue to increase, with land near major transportation corridors having the highest values. Tukwila's commercial land values are comparable with other south King County areas. Tukwila's land prices continue to be lower than most areas of Seattle and Bellevue. The total King County assessed value for the City in 2012 was \$4.6 billion, up nearly 40% since 2003, when the total King County assessed value was \$3.3 billion. This increase likely reflects major new projects in the City such as the Westfield Southcenter Mall Expansion and Southcenter Square development.

<sup>1</sup> <http://www.marketwatch.com/story/more-people-choosing-to-rent-not-buy-their-home-2011-02-08>

## Land Value per Square Foot 2006 and 2011)



Source: City of Tukwila's Strategic Plan.

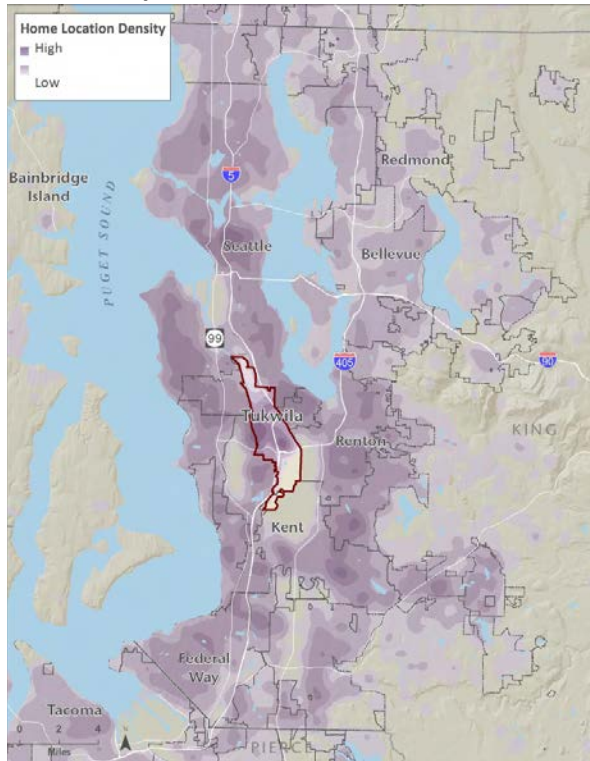
### **IV. Employment**

One area of continued concern is that total employment in the City has continued to fall for over ten years. Tukwila's job decline actually began before the Great Recession and the rate of decline increased with the onset of the recession in 2008.

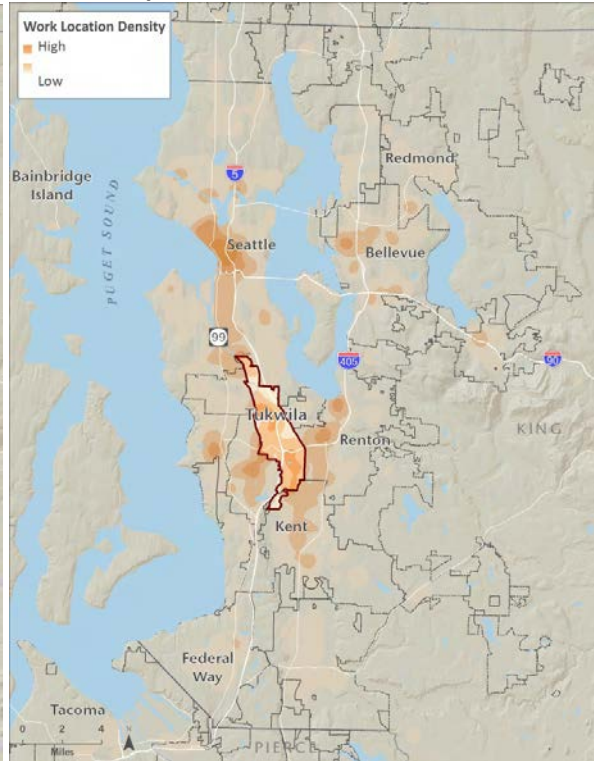
People from throughout the region come to Tukwila to work. A significantly larger number of people work in Tukwila than actually live in the City. In 2010, Tukwila had 43,126 jobs; however, the City only had 7,989 housing units. Tukwila's 5.40 job to housing ratio is much higher than the County average and that of other south King County cities.

