



February 2007



City of University Place

Economic Development Strategic Action Plan 2007-2011

Building on Strengths and Leveraging Opportunities

Volume 2: Technical Annex





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**CITY OF UNIVERSITY PLACE ECONOMIC DEVELOPMENT
STRATEGIC ACTION PLAN 2007-2011**

Building On Strengths And Leveraging Opportunities

Volume 2: Technical Annex

- Part I: University Place Economic Profile**
- Part II: Stakeholder Interview Summary**
- Part III: Fiscal Implications of Land Use Alternatives**

University Place Economic Profile

UNIVERSITY PLACE ECONOMIC PROFILE

University Place Economic Development Strategic Action Plan 2007-11

Updated January 2007

The University Place Economic Profile is a collection of socio-economic exhibits and analysis serving as one input used by the City's Economic Development Committee to develop the University Place Economic Development Strategic Action Plan for 2007-11.

This Profile includes analysis of demographic patterns, employment, housing, and the retail market in University Place and surrounding communities. The Profile is meant to complement information gathered in the stakeholder interview process, University Place Business Survey, and Light Industrial Study.

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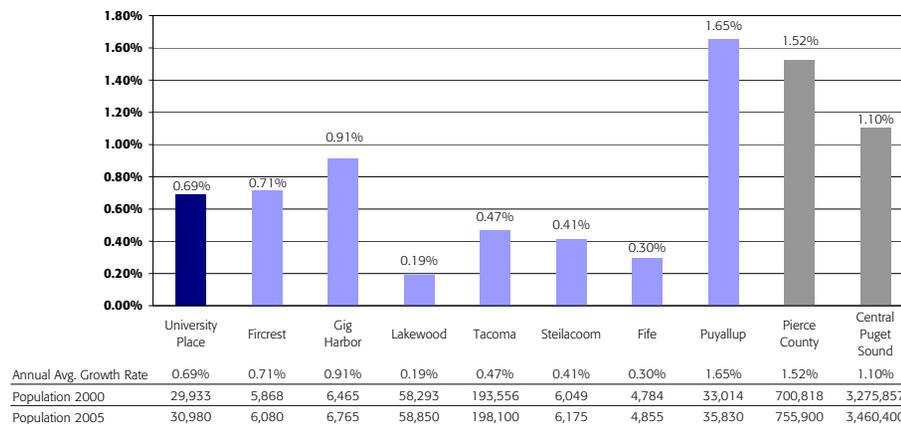
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POPULATION

- University Place has grown by about a thousand persons over the past five years. The City is growing faster than its larger neighbors Lakewood and Tacoma and about as fast as Fircrest and Gig Harbor. (Exhibit 1)
- University Place and its neighboring cities are all growing slower than overall Pierce County and the region. (Exhibit 1)
- Recent population growth in University Place has been primarily in single-family residences along the outskirts of the city. (Exhibit 2)
- Based on feedback from the Economic Development Committee and stakeholder interviews, a UP Sub-region encompassing University Place, Fircrest, and parts of Tacoma, Lakewood and Steilacoom was estimated. This area includes about 66,000 persons living in and near the City who have close ties to the University Place community. The Sub-region is a useful reference point for examining population demographics beyond the City's borders. (Exhibit 2)

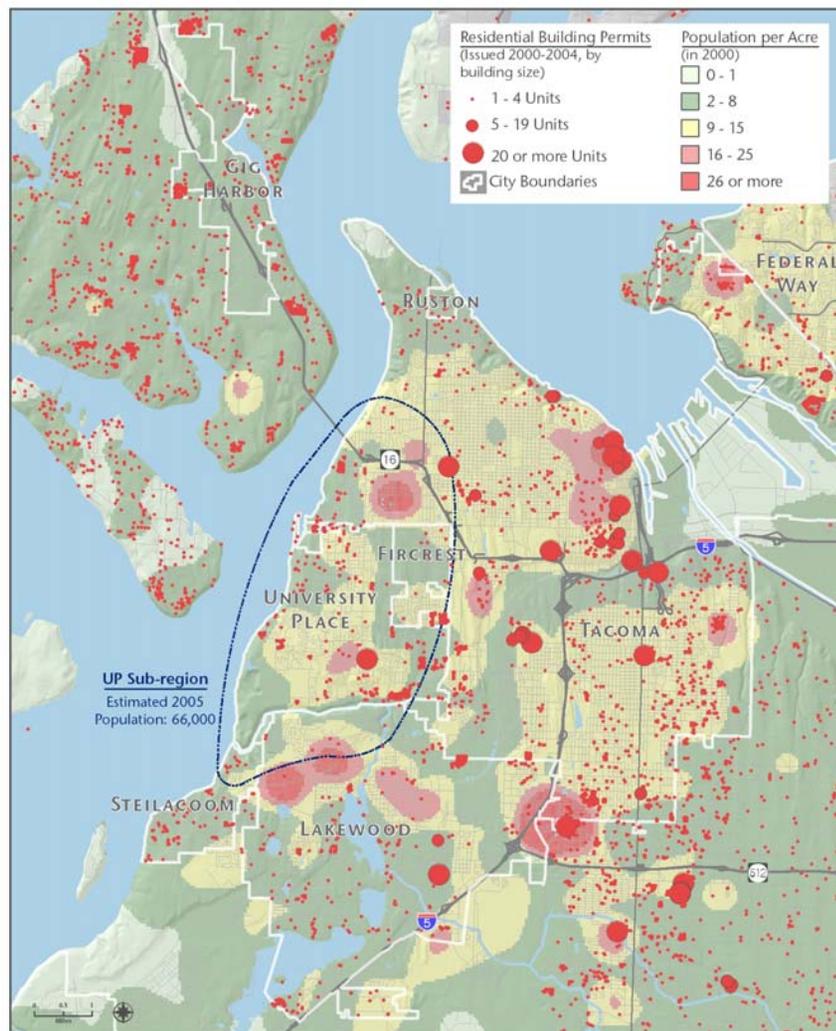
Exhibit 1
Average Annual Population Growth Rate, 2000-2005



Source: Washington Office of Financial Management, 2005

Note: The "Central Puget Sound Region" consists of King, Kitsap, Pierce, and Snohomish Counties combined. Comparable cities were selected for geographic proximity to University Place and similarity in population or economic

Exhibit 2 Residential Building Permits, 2000-2004 and Population Density in 2000

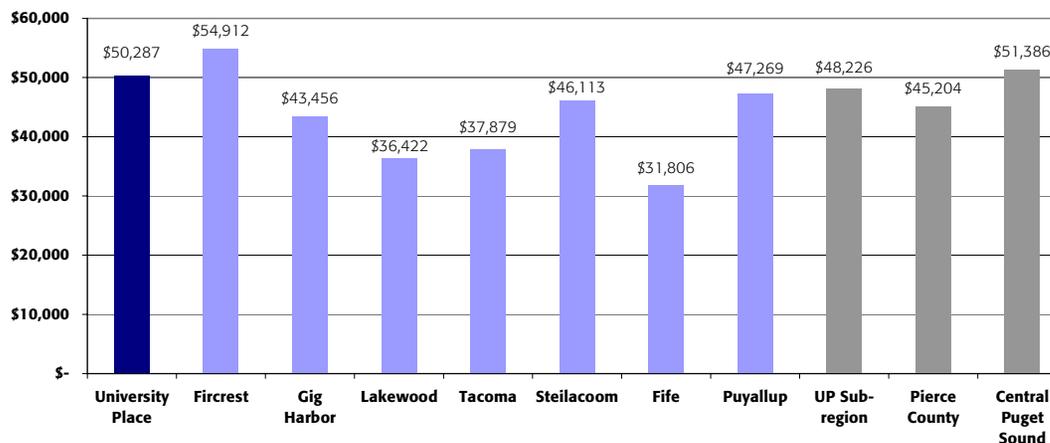


Source: 2000 U.S. Census Block population used to derive density values; Permit data from Puget Sound Regional Council, 2005

INCOME

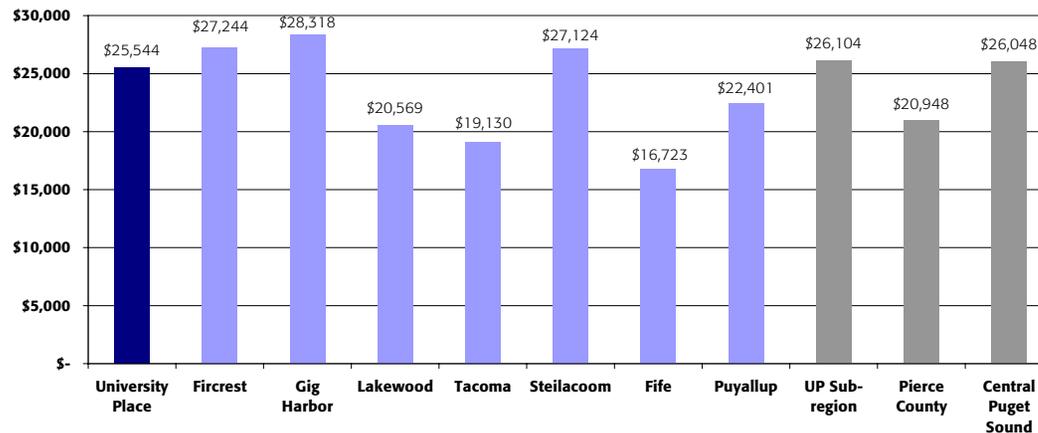
- University Place has a median household income of \$50,287, higher than Pierce County (\$45,204) and close to the regional median (\$51,386). Compared to its neighbors, the City has a much higher median household income than Lakewood or Tacoma and a lower median than Fircrest. (Exhibit 3)
- Relative to its neighbors, University Place’s per capita income is lower than its median, possibly due to the large number of families with children in the City. According to the 2000 U.S. Census, University Place had the largest average household size (2.46 persons) of all the comparable cities listed except for Puyallup (2.52 persons per household). (Exhibit 4)
- The UP Sub-region has a per capita income of \$26,104, very close to the regional average (\$26,048) and much higher than the Pierce County average (\$20,948). (Exhibit 4)
- Exhibit 5 shows that a larger percentage of University Place households fall in higher income brackets than in Lakewood and Tacoma. As with the other income measures, Fircrest has a slightly higher concentration of wealth than University Place.
- Exhibit 5 also shows that the percentage of UP households earning less than \$35,000 annually (34%) is slightly less than Pierce County average (37%) and more than the Central Puget Sound average. (33%)

Exhibit 3
Median Household Income, 1999



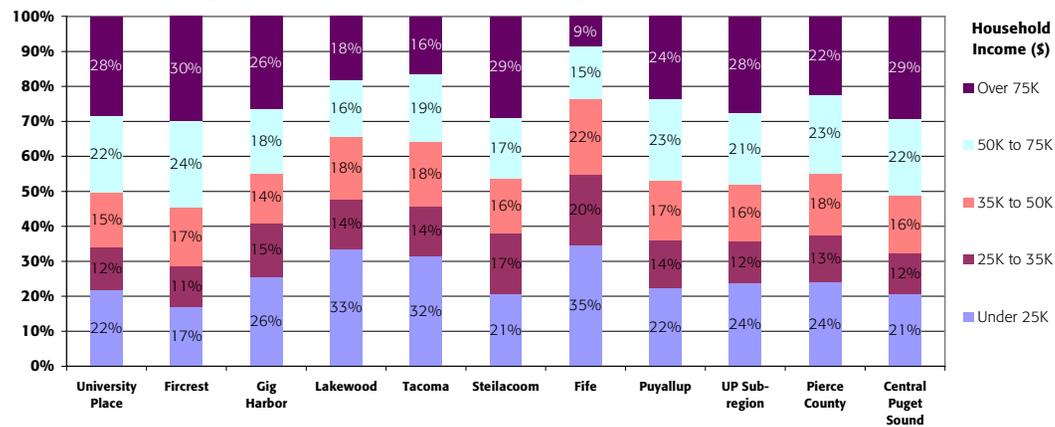
Source: U.S. Census Bureau, 2000

Exhibit 4 Per Capita Income, 1999



Source: U.S. Census Bureau, 2000

Exhibit 5 Percentage of Total Households by Household Income, 1999

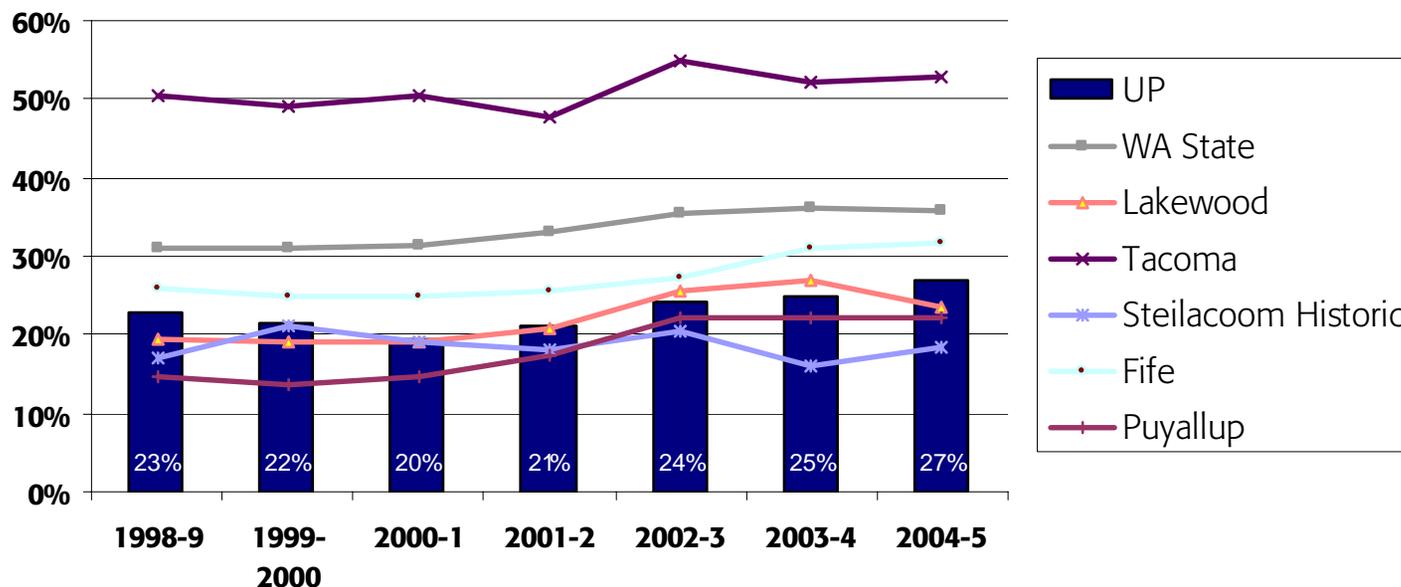


Source: U.S. Census Bureau, 2000

FREE OR REDUCED PRICE LUNCHES

- The percent of students in the University Place School District that are receiving free or reduced-price meals is greater than in the Lakewood, Puyallup, and Steilacoom Historic School Districts. The district has a lower percentage than the Fife and Tacoma Districts, and less than Washington State as a whole.
- The percentage of students receiving free or reduced-price lunches in the UP School District has been growing since the 2000-1 school year.

Exhibit 6
Percent of Students Receiving Free or Reduced-Price Meals

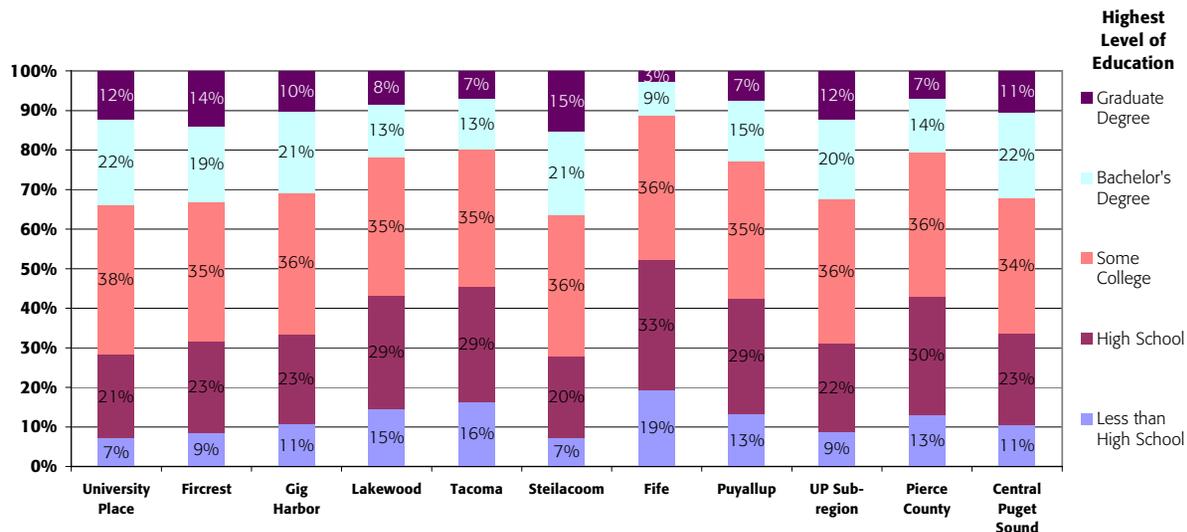


Source: Washington State Office of Superintendent of Public Instruction, 2006
 Note: School district boundaries do not correspond to city boundaries shown as comparables elsewhere in this report.

EDUCATIONAL ATTAINMENT

- University Place has a well-educated population with 34% of its residents having completed a four-year degree or higher. This is about the average for the region (33%), but much higher than Pierce County (21%), Lakewood (21%) and Tacoma (20%).

Exhibit 7
Distribution of Educational Attainment, 2000



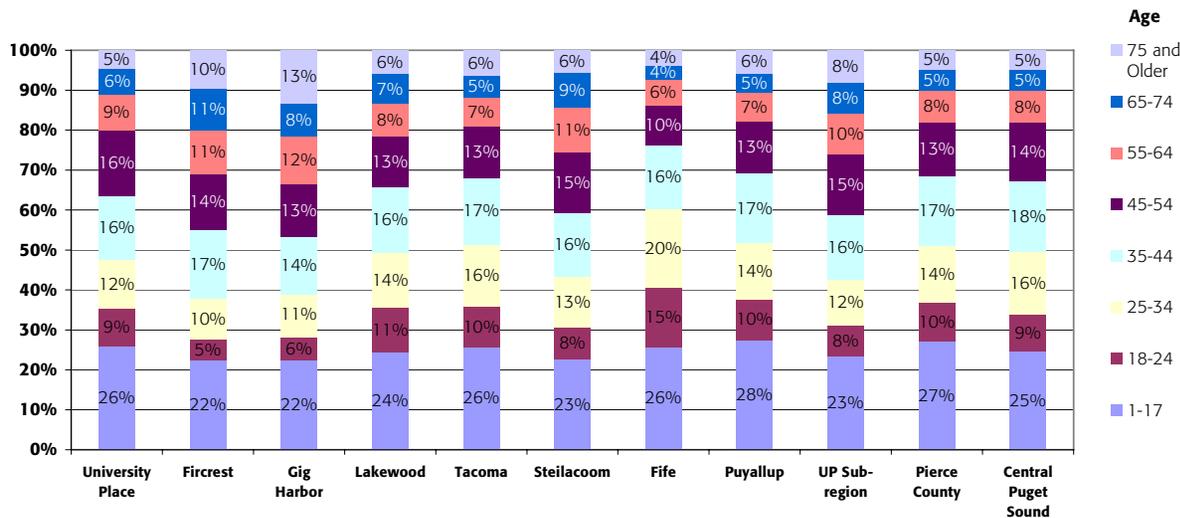
Source: U.S. Census Bureau, 2000

Note: Percentages based on population aged 25 and over.

AGE

- The age distribution in University Place is very similar to that of Pierce County, the region, and its larger neighbors Lakewood and Tacoma. Compared to its smaller neighbors Fircrest, Gig Harbor, and Steilacoom, the City has a larger proportion of younger residents and fewer elderly.
- Although University Place has a large percentage of families with children, the larger UP Sub-region has an age distribution that skews towards older residents. The UP Sub-region has a large population aged 65 and over (16%) as compared to University Place (11%), Pierce County (10%) and the region (10%). Conversely, the Sub-region has a smaller population of young adults and children (31%) compared to University Place (35%), Pierce County (37%), and the region (34%).

Exhibit 8
Age Distribution, 2000

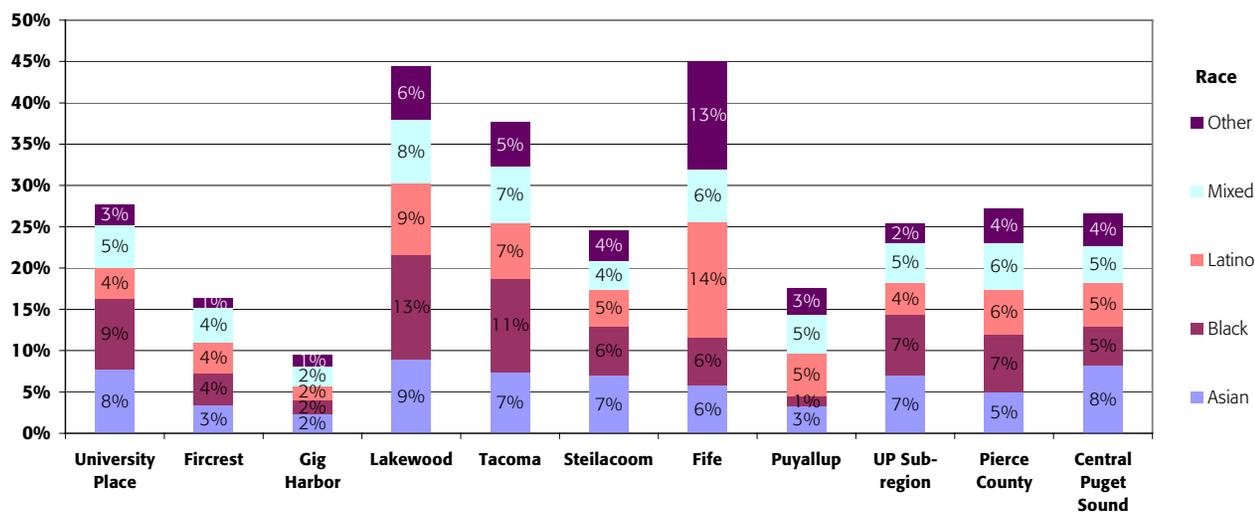


Source: U.S. Census Bureau, 2000

RACE

- The racial distribution in University Place is very similar to that of Pierce County and the region. The largest non-white racial group in the City is black (9%), followed closely by Asian (8%).
- University Place is not as racially diverse as its larger neighbors Lakewood and Tacoma, but it is more diverse than its smaller neighbors Fircrest, Gig Harbor, and Steilacoom.

**Exhibit 9
Minority Race Distribution, 2000**



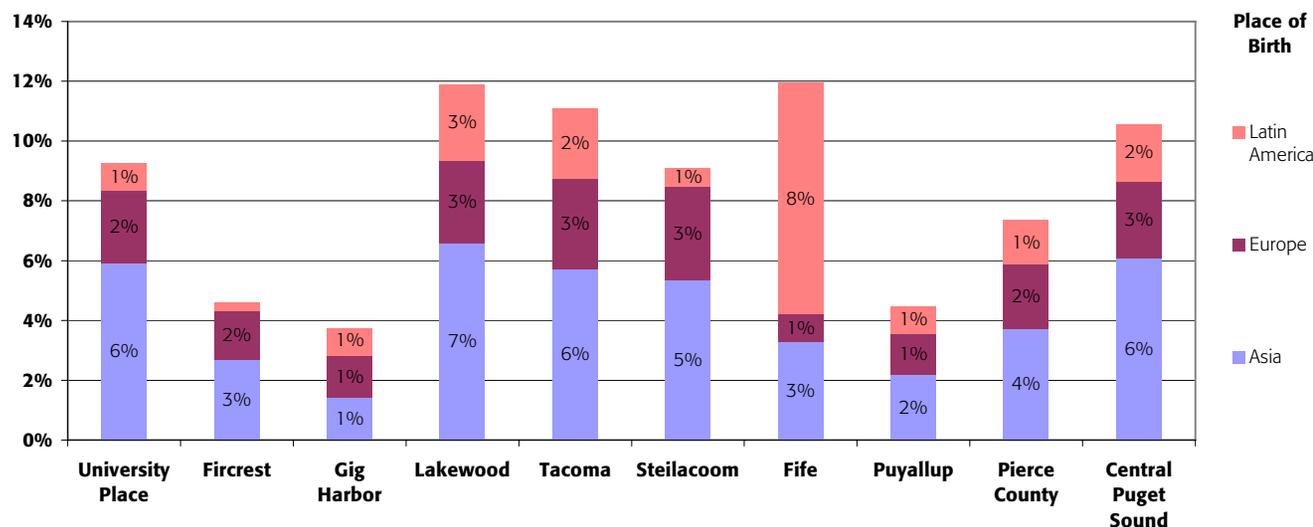
Source: U.S. Census Bureau, 2000

Notes: The Latino category is not additive with the other racial groups.

FOREIGN BORN POPULATION

- University Place has a slightly larger percentage of foreign born residents (10%) than Pierce County (8%) but a smaller proportion than the region (12%), Lakewood (13%) and Tacoma (12%).
- University Place has a much larger proportion of foreign born residents than Fircrest (6%) or Gig Harbor (5%).
- Residents born in Asia make up the largest share of the foreign born population in University Place, Tacoma and Lakewood.