Employees who work in Tukwila live throughout the central Puget Sound region, with south and west Seattle, Renton, and Kent having the highest concentrations of Tukwila employees. Residents of Tukwila work primarily in Tukwila and surrounding cities or in downtown Seattle and Bellevue. Tukwila's residents continue to make less than the County average and median income has fallen, when adjusted for inflation. The median household income in the City in 2010 was \$44,271 and is below King County's median income of \$66,174. Adjusting for inflation, Tukwila's median income fell between 2000 and 2010. Tukwila's 2000 adjusted median income (in 2010 dollars) was \$53,127. Thus, real median income in the City fell 16.67 percent from 2000 to 2010.

### Where People Who Work in Tukwila Live



### Where People Who Live in Tukwila Work



Source: City of Tukwila's Strategic Plan.

Employment within the City is distributed among a number of different sectors. In 2010, the service industry accounted for the largest sector, followed by manufacturing; retail and warehousing, transportation, and utilities. One noticeable trend that has been occurring over the last 15 years is the decline of manufacturing jobs in the City. In 1991, 56 percent of all jobs in the City were related to manufacturing. In 2002, the number of jobs in manufacturing dropped to 28 percent. Manufacturing continues to decrease in the City. This trend likely reflects the diminished presence of jobs with Boeing and other manufacturing firms in the City industrial areas. Manufacturing jobs tend to pay higher than jobs in the service and retail sectors.

Employment in the City is largely clustered in the Southcenter area of the City and the North Tukwila Manufacturing Industrial Center (MIC).

### Major Employment Districts of the City

District	Acreage	% of Total City Area	Total # of Businesses	Total Number of Jobs	% of jobs in the City.	Jobs Per Acre.	Job Losses and Gains between 2000 and 2010
Southcenter Area	847 acres	13.9%	771	17,399	40%	20.54	-2,548
North Tukwila MIC	961 acres	15.8%	147	13,499	31%	14.04	93

Source: PSRC's Regional Centers Monitoring Report, 2013 Edition.



The City has the capacity to accommodate an additional 38,620 jobs in the City. Nearly 60 percent of these jobs will be located in Tukwila South, which was just annexed into the City in 2010<sup>2</sup>. After Tukwila South, North Tukwila MIC and the Southcenter area have the highest capacity to accommodate future job growth<sup>3</sup>. The City has sufficient capacity to accommodate its share of regional job targets.

## **V. Retail Sector**

Tukwila has been the center of commerce and trade for over a hundred years. In 1967, with the opening of Southcenter mall, the City became a dominant retail center right on the edge of the City of Seattle.

As shown in the map below, the Southcenter area of the City is one of the largest clusters of retail space in south King County. In the City as a whole, there is over 4.85 million square feet of retail space in the City.