Exhibit 10
Foreign Born Residents as Percentage of Total Population, 2000



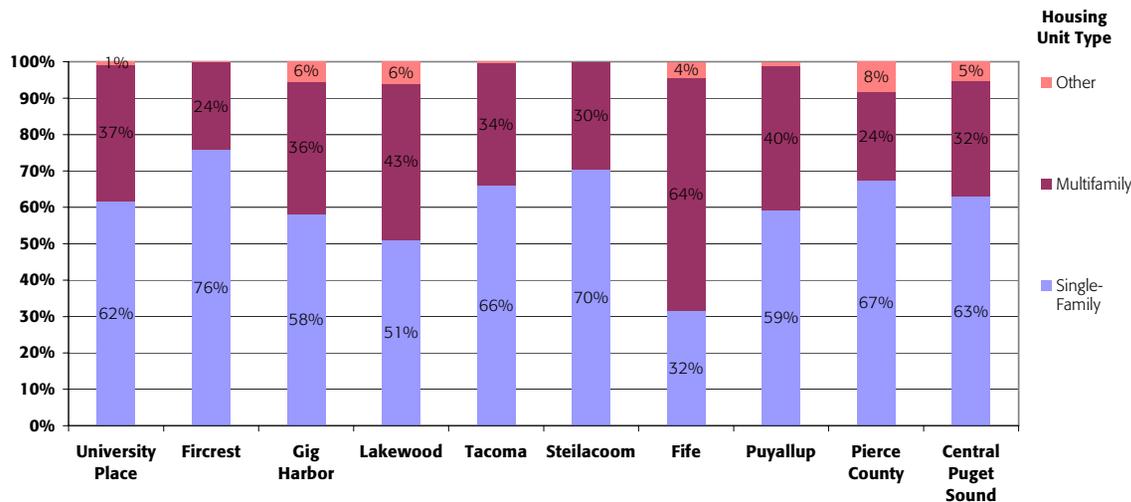
Source: U.S. Census Bureau, 2000

Notes: Percentages of foreign born residents from other regions excluded from this chart because no other region of birth exceeds 1% of population.

HOUSING

- University Place has a relatively large proportion of multifamily housing units (37%) compared to Pierce County (24%), the region (32%), and most of its neighbors except for Lakewood (43%). (Exhibit 11)
- The share of owner-occupied housing units in University Place that are multifamily (4%) is higher than the Pierce County average (2%) but lower than the regional average (6%). (Exhibit 12)
- University Place gained 536 new housing units between 2000 and 2005, a majority of which were single-family units. This rate of growth (4%) is similar to the growth seen in neighboring cities but is slower than the Pierce County average (10%) and regional average (8%). (Exhibit 14 and Exhibit 15)

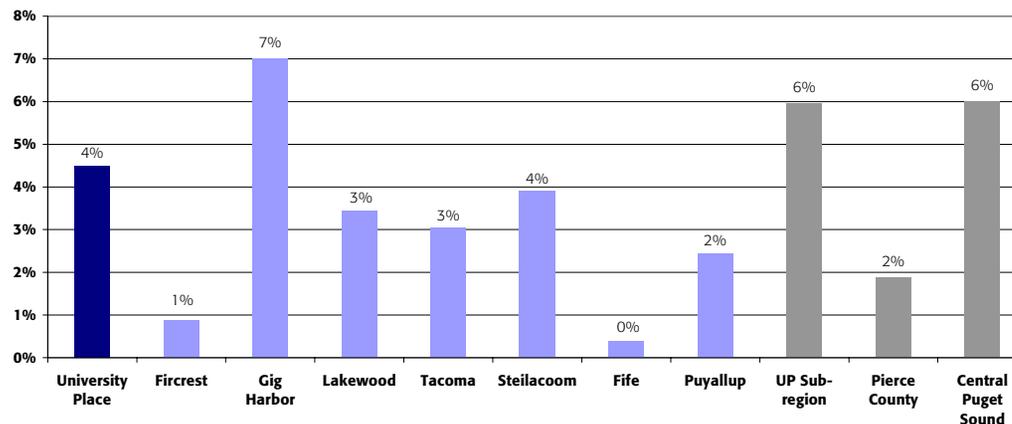
Exhibit 11
Distribution of Housing Units by Type, 2005



Source: Washington Office of Financial Management, 2005

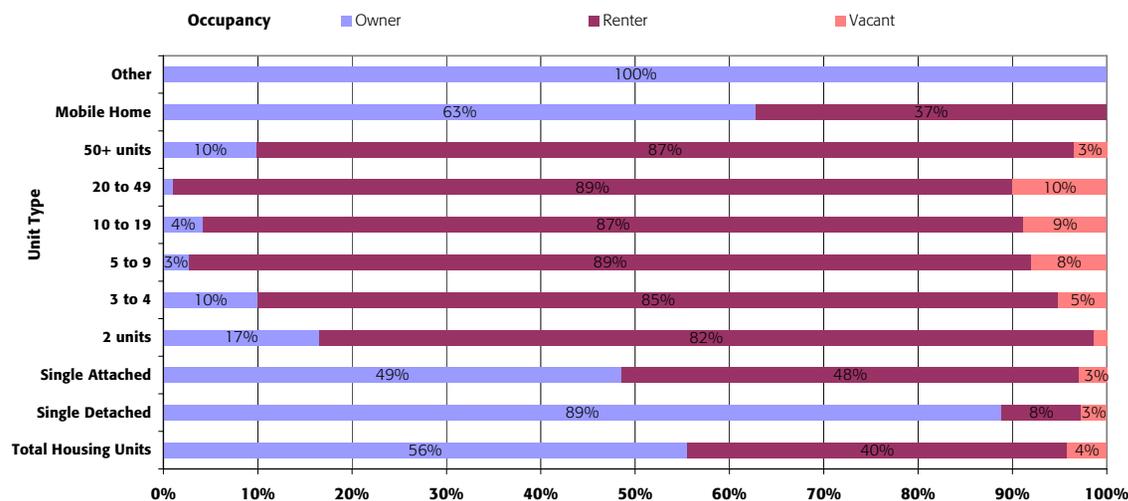
Note: The "Other" category includes mobile homes, RVs, boats, and other unique housing units.

Exhibit 12 Percentage of Owner-occupied Housing Units that are Multifamily, 2000



Source: U.S. Census Bureau, 2000

Exhibit 13 Distribution of University Place Housing Units by Type and Tenure, 2000



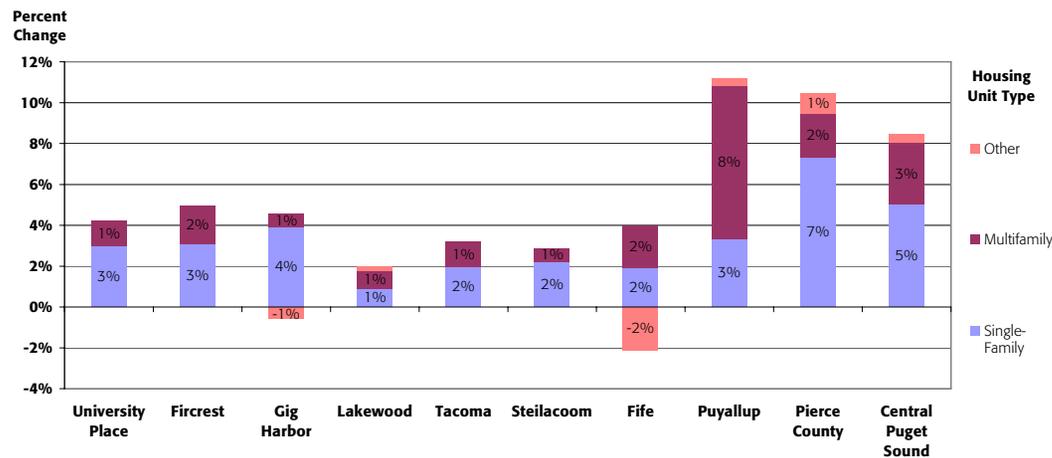
Source: U.S. Census Bureau, 2000

Exhibit 14 Housing Unit Totals and Change by Unit Type, 2000-2005

	Total Housing Units		Housing Units Change (2000-2005)			Percent Change (2000-2005)	
	2000	2005	Total	Single-Family	Multifamily		Other
University Place	12,684	13,220	536	378	158	0	4%
Fircrest	2,573	2,700	127	79	48	0	5%
Gig Harbor	3,085	3,208	123	120	21	-18	4%
Lakewood	25,449	25,950	501	228	219	54	2%
Tacoma	81,102	83,685	2,583	1,591	992	0	3%
Steilacoom	2,674	2,751	77	59	18	0	3%
Fife	2,232	2,274	42	43	46	-47	2%
Puyallup	13,468	14,978	1,510	448	1,011	51	11%
Pierce County	277,060	305,957	28,897	20,293	5,876	2,728	10%
Central Puget Sound	1,348,148	1,462,338	114,190	67,390	41,269	5,531	8%

Source: Washington Office of Financial Management, 2005

Exhibit 15 Percentage Change in Housing Units by Unit Type, 2000-2005



Source: Washington Office of Financial Management, 2005

EMPLOYMENT

Note about employment numbers

All employment data in this section refers to “covered” employment as summarized by the Puget Sound Regional Council. These are jobs covered by the state unemployment insurance program, which is administered by the Washington State Employment Security Department (ESD). Workers excluded from covered employment totals include members of the armed forces, self-employed workers, sole proprietors, and other non-insured workers. Total job numbers are likely to be about 10 to 15 percent higher than the number of covered jobs.

Definitions of employment categories

- Construction and Resources: (NAICS codes 11, 21, and 23). Includes agriculture, forestry, fishing, mining, and construction.
- Finance, Insurance, Real Estate (FIRE): (NAICS codes 52 and 53).
- Manufacturing: (NAICS codes 31, 32, and 33).
- Retail: (NAICS codes 44 and 45).
- Services: (NAICS codes 54-81). See descriptions of sub-categories in the Services Employment section.
- Wholesale Trade, Transport, Warehousing, and Utilities (WTU): (NAICS codes 22, 42, 48, and 49).
- Education: (NAICS code 61). Public education jobs estimated with supplementary data from Washington State Superintendent of Schools Office.
- Government: (NAICS code 92).

- University Place has very strong Services (2,817 jobs) and Education (763 jobs) sectors. Percentages of total employment for these two sectors are both much higher than those seen in Pierce County and the region. (Exhibit 16 and Exhibit 17)
- Weaker employment sectors in University Place include Manufacturing and Wholesale Trade, Transport, and Utilities (WTU) – each with about two percent of the City’s total employment base. (Exhibit 17)

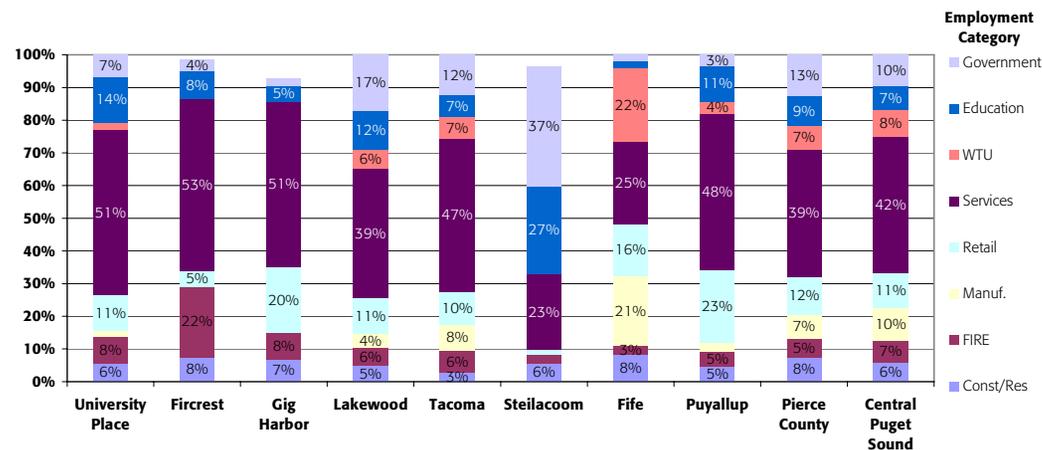
Exhibit 16 Total Employment by Sector, 2004

	University Place	Fircrest	Gig Harbor	Lakewood	Tacoma	Steilacoom	Fife	Puyallup	Pierce County	Central Puget Sound
Government	380	40	162	3,958	12,421	273	228	657	31,038	155,252
Education	763	94	319	2,685	6,653	201	221	2,175	21,962	114,703
WTU	123	*	*	1,391	6,737	*	2,440	723	17,731	132,596
Services	2,817	595	3,380	9,061	46,629	171	2,756	9,385	95,147	669,467
Retail	610	53	1,360	2,539	10,096	11	1,742	4,435	28,452	172,961
Manufacturing	86	*	*	943	8,135	*	2,300	495	18,185	162,079
FIRE	459	244	536	1,289	6,493	21	306	934	13,329	104,809
Const/Resources	306	85	454	1,111	2,868	41	903	902	18,483	96,134
Total Jobs	5,545	1,128	6,685	22,977	100,033	743	10,895	19,706	244,327	1,608,001

Source: Puget Sound Regional Council and Employment Security Department, 2005

* Data have been suppressed for confidentiality purposes (occurs either when employment for any one firm comprises more than 80% of category total or when fewer than three firms are represented)

Exhibit 17 Total Employment Distribution by Sector, 2004



Source: Puget Sound Regional Council and Employment Security Department, 2005

Note: Fircrest, Gig Harbor, and Steilacoom percentages do not add up to 100% because of data suppression.

SERVICES EMPLOYMENT

This section analyzes the sub-categories of Services employment, which typically make up the largest portion of a City's employment base.

Definitions of Services employment sub-categories

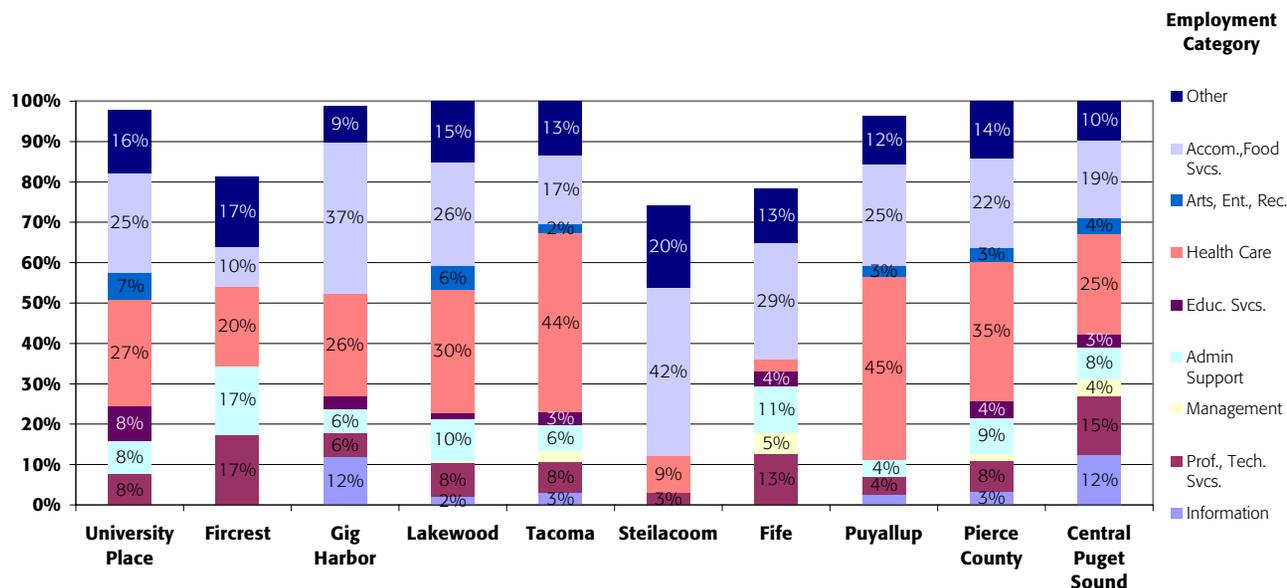
- Information: (NAICS code 51). Includes publishing, broadcasting, and telecommunications.
 - Professional, Scientific, and Technical Services: (NAICS code 54). Includes legal, accounting, architectural, computer systems, advertising, and scientific research services.
 - Management of Companies and Enterprises: (NAICS code 55).
 - Administrative, Support, Waste Management and Remediation Services: (NAICS code 56).
 - Educational Services: (NAICS code 61). Includes private education jobs that are not counted under the PSRC's "Education" category (which only includes public jobs).
 - Health Care and Social Assistance: (NAICS code 62).
 - Arts, Entertainment and Recreation: (NAICS code 71).
 - Accommodation and Food Services: (NAICS code 72). Includes hotels, restaurants and bars. Does not include groceries, which fall under retail trade rather than services.
 - Other Services: (NAICS code 81). Includes auto repair shops, personal and laundry services, and religious and civic organizations.
- The largest services sectors in University Place are Health Care and Social Assistance (750 jobs) and Accommodation and Food Services (695 jobs) – both higher shares than the regional average. (Exhibit 18 and Exhibit 19)
 - University Place also has comparatively strong concentrations of employment in Arts, Entertainment and Recreation (7% of employment base) and Educational Services (8%) – both about twice the average shares seen in Pierce County and the region. (Exhibit 18 and Exhibit 19)

Exhibit 18 Services Employment by Detailed Service Sector, 2004

	University Place	Fircrest	Gig Harbor	Lakewood	Tacoma	Steilacoom	Fife	Puyallup	Pierce County	Central Puget Sound
Other Services	443	104	305	1,368	6,270	35	372	1,129	13,500	65,295
Accomm./Food	695	59	1,261	2,336	7,898	71	792	2,359	20,955	128,302
Arts/Recreation	186	*	*	531	1,089	*	*	246	3,278	27,388
Health Care	750	116	865	2,751	20,653	16	88	4,260	32,966	165,081
Educational	237	*	107	137	1,514	*	99	*	3,900	22,361
Admin. Support	235	102	199	945	2,970	*	316	386	8,485	53,433
Management	*	*	*	57	1,199	0	148	*	1,699	27,831
Professional/Tech	214	104	197	748	3,648	5	346	420	7,200	97,458
Information	*	*	404	187	1,388	*	*	242	3,164	82,882
Total Services Jobs	2,817	595	3,380	9,061	46,629	171	2,756	9,385	95,147	669,467

Source: Puget Sound Regional Council and Employment Security Department, 2005
 * Data have been suppressed for confidentiality purposes (occurs either when employment for any one firm comprises more than 80% of category total or when fewer than three firms are represented)

Exhibit 19 Services Employment Distribution, 2004



Source: Puget Sound Regional Council and Employment Security Department, 2005

Note: Most city percentages do not add up to 100% because of data suppression.

EMPLOYMENT CHANGE

- University Place gained 242 jobs between 2001 and 2004; a five percent increase in the City’s employment base. This rate was slightly faster than the Pierce County growth rate over the same period.
- University Place’s neighbors Fircrest and Gig Harbor experienced significant job growth over the 2001-2004 time period particularly in the Services, Retail, FIRE and Construction sectors.
- Government (255 jobs), FIRE (91 jobs), and Construction (43 jobs) were the sectors gaining the most jobs in University Place while Retail was the one sector with a significant loss in jobs (-143 jobs).

Exhibit 20 Employment Change by Sector, 2001-2004

Employment Change 2001-2004 (Jobs)									
	Construction and Resources	Finance, Insurance, Real Estate	Manufacturing	Retail	Services	Wholesale Trade, Transport, Utilities	Education	Government	Total Jobs
University Place	43	91	-6	-143	14	-12	-1	255	242
Fircrest	20	64	*	3	106	*	-13	8	174
Gig Harbor	127	161	*	312	429	*	2	62	1,224
Lakewood	99	-124	273	-622	-227	-118	129	92	-500
Tacoma	118	-357	-1,510	-143	2,450	-506	253	-649	-345
Steilacoom	-2	-2	*	*	-17	*	-119	196	-142
Fife	-50	-89	-24	500	-228	-34	52	63	190
Puyallup	114	271	-242	-242	231	340	-57	153	569
Pierce	2,054	595	-2,936	126	4,202	535	546	1,029	6,151
Central Puget Sound	-5,476	3,284	-44,820	-10,857	-10,859	-9,823	7,470	3,053	-68,028

Percentage Employment Change 2001-2004									
	Construction and Resources	Finance, Insurance, Real Estate	Manufacturing	Retail	Services	Wholesale Trade, Transport, Utilities	Education	Government	Total Jobs
University Place	17%	25%	-6%	-19%	1%	-9%	0%	205%	5%
Fircrest	32%	35%	*	6%	22%	*	-12%	24%	18%
Gig Harbor	39%	43%	*	30%	15%	*	1%	62%	22%
Lakewood	10%	-9%	41%	-20%	-2%	-8%	5%	2%	-2%
Tacoma	4%	-5%	-16%	-1%	6%	-7%	4%	-5%	0%
Steilacoom	-5%	-7%	*	*	-9%	*	-37%	254%	-16%
Fife	-5%	-23%	-1%	40%	-8%	-1%	31%	38%	2%
Puyallup	14%	41%	-33%	-5%	3%	89%	-3%	30%	3%
Pierce	13%	5%	-14%	0%	5%	3%	3%	3%	3%
Central Puget Sound	-5%	3%	-22%	-6%	-2%	-7%	7%	2%	-4%

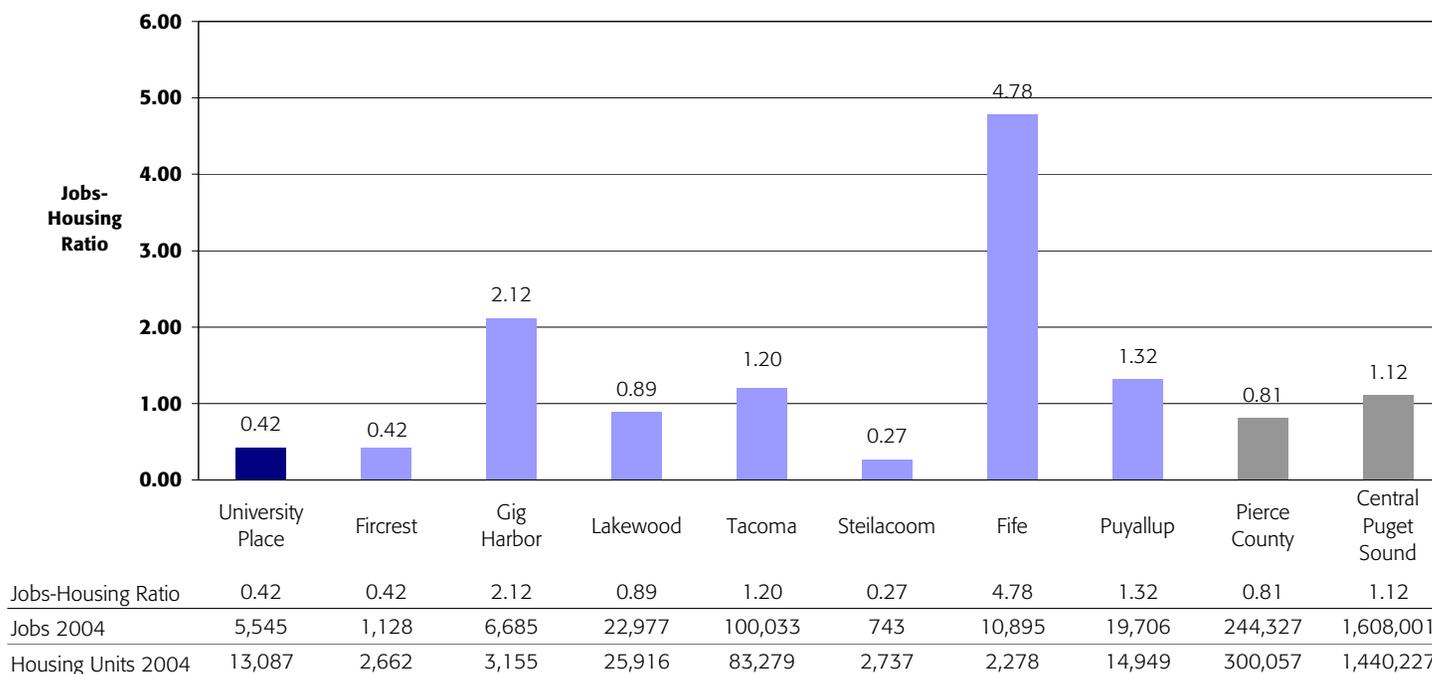
Source: Puget Sound Regional Council and Employment Security Department, 2005

* Data have been suppressed for confidentiality purposes (occurs either when employment for any one firm comprises more than 80% of category total or when fewer than three firms are represented)

JOBS-HOUSING BALANCE

- The ratio of jobs to housing units in University Place (0.42) is lower than the Pierce County (0.81) and regional (1.12) averages, indicating that many of the City's residents commute outside the city limits for work.
- Of University Place's close neighbors, Tacoma is the most significant employment center with over 100,000 jobs and a jobs to housing ratio of 1.20. Gig Harbor has a relatively high jobs to housing ratio of 2.12, likely drawing many employees from the Key Peninsula and other outlying areas.