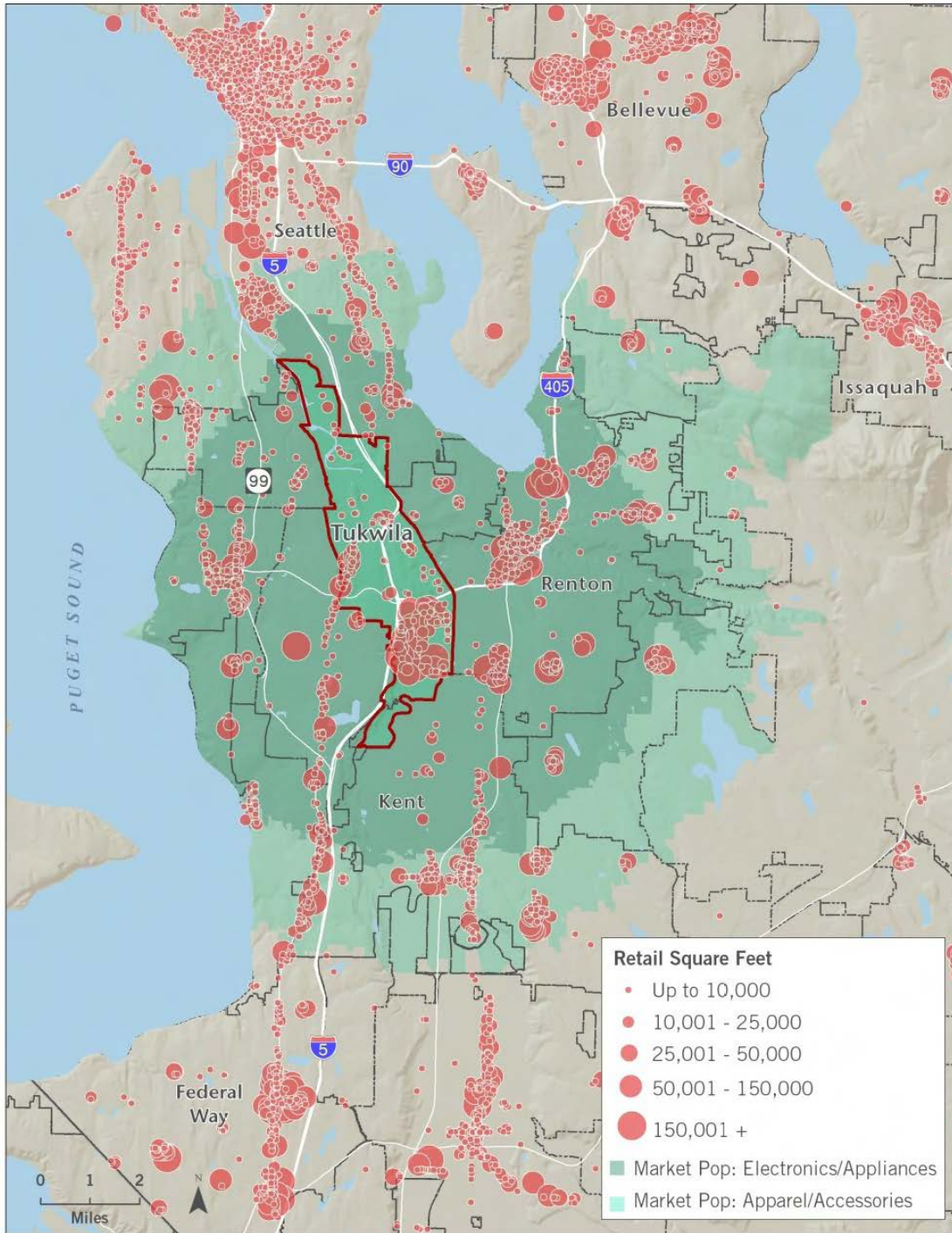
Despite major new developments, such as Westfield Southcenter Mall Expansion and Southcenter Square Development, the City has been losing market share in total taxable retail sales, when adjusted for inflation. In 1994, the City of Tukwila generated just over \$1.5 billion (adjusted to 2010 dollars) in taxable retail sales. Prior to the Great Recession the City's total taxable retail sales had declined below \$1.5 billion despite the fact that many of the City's competitors (Lynnwood, Renton and Issaquah) saw a significant increase in total taxable retail sales. By 2010, taxable retail sales were down \$300 million when compared to adjusted 1994 taxable sales. The loss of market share is also compounded by the fact that the area's population has consistently risen every year. Not only is the City losing market share in taxable retail sales, but the City is also not capturing new sales.

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<sup>2</sup> City of Tukwila's 2006 Buildable Lands Report, updated in 2014.

<sup>3</sup> These numbers show capacity only and do not reflect actual projected growth.