Exhibit 21
Ratio of Jobs to Housing Units, 2004

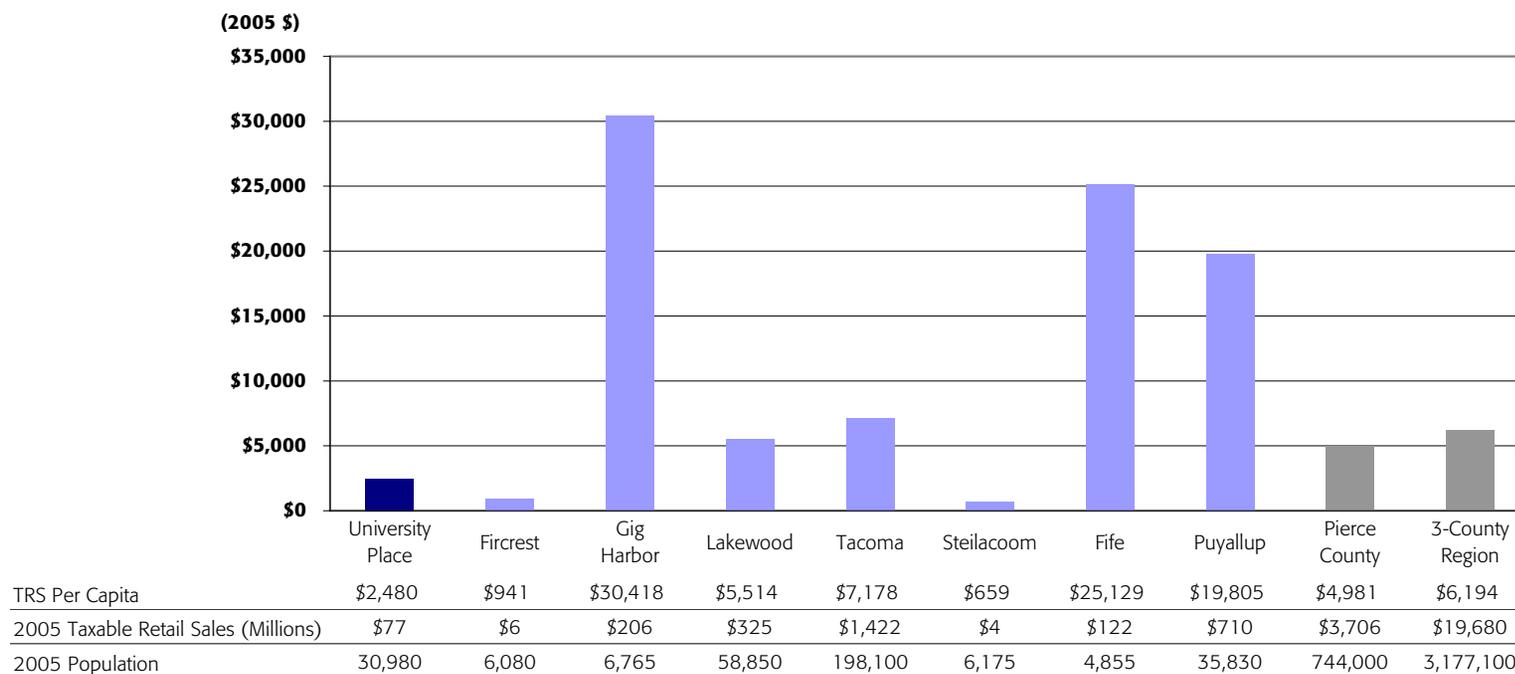


Source: Puget Sound Regional Council, Employment Security Department, and Office of Financial Management, 2005

RETAIL SALES

- University Place has a modest level of taxable retail sales (TRS) per capita (\$2,480), which is about one half of the Pierce County average (\$4,981).
- Neighboring Lakewood and Tacoma have stronger TRS per capita rates close to regional averages. Gig Harbor is the one neighboring city that has significantly higher than average retail sales. The bulk of Gig Harbor's non-auto retail sales are coming from department stores and sales of building materials.

Exhibit 22
Taxable Retail Sales per Capita, 2005



Source: Washington Department of Revenue and Office of Financial Management, 2006

Note: Auto sales have been excluded from TRS totals.

RETAIL SALES BY SUB-CATEGORY

- Over 70% of University Place's taxable retail sales come from four categories: General Merchandise, Miscellaneous Retail, Food and Drink, and Health/Personal Care (includes drug stores).
- Although not officially in the "Retail Trade" category, Restaurant sales were included in calculations as a significant contributor to TRS taken in by University Place.
- Since 2000, University Place retail sales have increased by 28%, or 5.1% annually. This is slightly faster than the State, which saw retail sales increase annually by about 4.0% over the same time period.

Exhibit 23
University Place Taxable Retail Sales by Detailed Category, 2000-2005

Category	Taxable Retail Sales					
	2000	2001	2002	2003	2004	2005
Restaurants/Catering	\$24,109,702	\$24,167,241	\$23,074,342	\$24,984,174	\$26,179,842	\$27,452,823
Gen. Merchandise	\$15,874,286	\$20,394,315	\$21,968,693	\$21,942,234	\$21,973,323	\$22,693,560
Groceries/Liquor	\$12,873,832	\$11,283,796	\$10,764,181	\$10,514,102	\$9,692,669	\$14,058,286
Misc. Retail	\$9,599,444	\$9,574,582	\$9,369,453	\$9,782,966	\$10,939,387	\$11,486,694
Health/Personal Care	\$8,011,334	\$7,579,587	\$6,978,720	\$7,012,239	\$8,963,315	\$9,763,608
Electronics/Appliances	\$1,919,017	\$1,502,725	\$1,781,297	\$3,984,579	\$4,705,009	\$4,455,722
Autos and Parts	\$1,717,728	\$1,888,512	\$2,096,583	\$2,592,066	\$2,800,270	\$3,338,893
Furniture/Furnishings	\$2,042,223	\$2,005,500	\$2,465,403	\$2,359,565	\$2,131,717	\$3,029,185
Nonstore Retail	\$1,163,092	\$1,272,875	\$1,588,471	\$1,850,732	\$2,300,698	\$2,824,569
Gas Stations	\$1,956,110	\$1,741,917	\$1,821,966	\$1,797,489	\$2,242,273	\$2,514,789
Apparel/Accessories	\$1,663,181	\$1,049,836	\$1,065,142	\$2,298,266	\$2,474,059	\$2,430,689
Bldg. Material/Garden Supply	\$2,377,055	\$2,207,926	\$1,604,780	\$1,318,153	\$1,731,202	\$1,918,590
Sports/Books/Music	\$3,288,839	\$2,019,151	\$1,928,650	\$1,988,805	\$2,277,671	\$1,640,765
Total Retail	\$62,486,141	\$62,520,722	\$63,433,339	\$67,441,196	\$72,231,593	\$80,155,350

Source: Washington Department of Revenue, 2006

Note: All categories are three-digit NAICS categories under retail trade except for Restaurants/Catering, which falls under Accommodation and Food Services. For this reason, TRS from Restaurants/Catering are not included in the Total Retail sum.

PERSON-EXPENDITURES

One way to assess the relative strength of a city's retail sector is in terms of "person-expenditures." For example, if a typical household in Washington spends \$1,000 annually on grocery store purchases, and if grocery stores in University Place take in \$10 million in grocery sales per year, then University Place stores are taking in the equivalent of 10,000 people's expenditures (\$10 million of expenditures divided by \$1,000 per person = 10,000 person-expenditures). High-performing retail sectors will typically draw in more person-expenditures than the surrounding population because they capture retail sales from persons outside the immediate community.

Exhibit 24 converts University Place retail sales into person-expenditures for various retail sub-categories. Exhibit 26 shows the same information in a graphic.

- Health and Personal Care stores (includes drug stores) have the highest person-expenditures (51,036) and is the only category with person-expenditures higher than the University Place population.
- Auto and Parts stores, Building Material stores, and Apparel are the categories with the lowest person-expenditures, far below the UP population. This indicates that sales of these types of products are "leaking" out to neighboring retail centers outside the city limits.

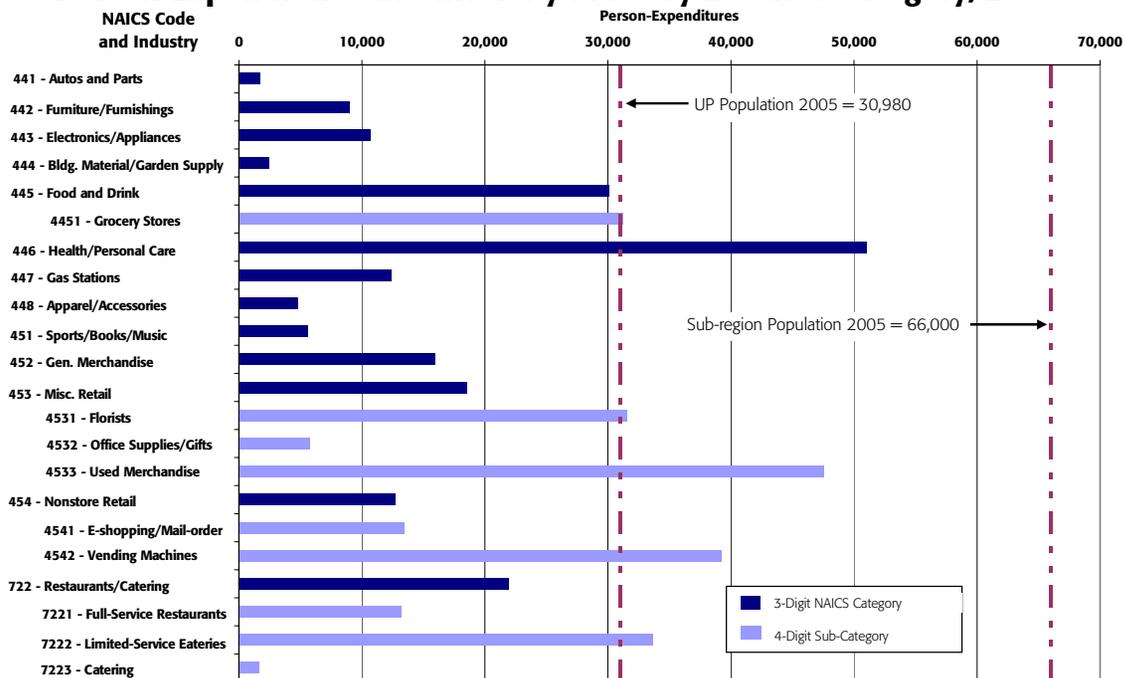
Exhibit 24
Person-Expenditures Captured by University Place Retailers, 1996-2005

	Person-Expenditures									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
UP Population	28,281	28,623	29,030	29,253	29,933	30,190	30,350	30,720	30,800	30,980
Health/Personal Care	28,872	32,320	39,722	43,596	46,011	44,814	41,662	40,908	50,996	51,036
Groceries/Liquor	22,221	25,197	25,759	26,727	24,863	21,827	21,211	20,829	19,840	30,117
Restaurants/Catering	24,125	23,813	24,389	24,170	23,187	22,884	21,674	22,639	22,094	21,973
Misc. Retail	26,142	24,198	22,703	19,781	18,644	18,812	18,638	19,023	20,598	18,523
Gen. Merchandise	N/A	148	182	182	13,120	16,569	17,563	17,214	16,350	15,940
Nonstore Retail	4,575	5,137	5,991	6,710	7,121	8,253	10,368	11,584	13,219	12,734
Gas Stations	9,100	8,743	10,637	11,951	10,901	9,820	10,329	10,048	11,836	12,398
Electronics/Appliances	2,577	4,556	6,133	6,142	5,386	4,732	5,463	12,465	12,617	10,728
Furniture/Furnishings	8,045	9,137	10,178	12,035	7,455	7,817	9,782	8,846	7,276	9,060
Sports/Books/Music	15,001	14,750	13,062	11,315	10,661	6,809	6,676	6,851	7,837	5,656
Apparel/Accessories	1,549	1,535	1,849	2,196	3,791	2,424	2,461	5,084	5,086	4,849
Bldg. Material/Garden Supply	4,831	1,274	1,460	2,981	4,306	4,034	2,769	2,070	2,406	2,432
Autos and Parts	1,375	1,161	1,201	1,094	987	1,103	1,196	1,428	1,504	1,734
Total Retail	7,186	7,308	7,658	7,713	9,720	9,892	9,926	10,241	10,428	10,858

Source: Washington Department of Revenue and Office of Financial Management, 2006

- Exhibit 25 shows person-expenditures for some of the significant retail sub-categories along with the City's population and Sub-region population as reference points.
- Several sub-categories have person-expenditures in excess of the City's population, including Used Merchandise (47,615), Vending Machine Operators (39,272), and Limited-Service Eateries (33,670). However, no categories have person-expenditures greater than the Sub-region population, which would have been an indicator of a sector with market-area or regional appeal.
- Although Limited-Service Eateries has a relatively high level of person-expenditures, Full-Service Restaurants appear to be in short supply with only 13,227 person-expenditures.

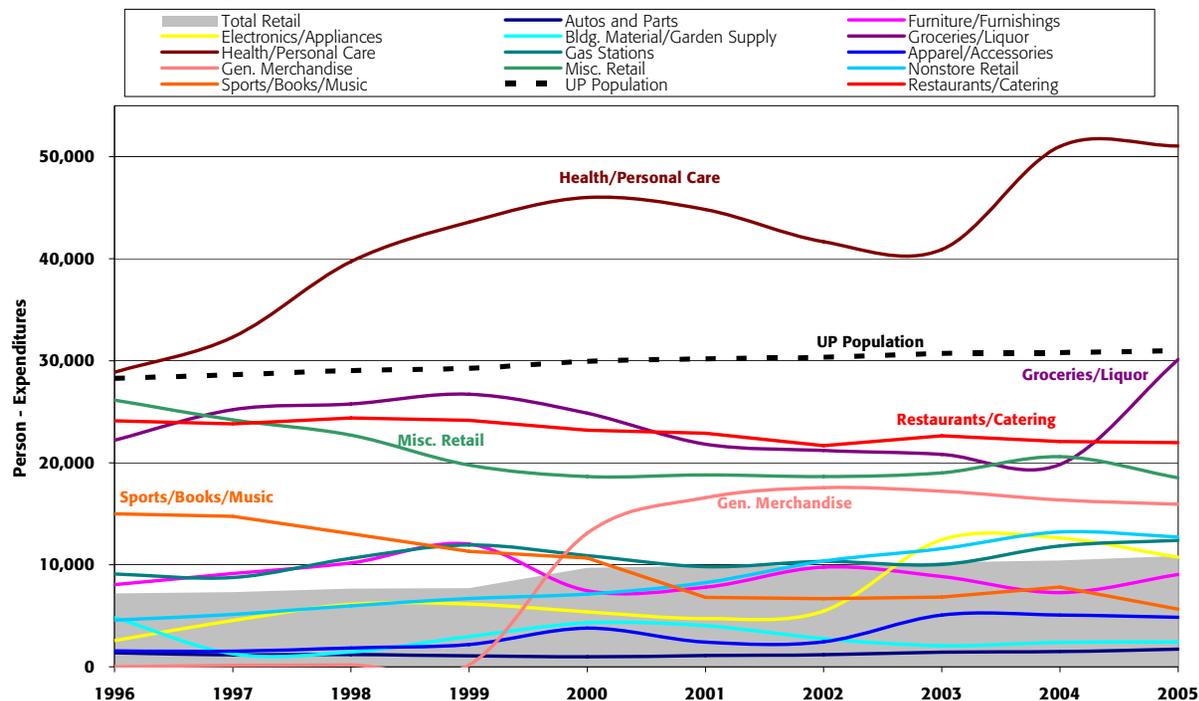
Exhibit 25
Person-Expenditures in University Place by Detailed Category, 2005



Source: Washington Department of Revenue and Office of Financial Management, 2006

- Exhibit 26 shows how person-expenditures have shifted over time in relation to the City's population level.
- The Groceries category saw a big jump of over 10,000 person-expenditures in 2005 due to the opening of Trader Joes in the City.
- Miscellaneous Retail and Food and Drink have remained relatively steady at around 20,000 person-expenditures for the past few years.
- In recent years, aside from Health and Personal Care stores, Non-store Retail (includes e-commerce), General Merchandise, and Electronics and Appliance stores have shown steady growth in person-expenditures taken in.

Exhibit 26
Person-Expenditures in University Place by Retail Category, 1996-2005



Source: Washington Department of Revenue and Office of Financial Management, 2006

RETAIL LEAKAGE

- This section assesses the amount of potential retail sales being lost to retailers in nearby areas. The sales potential is based on University Place's population and the spending one would expect from a community its size. If the sales potential were based on the UP Sub-region as defined earlier, sales potential would be about doubled.
- The yellow sections in Exhibit 27 show three different ways retail leakage can be expressed – 1) the amount of potential sales lost, 2) the amount of potential sales tax revenue lost, and 3) the percentage of sales potential being received in each retail category.
- Health and Personal Care is the only category not suffering from retail leakage. Groceries are also doing relatively well.
- All other categories have varying degrees of retail leakage, particularly the Autos and Parts and Building Materials categories.
- Overall, University Place is only achieving about 36% of the retail sales one would expect for a city of its size and is losing about \$1.6M in potential retail sales tax revenue annually.

Exhibit 27 - University Place Retail Sales Leakage, 2005

Category	(A) Total Sales Potential	(B) Total Sales Tax Potential	(C) Total Sales Made	(D) Total Sales Tax Received	(A)-(C) Difference Sales Potential- Sales Made	(B)-(D) Difference Tax Potential- Tax Received	(D)/(B) Tax Received as Percentage of Total Possible
Health/Personal Care	\$6,589,994	\$55,356	\$9,763,608	\$82,014	-\$3,173,614	-\$26,658	148%
Groceries/Liquor	\$16,079,674	\$135,069	\$14,058,286	\$118,090	\$2,021,388	\$16,980	87%
Restaurants/Catering	\$43,036,999	\$361,511	\$27,452,823	\$230,604	\$15,584,176	\$130,907	64%
Misc. Retail	\$21,361,565	\$179,437	\$11,486,694	\$96,488	\$9,874,871	\$82,949	54%
Gen. Merchandise	\$49,041,296	\$411,947	\$22,693,560	\$190,626	\$26,347,736	\$221,321	46%
Nonstore Retail	\$7,640,899	\$64,184	\$2,824,569	\$23,726	\$4,816,330	\$40,457	37%
Gas Stations	\$6,987,165	\$58,692	\$2,514,789	\$21,124	\$4,472,376	\$37,568	36%
Electronics/Appliances	\$14,306,585	\$120,175	\$4,455,722	\$37,428	\$9,850,863	\$82,747	31%
Furniture/Furnishings	\$11,517,585	\$96,748	\$3,029,185	\$25,445	\$8,488,400	\$71,303	26%
Sports/Books/Music	\$9,992,836	\$83,940	\$1,640,765	\$13,782	\$8,352,071	\$70,157	16%
Apparel/Accessories	\$17,267,326	\$145,046	\$2,430,689	\$20,418	\$14,836,637	\$124,628	14%
Bldg. Material/Garden Supply	\$27,177,234	\$228,289	\$1,918,590	\$16,116	\$25,258,644	\$212,173	7%
Autos and Parts	\$66,341,513	\$557,269	\$3,338,893	\$28,047	\$63,002,620	\$529,222	5%
Total	\$297,340,671	\$2,497,662	\$107,608,173	\$903,909	\$189,732,498	\$1,593,753	36%

Source: Washington Department of Revenue and Berk & Associates, 2006

Retail Leakage Over Time

- This section assesses retail leakage over time, with Exhibit 28 showing retail leakage in 2001, and Exhibit 29 comparing this graphically to the figures for 2005 shown in Exhibit 27.
- Health/Personal Care and Groceries showed the biggest increases from 2001 to 2005 in tax received as a percentage of total possible. The “Trader Joe’s effect” is evident in the Groceries category.
- Nonstore retail, gas stations, electronics, furniture and apparel also showed some increases in percentages. Most other categories showed a slight drop in percentage
- Overall, the percentage of capture only changed from 35% in 2001 to 36% in 2005 (Exhibit 27 and Exhibit 28).
- Autos and Parts is the category exhibiting the most leakage, with the City capturing less than 10% of tax receipts expected given the City’s population.

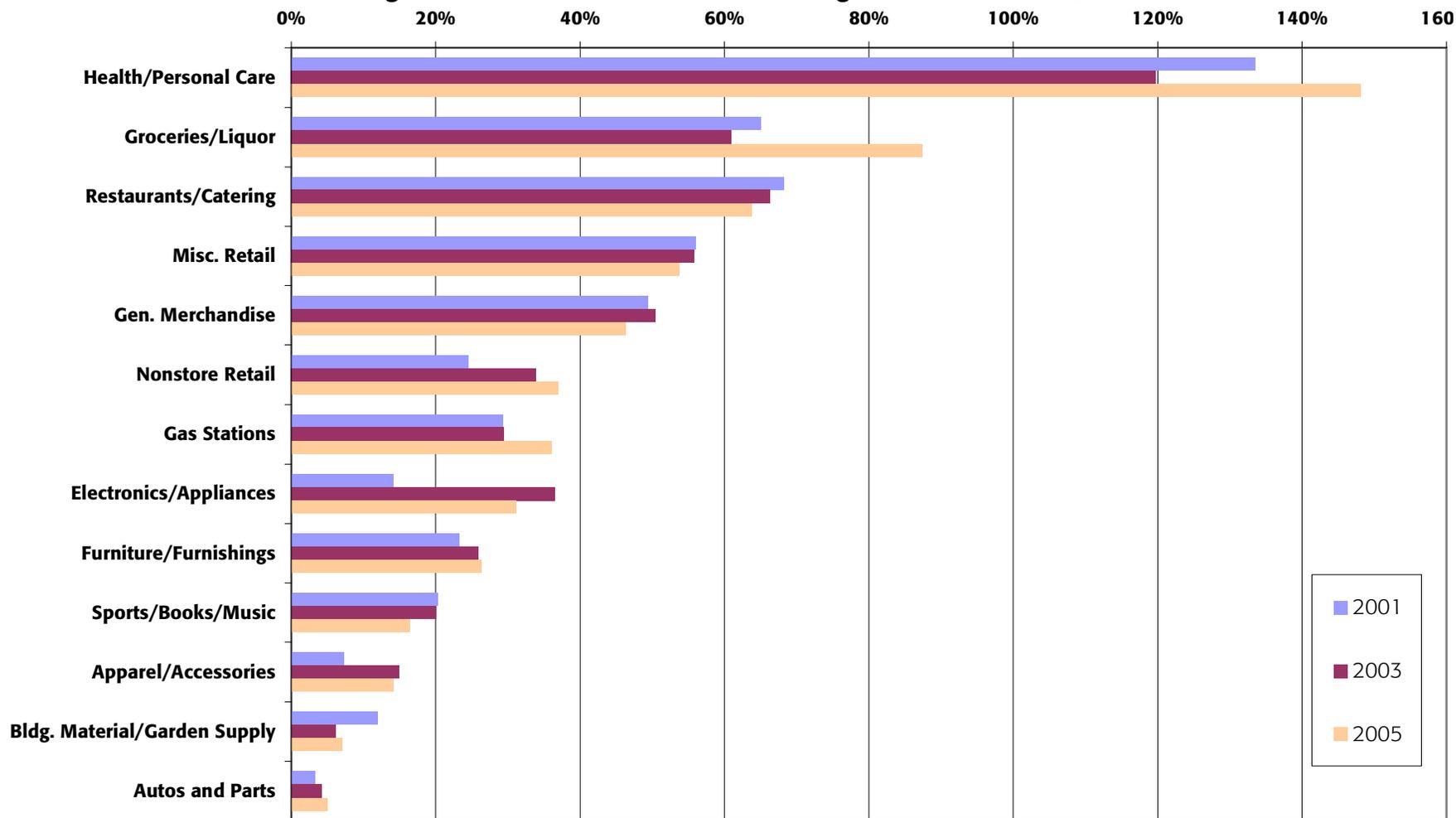
Exhibit 28 - University Place Retail Sales Leakage, 2001

Category	(A)	(B)	(C)	(D)	(A)-(C)	(B)-(D)	(D)/(B)
	Total Sales Potential	Total Sales Tax Potential	Total Sales Made	Total Sales Tax Received	Difference Sales Potential-Sales Made	Difference Tax Potential-Tax Received	Tax Received as Percentage of Total Possible
Health/Personal Care	\$5,677,583	\$47,692	\$7,579,587	\$63,669	-\$1,902,004	-\$15,977	134%
Restaurants/Catering	\$35,450,561	\$297,785	\$24,167,241	\$203,005	\$11,283,320	\$94,780	68%
Groceries/Liquor	\$17,354,147	\$145,775	\$11,283,796	\$94,784	\$6,070,351	\$50,991	65%
Misc. Retail	\$17,085,163	\$143,515	\$9,574,582	\$80,426	\$7,510,581	\$63,089	56%
Gen. Merchandise	\$41,319,441	\$347,083	\$20,394,315	\$171,312	\$20,925,126	\$175,771	49%
Gas Stations	\$5,954,281	\$50,016	\$1,741,917	\$14,632	\$4,212,364	\$35,384	29%
Nonstore Retail	\$5,177,661	\$43,492	\$1,272,875	\$10,692	\$3,904,786	\$32,800	25%
Furniture/Furnishings	\$8,612,206	\$72,343	\$2,005,500	\$16,846	\$6,606,706	\$55,496	23%
Sports/Books/Music	\$9,954,247	\$83,616	\$2,019,151	\$16,961	\$7,935,096	\$66,655	20%
Electronics/Appliances	\$10,660,017	\$89,544	\$1,502,725	\$12,623	\$9,157,292	\$76,921	14%
Bldg. Material/Garden Supply	\$18,374,839	\$154,349	\$2,207,926	\$18,547	\$16,166,913	\$135,802	12%
Apparel/Accessories	\$14,540,197	\$122,138	\$1,049,836	\$8,819	\$13,490,361	\$113,319	7%
Autos and Parts	\$57,455,266	\$482,624	\$1,888,512	\$15,864	\$55,566,754	\$466,761	3%
Total	\$247,615,610	\$2,079,971	\$86,687,963	\$728,179	\$160,927,647	\$1,351,792	35%

Source: Washington Department of Revenue and Berk & Associates, 2006

Note: Figures shown are in 2001 dollars.

Exhibit 29 Retail Leakage: Sales Tax Received as a Percentage of Total Possible, 2001-2005



Source: Washington Department of Revenue and Berk & Associates, 2006

Stakeholder Interview Summary



**City of University Place
Economic Development Strategic
Action Plan 2007-2011
Stakeholder Interview Summary – Last
Updated June 9, 2006**

Overview of Stakeholder Interviews Conducted

This document summarizes the results of phone interviews conducted with 36 individual stakeholders as well as group interviews with the UP/Fircrest Chamber of Commerce and the UP Home Business Forum. All interviews were conducted in April and May, 2006.

A summary of responses organized by theme follows. Bulleted lines are representative quotes, with introductory text in italics which describes in relative terms the number of stakeholders who agreed with the following idea.

It is important to note that this outreach process is not a scientific or comprehensive survey of stakeholders, and so should be taken as one piece of input to be considered with others. The City's Local Business Profile and Light Manufacturing Survey will provide additional important input, with much greater representation of individual business owners.

Attachment A provides a list of interviews conducted and **Attachments B** shows the interview questions posed to stakeholders. Each interview was conducted as a conversation, focusing on areas relevant to the particular stakeholder and using the interview questions as a guide.

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Interview Responses

What do you think of when you think of UP?

- I think of a city with a high degree of community spirit.
- I like their proactive nature. I think it's working very well for them. When I think about UP, I think educated and lots of energy.
- Above average incomes. High quality of life, view properties. Quality schools, high end residential housing, wonderful view vistas, public safety, good traffic calming measures.
- A community that is very incorporated and well run, with a high degree of community support and interest.
- A city of the types of people who turn out: a neighborhood where you wave at your neighbors, you help your neighbors.
- A bounded suburb in a good location with relatively good housing stock for this county.
- UP is contemporary, up-beat, trying to attract individuals to the community.
- A fairly progressive city; if not always batting 1000, they're always up to the plate, in the game. That puts them considerably ahead of many other municipalities!