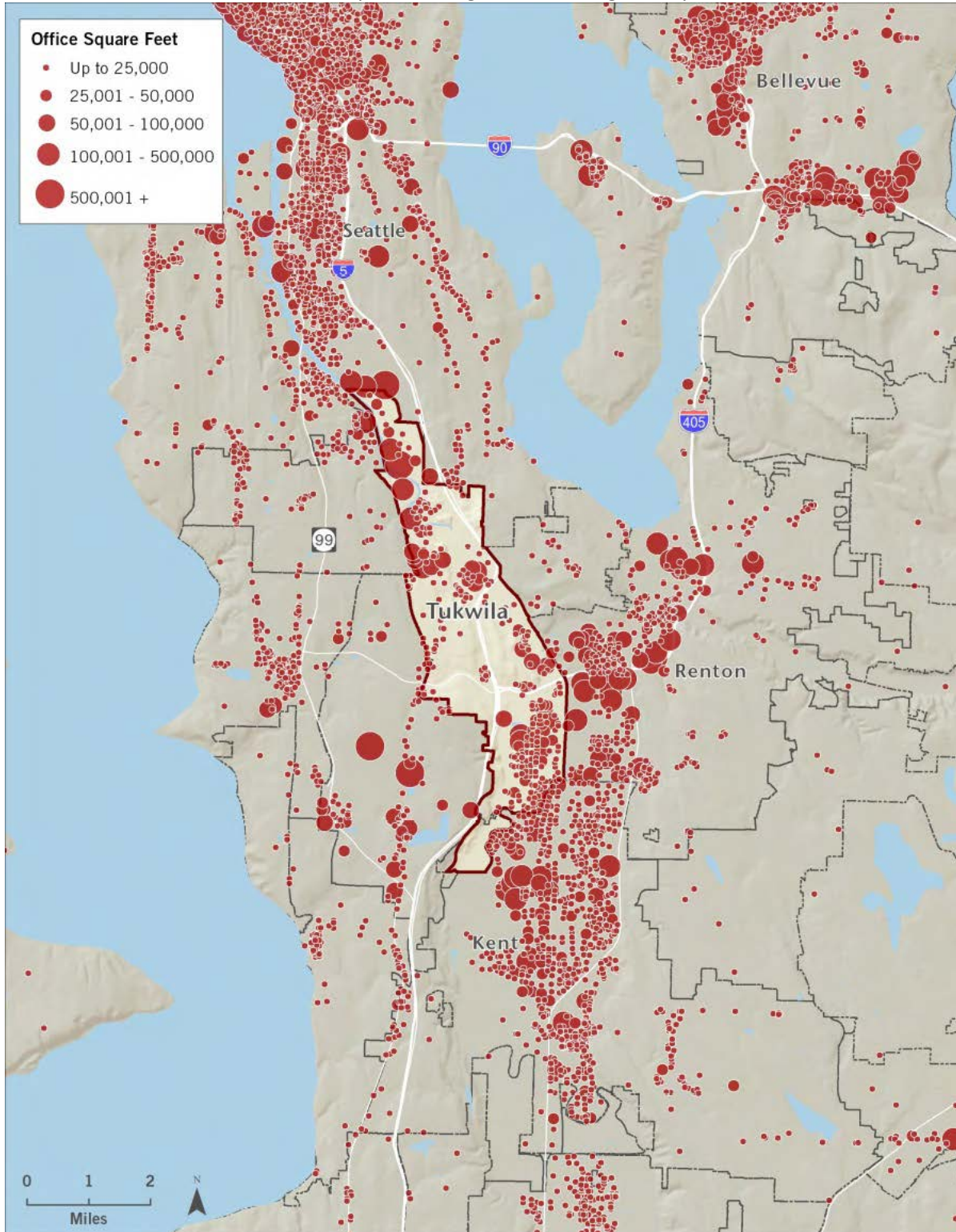
Retail Square Footage in south King County, 2009





## VI. Office and Industrial Sectors

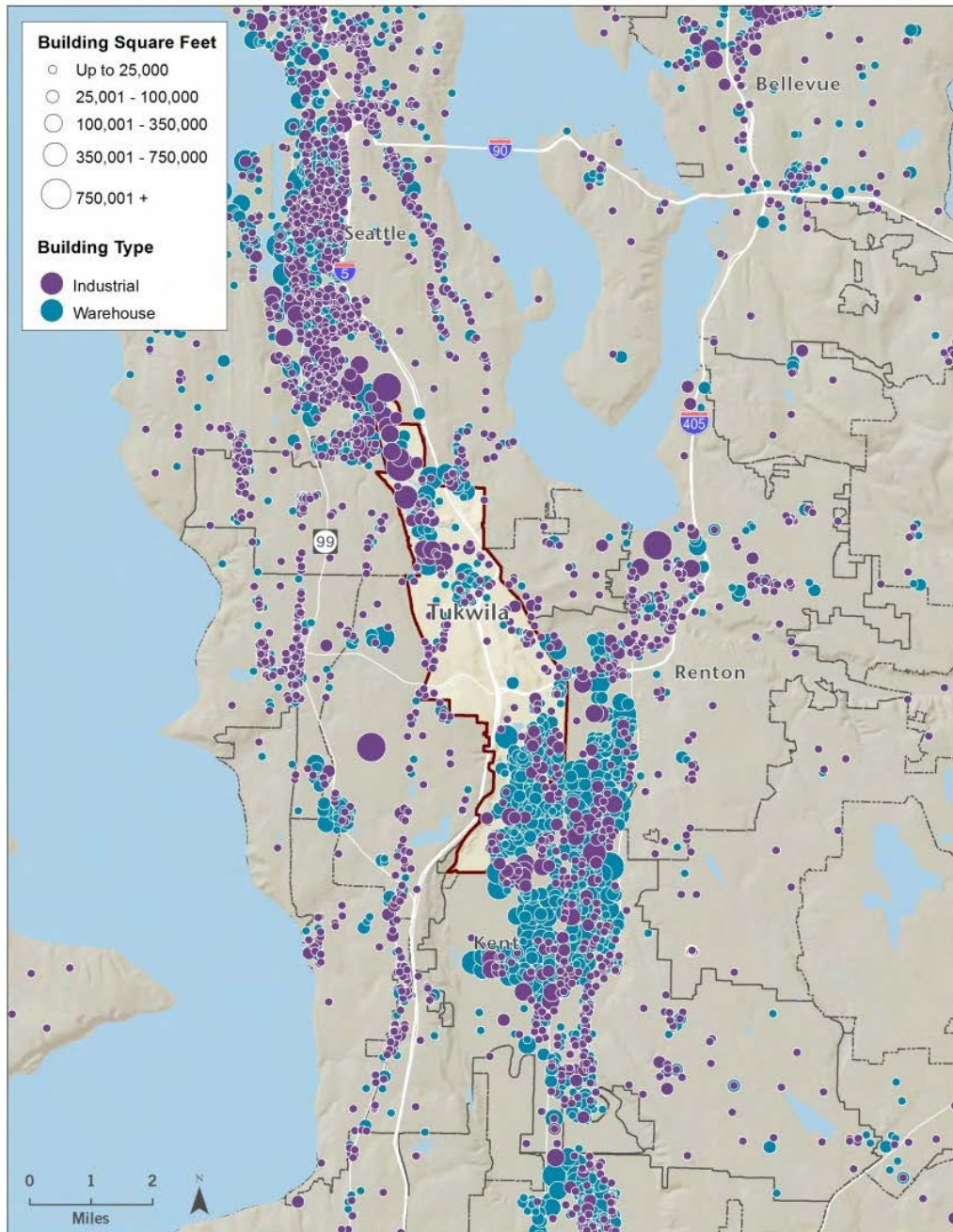
Office Square Footage in south King County



Tukwila has not had an active office market in several years, but it has shown some improvement as vacancies have decreased over the last few years. In 2004, Tukwila had 600,000 square feet of vacant

office space. By 2012, the number had been reduced to just over 300,000 square feet. Office space within Tukwila is concentrated in the north end of the City. Expanded office presence may occur in the south part of the City as the Tukwila South project moves forward and as the Southcenter Plan begins to be implemented. Overall, there is a large amount of office space of all classes in south King County. Much of it is located in Renton and the Kent Valley.

### Industrial and Warehouse Square Footage in South King County, 2009



Tukwila, and the rest of the Duwamish and Kent Valleys, is a center for industrial and warehouse uses within the Puget Sound region. Industrial buildings within Tukwila are larger and clustered in the north end of the City, by Boeing Field, rather than in the Duwamish Valley. Warehouse uses are more concentrated in the southern portion of the City.

## VII. City Revenue

The City of Tukwila relies on various source of revenue to fund services and capital expenditures in the City. Included as an attachment to this report are several pages from the City's Comprehensive Annual Financial Report (CAFR) that provides various financial information for the City.

Overall, the City's total revenue has remained nearly consistent over the last nine years just over \$51 million. The best year during this period was 2011 when the City's collected just over \$68 million in total revenue. The worst year was 2008 when the City collected just over \$49 million in revenue. The decrease in 2008 can likely be attributed to the Great Recession and pullback in consumer spending.