What is your vision for University Place: what do you hope it is like 20 years from now?

Many stakeholders see denser development in UP's future, and some made a connection between that density and the City's financial well-being.

- The City has to be economically viable. All around the region you see City officials struggling to find funds to support local projects; in a city like UP, that is even more pronounced. It is paramount to the future of the community 20 years from now that it continue to grow.

- We are moving away from 1950s suburbia to town centers with more dynamism. It may not be the city people know and love, but that's reality. In 1960s and 70s, the City of Bellevue looked like UP now. I don't want UP to become Bellevue of the south sound, but the reality is UP is landlocked on three sides, with the Puget Sound on the fourth side: there not a lot of room to grow. We need to go up in order to continue to bring in revenues to offset increasing property taxes.
- The future of real estate is not horizontal, but vertical, though some may be shocked to see vertical development in UP.
- If they're successful with Town Center, there will be lots more commercial development and greater density in housing. For years I've thought of Edmonds as the model for UP in terms of density.
- UP will be a more bustling, active, busy environment. There will be a lot more traffic, and hopefully more transit activity as well.

Others focused on maintaining the City's current level of development.

- UP is a bedroom community with an excellent school district. And this should be kept in mind when visioning UP 20 years from now.
- I envision a nice, solid city core – a place to hang out and shop, but not overly crowded with condos and apartments. I don't want everyone sitting on top of one another. I'd like the activity to come from outside, maintaining the single family atmosphere of UP. I don't want to see local residents feeling displaced, feeling forced out. Bring people in to do their shopping and then go home, leaving us with quiet residential streets.
- I want to avoid temptations to deal with City budget challenges by overdeveloping. We have a great balance between open spaces and development now.

- I don't want to see too much multifamily housing.
- As it gets larger UP will have to deal with safety and the challenge of maintaining its quality of life while still staying financially self-sufficient.
- I hope to keep retail and commercial areas limited, not extending from one end of Bridgeport to the other.
- I want to see that housing areas are buffered with more than just a five-foot row of trees. I want us not to encroach on residential areas with commercial development.

Some stakeholders look to the Town Center as creating a focal point and sense of place.

- I see the Town Center developing giving the City a more definable sense of place. We have lots of semi-strip development now – suburban development – but we need more of a sense of place.
- My hope is that creating the Town Center and a sense of place will be a great beginning to making UP a first class city. My hope for the future is for the City to not to feel like a suburb anymore.
- I see a strong core economic business area and enough neighborhood office to support restaurants and retail.

Many stakeholders see a greater variety in services and housing options in the City's future.

- I'd like to see additional retail: goods and services that are needed by the local community, from general retail and clothing to restaurants. UP has lost restaurants in the past two decades. There is a strong market for additional family restaurants and we have nothing in the way of high end dining.
- I'd like to see more variety in housing options. We've got plenty of apartments and a fair number of moderate- to low-

income apartments, as well as a lot of very expensive single family homes. There's not too much in the way of other alternatives such as condos. You talk with empty nesters and they'd like to stay in the community and downsize, but there is no good way for them to do that. For younger families also it can be tough to break into the community because of high costs.

- UP needs to diversify its housing mix. I hope to see this in 20 years, with more diversity racially and by income. I want to see affordable, but not substandard, housing.

It is important to stakeholders that the City maintain a sense of quality and special character.

- I hope it is a community where we have kept our promise to implement the adopted City Vision Statement and adopted Comprehensive Plan.
- I see a real buildup in recreation facilities with trails between neighborhoods and shopping centers. Environmental preservation of wetlands and trees is important.
- I see UP as a vibrant community with cool things to do and visual aesthetic amenities.
- I don't want to see a cookie cutter type city – we have to maintain our sense of identity. We can grow in a thoughtful manner to provide services as well as increase livability. I'm very interested in public artwork, building design, streetlights, benches, and sidewalks. People need to walk away from UP thinking it is a unique, clean place, full of different experiences.
- We need to keep steering away from all types of pollution including sign pollution and noise pollution. We want to maintain UP as an attractive and pleasing place. The community's greatest draw is its high quality of life: good schools, sense of safety, good shopping choices and amenities.

- How to make it desirable development? More of what we've done: ensure you have community at the table as well as the developer, elected officials and City staff. If you engage them all, you end up with products that all can live with. UP has a history of this kind of town hall process; this process works and has become one of our hallmarks. If we deviate from this, it would be devastating.

What are University Place's greatest strengths and assets?

The most common response to this question focused on characteristics of the UP community: engaged, educated, affluent.

- It is a fairly educated community with a large portion that has a college education.
- There is a good mix of community from Section 8 to high income.
- There is an authentic sense of tradition and identifiable sense of community. There is lots of pride in the City. The Curran Apple Orchard is an example. It serves as a rallying place for parts of the community, where people throw parties and do cider squeezes.
- Engagement is a core strength: community engagement and engagement by City leadership, the business community, the Fire Department, the library, boards, the school board, churches. When put it all together, you get a potent community!
- Volunteerism in the City is tremendous. This may be expected for a new city, but surprisingly it hasn't waned as time goes by – in fact it has increased. Everyone from young to old is involved.
- The City has done a good job recognizing volunteers with volunteers of the year and a big volunteer appreciation dinner with City officials as servers. They have kept track of volunteer hours since incorporation: at \$10 per hour they just hit the

\$1 million mark. They let people know that without their help we couldn't do it. People feel appreciated so they keep volunteering.

Good schools, with reference to both the public and private systems, and public safety were also very frequently mentioned.

- UP has a very low crime rate.
- The school district is the number one attractor.
- The school district bond recently passed – building two new schools. As long as the school maintains high level of performance and as long as the Vikings keep winning football games, that's a real strength.

The City government was a frequently mentioned strength.

- The City government is great – not too politicized.
- They have a good working relationship between staff, council and the community.
- They are not doing business as usual for a city government. They've only been a city for 10 years, so it's not in an entrenched system. They're flexible and creative.
- City leadership has a better vision than a lot of communities – others focus on status quo. UP is more progressive, trying to meet challenges.
- The City's planning and development of code are strengths. We've established standards for sidewalks and bike lanes to maintain a very livable community, responsive to the needs of walkers, bikers, cars – everyone.
- For a small city to have an economic development team like it has is a real strength. They do recruitment and retention work and offer classes and speakers. They have a lot of services available and offer a lot of support for small businesses. They have debunked the old stigma that a city will get in the way of economic development.

UP's location was frequently noted as a strength – though it is also listed below as a challenge. The City's size and built environment were also described as strengths.

- UP's location is great: water, views, parks, close to Tacoma, close to recreation opportunities in the mountains or along the Sound.
- It's a nicely wooded community with lots of native trees and a natural environment.
- They have great streets with roundabouts, trees.
- UP is doing a good job polishing its fenders. It looks much better now than 10 years ago. It has improved in lots of measurable ways: streetlights, streetscapes, bicycle lanes. There is a sense of cleanliness about it that is very positive.
- Infrastructure is great. The best thing the City has done is get rid of county codes and set up design standards and sign codes. This will strengthen the business community, making it a cleaner, more uniform city with a friendlier environment. That helps everybody.
- The City is of a manageable size.

What are the City's greatest challenges?

The most frequently-related challenge was related to Town Center, with respondents noting that this is a "make or break" time for UP. Community confidence and the financial health of the City are intrinsically tied to successful completion of the Town Center.

- They need to restore public confidence. The City has created some fear in citizens that they can't implement on the Town Center. The need for additional taxes is ever greater.
- If they succeed with Town Center, it will help restore that confidence: the community will move back in and support bringing UP to the next level.

Many spoke of the City's financial challenges, and of many desired infrastructure investments now on hold.

- The City has budgetary challenges that they need to address with other means than tax increases. They need to increase the tax base.
- Budget. I pray they're not tempted to fix budget on backs of businesses; if they do, the businesses will run them out. Tacoma and DuPont both have a B&O tax. This must be a temptation for every Council. This would be short-sighted in the long run. UP doesn't offer the perks of an urban core location: one of their draws is that they're more affordable for businesses.
- The greatest challenge is finding a way to finance the infrastructure to carry out the City's vision and provide citizens with a great quality of life in the community.
- When the City first started out, they did the things people would notice, like road improvements and infrastructure development. It's now reached point where we don't have money to do more. People are disappointed and want improvements as happened earlier. Financial limitations and the need to manage community expectations are key.

Many respondents focused on challenges related to growth and the need to balance the City's planned growth and fiscal needs with the community's vision of itself (both formal and informal) and the attributes that are frequently described as its greatest assets, including a sense of quality, high quality of life and a strong, family-oriented community.

- We have to balance tax revenue generation with our vision of the community. We don't want strip malls and uncontrolled sprawl. We've worked hard on this from the beginning and the Council and community are on the same page about finding the mix that works, fits with who we are.

- It's important that we're not driven by dollars – staff and possibly the EDC look at dollars first, second at community. This may turn off residential stakeholders and weaken UP's attractiveness.
- It's a fine balance between increasing residential density in the Town Center and overdeveloping it. Every time we talk about it, we seem to talk about to max and then some – both in residential and retail. How many more individuals do we need to add before individual home owners don't count? The justification is always the needed tax dollars, but has anyone asked the single family resident if the tradeoff is worth it?
- No body seems to be working within the parameters. There has been an erosion of zoning policies that are intended to preserve quality of life and good planning.
- UP started as small community. As it gets larger there is a danger of people feeling disconnected.
- The fact that UP is still new means people feel they can truly make a difference. As the City matures, this will become more challenging
- They're small and will only be so big. They don't have the land to bring in "industry." They have to focus on retail and the challenge becomes: given they're small, how can they bring people to the community without replicating what else is going on nearby? The challenge is make it unique, their own.

UP's location was frequently cited as a challenge – though it is also considered a strength.

- To get to UP you really have to want to get there.
- Location is a challenge because we're not near a freeway interchange. Lots of what is envisioned for our city isn't practical because of our location and the fact that we're not easily accessible.

- UP's location is a weakness. It's a good distance from freeway and it's not easy to get into town. There is not a lot of direction or signage.
- UP? Where's that?

Stakeholders frequently described the City's economy as presenting limited opportunities and having a lack of diversity.

- We have a lot of very small businesses and some major franchises (fast food, drug stores and such). We don't have anything in between, such as mid-sized employers.
- UP doesn't have much in the way of industrial opportunities for creating living wage jobs.
- They need to think of themselves as a more diverse economy. In the past they have ignored primary industry and light manufacturers, thinking of them as problems, not as opportunities.
- UP's dirt is limited. They need make sure they develop it right. They shouldn't let retail wishes and desires take over light industrial/commercial zoning. I think they're allowing rezones, though I don't know for fact. Industrial and commercial zoning provides a city's living wage jobs. They are providing high end housing, but not lots of jobs beyond McDonald's and Trader Joe's. If they want people to live and work there, they need to diversify. You have to support a variety of employment for a community to remain strong.
- People are leaving town to go and shop. The City doesn't have a desire to build big box, even though this is why people leave town.
- UP businesses are increasingly drawing on a smaller circle regionally. I hear businesses say they're losing traffic from Gig Harbor, as it grows, and with traffic getting worse and gas prices increasing, people are less likely to come to UP from elsewhere.

- It's a lot harder for a smaller community to deal with some of these challenges – building a retail center or a town center – when they're competing with larger cities in the region.
- Living and dying by retail is a limitation, though from a revenue standpoint that can be ok once they get a handle on retail leakage and capture some of their resident's income.

While many stakeholders support the City's dedication to the Town Center project, the initiative also has its detractors, who either describe the project as unfeasible or express frustration that it has been the City's singular focus.

- The City's ideas are proving to be ineffectual – particularly the Town Center. The City needs to become realistic about what type of city it is really going to be.
- The City has a nice vision they would like to see happen, but some of their vision is not realistic. There's just no way you're going to have a lifestyle center in UP – it's not that type of place. There is a great need for more housing and additional retail makes some sense. They can have a mix of retail with housing, but not the type of lifestyle center they envision.
- I think the City has really gone off the deep end, and I'm convinced they really don't understand the complexities of the real estate deals they're trying to do. They're dug in on a lifestyle center, which just doesn't make sense from a market perspective.
- The City needs to step back and define for themselves what it's doing in terms of economic development. They're so focused on the Town Center they have no broader vision.
- They need to move beyond the Town Center project. They should first and foremost be the regulatory agency in UP; they need to get away from being a developer and back to providing core municipal services and address other areas of community such as the 27th Street Business District, the

Narrows, the Chambers Creek area. They've had a very singular focus, and in today's world you can't do local government – or any business – with a singular focus and stay alive over the long term.

In addition to comments that the City's character is a strength, many stakeholders stated the City lacks a strong sense of place or identity.