### General Governmental Tax Revenues by Source 2003-2012

Fiscal Year	Property	Sales & Use	Utility	Excise	Business	Other	Total Taxes
2003	\$ 9,854,007	\$16,171,756	\$ 1,591,922	\$3,500,318	\$ 431,188	\$ 437,031	\$31,986,222
2004	\$10,493,728	\$16,293,960	\$ 2,309,787	\$4,068,110	\$ 530,725	\$ 451,863	\$34,148,173
2005	\$10,627,410	\$16,887,845	\$ 2,646,356	\$3,222,936	\$ 408,798	\$ 831,530	\$34,624,875
2006	\$11,018,846	\$17,591,260	\$ 2,930,332	\$4,938,515	\$ 402,784	\$ 920,077	\$37,801,814
2007	\$11,177,532	\$19,355,867	\$ 3,666,079	\$4,124,168	\$ 405,973	\$ 931,173	\$39,660,792
2008	\$11,245,973	\$17,709,319	\$ 3,934,210	\$3,003,438	\$ 475,500	\$1,089,344	\$37,457,784
2009	\$12,190,219	\$14,585,015	\$ 6,172,569	\$2,824,407	\$ 738,341	\$ 656,730	\$37,167,281
2010	\$13,188,942	\$14,251,312	\$ 6,134,494	\$2,488,357	\$ 727,151	\$ 301,867	\$37,092,123
2011	\$13,427,139	\$16,113,584	\$ 5,424,643	\$1,780,294	\$ 667,064	\$ 622,955	\$38,035,679
2012	\$14,072,015	\$15,441,683	\$ 4,001,385	\$3,201,098	\$2,497,606 <sup>4</sup>	\$2,288,822	\$41,502,609
% Change From Start Year to End Year	42.8%	-4.5%	151.4%	-8.5%	479.2%	423.7%	29.8%

The table above shows the City's revenue by source and year. As was discussed earlier, the taxable retail sales in the City have been in decline. This decline can also be seen in the 4.5% reduction in sales tax collected in 2012 versus 2003. The City's sales tax rate of .84% has remained constant since 2003. Sales tax still makes up a large portion of the City's total revenue; however, its total share has been decreasing due to loss in taxable sales market share and increase in revenue generated by other sources.

<sup>4</sup> The increase in revenue collected represents the City's enactment of the RGRL.



**Sales Tax Collected by Industry, 2012**

<b>Major Industry</b>	<b>Amount Collected</b>	<b>Percentage</b>
Retail Trade-Clothing and Accessories	\$ 2,082,930	13.85%
Retail Trade-GM	\$ 2,000,865	13.30%
Retail Trade-Miscellaneous	\$ 1,703,741	11.33%
Retail Trade-Furniture/Home Furnishings	\$ 1,537,143	10.22%
Retail Trade-Restaurants	\$ 1,472,343	9.79%
Wholesale-Durable/Non-durable goods	\$ 1,077,613	7.16%
Construction and Contracting	\$ 961,125	6.39%
Service Industries-Business	\$ 928,610	6.17%
Retail Trade-Automotive/Gas	\$ 690,076	4.59%
Retail Trade-Building Materials	\$ 516,861	3.44%
Service Industries-Hotel	\$ 487,977	3.24%
Transportation, Communications and Utilities	\$ 432,608	2.88%
Manufacturing	\$ 390,252	2.59%
Other	\$ 381,693	2.54%
Service Industries-Other	\$ 234,870	1.56%
Finance, Insurance and Real Estate	\$ 143,792	0.96%
<b>Total Retail Sales Tax Collected</b>	<b>\$ 15,042,499</b>	

The table above shows sales tax collected by major industry type. Retail Trade industry generates the most taxable retail sales of any industry in the City. A year by year breakdown since 2003 is provided in the CAFR pages provided.

Property taxes collected in the City continue to rise. Boeing and Westfield Southcenter pay the most in property taxes per year. Complete property tax information in the CAFR pages provided.



### **VIII. S.W.O.T Analysis**

A SWOT Analysis is fairly common practice in the private sector in examining the **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats to a business, product line, or strategic plan. Economic Development staff, working with the City’s business community, put together the following SWOT table as part of the City’s Comprehensive Plan Update. It is important to note that these strengths, weaknesses, opportunities, and threats, are **perceived** and, at this time, are not supported by specific analysis. Perception of strengths, weaknesses, opportunities, and threats can influence decisions as much as actual issues. It is also important to note that an issue can be considered in several categories. For example, Tukwila Pond is listed as a strength, weakness, and opportunity.

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**Strengths:**

1. Fabulous Location (access to freeways)
2. Proximity to SeaTac Airport.
3. Tax and Regulatory Structure
4. Seattle Sounders and Starfire Sports
5. Westfield Southcenter Mall, largest mall in the Pacific NW.
6. Tukwila South
7. Best destination for large furniture stores (big draw)
8. Tukwila Pond—could be strength
9. Transit Stations
10. Accessibly to City Staff and Elected Officials

**Weaknesses:**

1. Crime and the perception of crime.
2. Visual appearance of the City.
3. Superblocks in the City’s Southcenter Area
4. Tukwila Pond
5. Lack of Chamber Signage
6. Lack of rooftop area
7. Evening population, lack of a nightlife

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**Opportunities:**

1. Seattle Sounders and Starfire Sports.
2. Tukwila Pond
3. Community Colleges
4. Boeing
5. Washington Youth Soccer
6. Grow the Tukwila name
7. Trails along Green River—bike pedestrian bridge
8. Take advantage of the River as an amenity
9. Partner with adjacent cities (we need to work together versus compete)
10. Clustering of businesses

**Threats:**

1. Traffic Congestion
  2. Perceived Threat, Howard Hanson Dam
  3. Insurance costs associated with flood insurance
  4. Lack of productivity
  5. Minimum wage increase
  6. Connective notion of surrounding cities
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## **IX. Economic Development Activities**

Policy 2.1.3 of the City's Comprehensive Plan states the City "[should] identify a single contact point and information source for the business community." In 2004, the City hired its first staff person to focus solely on economic development activities and to serve as a contact person for businesses. In 2014, the Mayor, with support of the City Council, reorganized staff in the Mayor's Office and transferred a Senior Planner from the Department of Community Development to provide more resources for economic development activities. The coming years will be very exciting time for the Economic Development Work Group as it gets fully established and organized. The following outlines some of the economic development activities that are currently taking place or that will be occurring in the near future.

### **A. Soundside Alliance**

The City of Tukwila is a member of the Soundside Alliance group, which includes the cities of SeaTac, Burien, Normandy Park and Des Moines. Additionally, Highline College, the Southwest Chamber of Commerce and the Port of Seattle are also members. The Alliance focuses on marketing and economic development activities for the southwest area of King County. The Alliance current major project is completing a Workforce Study.

### **B. Tukwila Tourism Promotion Area**

Earlier this year, Economic Development staff negotiated an interlocal agreement with the cities of SeaTac and Des Moines to form a Tourism Promotion Area among the three cities. The TPA will be funded by a per night room fee in certain hotels and motels. Funds generated will be used to support additional tourism marketing efforts. The funds will be administered by a Public Development Authority set up by the City of SeaTac.

### **C. Seattle Southside Visitor Service**

Economic Development currently oversees the Seattle Southside Visitor Services (SSVS). SSVS, using lodging tax funds, conducts various activities to increase tourism activities in the cities of SeaTac, Tukwila, and Des Moines. Earlier this year a visitor center opened in the Westfield Southcenter Mall. Other activities include operating a shuttle connecting SeaTac hotels/motels to Tukwila's Urban Center. Most of SSVS activities will be merged with the TPA discussed above.

### **D. Tukwila Village**

The development of the Tukwila Village site has been led by Economic Development. A ground breaking for the project is scheduled for August 1, 2014.

### **E. Small Business Development**

The City of Tukwila, along with other Soundside Alliance cities, supports the Small Business Development Center (SBDC) at Highline College. SBDC provides support and guidance for individuals wishing to start a business as well as support for existing small businesses.

### **F. Southcenter Marketing Partnership**

As was discussed above, over the last 15 years the City has seen a decline in market share for taxable retail sales. To combat the loss in market share, the Economic Development group will be launching the Southcenter Marketing Partnership whose purpose is to market the Southcenter area

as a whole. Many of the City’s competitors, such as Downtown Seattle and Downtown Bellevue already have similar programs.

G. Workforce Development

Economic Development has started to work with regional partners to improve the “employability” of Tukwila residents.