- There really isn't a sense of place for UP. You've got city hall, what was Windmill Village. They need to really develop their town core.
- I'll bet you nobody thinks there are different business districts in UP. You've got Green Firs (now known as Trader Joes), Fred Meyer, and 19th Street. There is no feeling of residential neighborhoodness, just streets and houses, despite the great things done with streetscapes.
- I get the sense there is no sense of neighborhood in UP. Once you get off the main streets, you don't get the visual cues – pocket parks, kids playing – that you are in a particular neighborhood.
- They need sub-district neighborhood name like Browns Point, the Proctor District: something that identifies it. This helps people identify with areas, creating infrastructure appropriate for the area, with pride in the area.
- They lack an identify beyond Town Center. UP residents identify with the City, not with Tacoma, not with Pierce County – but put ten people in a room and ask them where City starts and stops and I'll bet they can't do it. It's a city that has grown from suburban sprawl – like Federal Way and others – so it has no cohesive identity, no downtown, focus. Puyallup and Orting have defined centers while UP is sprawled. How do you make it cohesive?

- It's important that people know they're in UP – we want people to know they're in a different place when they come through UP. We need to create that identity.

Certain demographics and community characteristics were described as challenges for the City.

- Only 27% of families have kids in schools, and people are often not as wealthy as is thought. There is a large older population in expensive property in the City. These older folks are not typically looking for a lot of services.
- UP is not as "rich white" as it used to be. A high percentage of kids in the City's four primary schools are on free and reduced lunches. That is something that is different than how UP sees itself.
- There is tension between populations in the City. You have this old stable population – people who all went to Curtis High versus a new population of multifamily residents who are poorer and don't feel as invested in the community.
- UP has a lot of NIMBYs. People want big expensive homes, but not businesses and diverse housing opportunities. The community will be short-sighted if they only listen to such loud voices.
- UP is relatively safe, but there is still a bit of work to do there.

What are the City's greatest opportunities?

Chambers Creek was one of the most frequently cited opportunities.

- The City identity will be redefined with Chambers Creek. The City's name will be associated with course because it is located inside the City boundaries.
- They need to take in Chambers Creek properties as part of City, creating spin-offs that will benefit the City. They should

purse a strong lodging component: while there will be lodging on site, if the course successful, there will be a need for off-site lodging. UP should also provide eating and shopping options for people who go to Chambers to golf – and for people who are accompanying golfers and need something else to do.

- The degree to which they can harmonize their Town Center plan with Chambers Creek is an opportunity – there is chance at synergy.
- Pierce County is now approaching the City in making park improvements – if the City has the money, they should support the County. It's the right thing to do and it will return dividends to the City.
- I think about other communities I've gone to – like Whistler – that are completely focused on skiing. Is there an opportunity to theme the City around Chambers Bay, capitalizing on the huge Pierce County investment?
- The City should capitalize on people who will go to Chambers Bay. You see lots of car-themed businesses near the NASCAR track in Phoenix: if I'm a radical golfer, I'd be more drawn to a golf-friendly business than one that is not.
- The City should see the County as a partner on the Chambers project, not trying to assert any direction over the County. That would cause backlash from the County. The last Economic Development Plan implemented this very effectively with language that was about partnership and cooperation. This is the type of language the new Plan should use in reference to Chambers Creek.
- The City does not need to plan to do things at Chambers Creek – they don't need to make them a pet project. The City should focus its energy on what they can do in Town Center and elsewhere, making sure they benefit as much as possible from the Chambers Creek development.

- Once the golf course is opened, people will begin to grasp the economic possibilities for land around course, but we need to be careful because it is surrounded by residential areas. There is a potential for a marine laboratory area, a boat launch area. The City should support Steilacoom in converting the old paper mill to a resort or other recreational use.

Several stakeholders noted environmentally themed opportunities related to the Chambers Creek development.

- In the updated master plan, there is an expanded concept of an environmental education center, potentially a three-part facility: 1) classrooms with interpretive displays and hands-on and self-directed learning; 2) laboratory and research space probably tied to the wastewater treatment plant; and 3) teaching/conference/seminar space
- The ideas around environmental education would broaden the appeal of the site to not just golf, but a focus on sustainability. This would help us capitalize on Richard Florida's notion of a creative class, drawing people who appreciate UP's walking paths, parks and walkability.

Two specific properties were noted related to Chambers Creek.

- Down by the County's golf course there is some property owned by Tacoma Cemeteries. They have more land than they need. A hotel on the corner of Grandview and Chambers would be high enough to see views. The City should also think about some density transfer: condo type units could be built on the west side of the golf course property, dedicating some open space to parks because they're parks deficient in that corner of the City.
- Across the street from the Chambers Creek entrance, the cemetery has land zoned low density residential. The cemetery doesn't need that land and the property could be rezoned into medium density for town homes or the like.

- The Kobayashi site abuts the Chambers Creek property and presents open space opportunities.

Some stakeholders recommended capitalizing on an active living theme.

- Build on the City's livability and views. Feature boutique sports shops and invite runners and families who want to come and walk or run through the City. Sponsor walks along water and runs, becoming a destination for runners and health enthusiasts.
- The City should hook into Fort Steilacoom Park, using signage to connect. Think about a progressive park day starting in UP or at the park and ending at the other end.

Bold ideas related to public transit, the City's waterfront and a performance venue were mentioned by several stakeholders:

- We really need to have Tacoma light rail come all the way to UP – right to the Town Center. We need to collaborate and sell this idea to Sound Transit and Tacoma by helping them view us as part of the regional economic engine and not just a bedroom community.
- The City has waterfront potential, though the railroad track on the water is a challenge.
- I'd like to see waterfront development like Ruston Way or Santa Barbara – these are good models for UP. Santa Barbara has a unifying theme in its architecture, landscaping and infrastructure.
- The City is part of the public facilities district supporting the Tacoma Pierce County Convention Center through 2008. When that's done, it might be the time for the City to pursue a smaller scale performance place that people would venture out to outside of Tacoma.

Stakeholders noted opportunities related to the military, but cautioned that a collaborative, regional approach would be better received by the military than courtship by the City independently.

- The military is going to decentralized processes, contracting out a lot of work. There isn't enough room on base to do this – why not have offices in UP?
- The Tacoma/Pierce County Chamber has a very strong military relationship. UP wouldn't want to approach the military independently, but in collaboration with Lakewood and Pierce County.
- One thing about the military is they don't like a lot of people pecking at them. It's best to develop a community strategy.

The City's condo market was described as immature, and an opportunity for future growth.

- At first developers in Tacoma had to wait a while to sell all their units and now there's been an explosion of condos all over the City. That same thing could happen in UP – it'll take a pioneer to get it going, to establish a market.
- Once the market is established it's easier to borrow money and start investment. We have some properties with potential, but had problems determining what a fifth floor condo would sell for because there's nothing else like that on the market. A key point is you need to have pioneers who establish market and reduce this uncertainty for others. People will jump on board after that.

Stakeholders spoke about opportunities for specific geographic areas of focus.

The 27th Street Business District:

- I'd like to see more events, making it feel more like a district.

- I'd like something a little bit more planned; its now very hodgepodge, with stores coming in and going out quickly. If you don't drive it frequently, you don't know what's there. I'd like to see a themed development or redevelopment – not as extreme as Leavenworth, but something more cohesive so it looks more like a particular place. The City worked really hard on improvements for Bridgeport, but nothing has happened on 27th – there's nothing attractive about it.
- The vision for the 27th Street District shouldn't be established by the City, the Planning Commission or the EDC, but the district itself, with the City partnering.
- I see the 27th Business District as home to mom and pop shops and medical offices, but not high intensity retail. It's important to preserve the residential character. Lots are small, so businesses should stay small, perhaps operating out of redesigned homes. By keeping lots the small and restricting scale it may take some time to develop, but that's ok.
- Redevelopment along 27th is going to happen when Town Center goes up and people want to move here. The District should be connected to the Narrows.
- As an organization, the 27th Street Business District is struggling because it's new and composed of small business owners with a wide variety of products and services, all of whom are already working long hours to make their business succeed.
- The District is long and disjointed district, going from Grandview to 67th with Bridgeport dividing it into two very different characters. The District needs critical mass, momentum.
- Street improvements would make a huge a difference – that would be the ideal thing, but it would take a lot of money that the City doesn't have. Street and streetscape

improvements would address traffic problems and provide more of a sense of identity and place. Maybe the District can do a LID and fund these improvements itself. There's been opposition to that among property owners.

- There is a clear vision for the District among those active business owners and staff at the City's Economic Development office. Others at the City and on the Council may not be aware of the vision.
- Strangely enough, one of the biggest things the City could do to support the 27th Street District is finish the Town Center project. When you talk with 27th Street business owners, the Town Center always comes up. For some of the businesses, this needs to be cleared up first: a litmus test in judging the City. If there were positive movement, that would help us get other businesses to participate in 27th St District. People confuse the Grandview Plaza project – which is also not moving – as being a City project. It really attacks the City's credibility, making it harder to tell businesses they will benefit from working with the City.

The Narrows

- What about mixed use at the Narrows? Why couldn't we have office there?
- With Wal-Mart coming in across the street, the City really needs to focus on the Narrows, allocating staff resources to this area to work with property owners.
- I see medium size box stores; perhaps mixed use development if the City wants to push the envelop.
- I see the Narrows redeveloping in the near future. I would hate to see it turn into Lakewood Town Center. It's deliberately an auto center zone, but with creative development, it could be done attractively. The City needs

to facilitate multiple property owners develop a common vision for the area that does not cop out to big boxes.

- If Wal-Mart goes in, the best possible outcome I could see would be drive-through restaurants, some chain restaurants, maybe an entertainment complex.
- I could imagine some drive-up warehouse office, back away from the nearby residential properties. We have some of this now on a smaller scale. I don't see a big distribution center for a national chain, but something that would accommodate the mom and pops or up-and-coming regional businesses.

Southeast UP, along Orchard and Cirque

- We don't pay any attention to the southeast portion of the City. It has lots of apartment buildings and most of our undeveloped land. Because it's not in the school district, it doesn't have the same building pressures you find in other parts of the City.
- A lot people who live in this area don't even know they live in UP. It's harder to engage them because they're more transient and not in the school district
- The area is prime for redevelopment. We need to take a fresh look here: if people aren't going to build housing here, why not focus on business development opportunities?
- I would hate to see Orchard from 56th to 40th to be developed as retail. City staff has talked of rezoning this all to commercial. I would like to see more open space, without every major arterial lined with businesses.
- This area has potential, but it all comes down to sewers. It also has to be carefully developed because it is very environmentally sensitive, pristine.

- The City could pursue a creative approach to multi-family housing, maintaining the streetscape with trees.
- I'd love to see different housing choices: cottage housing, town homes, and such, all giving UP more diversity in its housing stock.
- A big chunk of land is owned by the Tacoma School District. With the district in decline, they're closing schools. If that land becomes available, it's an opportunity. We've talked about the school district property for a park.
- I worry about the Mildred area around South 56th. With a Wal-Mart going in, just over border in Lakewood near the public golf course, what will this land be used for? It could be high quality housing or crummy rental units. There is some potential for negative development to encroach with junky strip development. Strip malls are a killer on the edge of a higher end community, with lots of turnover, ugly parking and franchises as opposed to interesting stuff. You don't get any density of development; it's all drive-in, drop-off which is visually unattractive and creates lots of traffic. Most importantly, it's a lost opportunity, and it's more expensive to recover and redevelop.

What large-scale initiatives would be most effective in building on the City's strengths and opportunities?

- UP could become an arts community building on UP for Art, park concerts. The Curran Apple Orchard could be used to pull in top performers.
- A parks and rec initiative to develop pedestrian connections and trails throughout the City has been great. However, in two instances whole neighborhoods came out against a trail to the city center, not wanting "riff-raff" walking through their neighborhoods.

- A community center would do more for more citizens than the Town Center would, directly impacting the lives of UP citizens. I see a full-scale center with a swimming pool and a full range of activities. It would be a draw to the community as neighboring communities don't have something comparable.

Several stakeholders commented on the idea of having a university in University Place.

- The City shouldn't try to attract a university to UP because it would be a lot of money to build it, to do it right, they way people in UP would want it. Pierce County is already saturated for community colleges. UPS and PLU are both within 20 minutes. Two community colleges are within 10 minutes, as are two technical colleges. Why would you build a new university?!
- I think it's ludicrous to think about bringing a university to UP – such wishful thinking won't happen. We don't have the land to bring a college, other than an internet based college like the University of Phoenix. The Legislature recently approved legislation allowing two-year colleges to become four-year colleges – it will be a challenge to fund these alone! There may be an opportunity for a specialty private college in one of the high rises.
- If they wanted to have an arts school, perhaps there's a real opportunity. The only real arts school locally is the Art Institute of Seattle. Perhaps a specialty college like this. Culinary arts, music conservatory, something that could easily tie into downtown Tacoma and would tap into the creative class idea of Richard Florida. People go to places where there is talent, technology and tolerance. Bring together creative people, who are big on diversity and technology. Tacoma is becoming that – the whole Puget Sound Region is becoming that. Maybe it's culinary, rather than music and creative arts. Good wine, little

restaurants like Affairs – something that keeps that up-beat tempo.

- Having educational opportunities for UP students would be a great thing. Lifelong learning opportunities, support for business owners, and arts, cooking and music classes. I could see a storefront site with a computer lab for computer training and classes on Chinese cooking, Middle Eastern Culture, dance and the like.

What key economic, political and social trends will affect University Place's economy in the next three to five years?

Stakeholders stated that the region's bases and the Port of Tacoma remain key economic drivers. The City of Tacoma was also noted as an important influence.

- The City is integrally tied with two key drivers: the military and the port/warehouse distribution.
- They may not participate directly, but a lot of professional offices in UP are all tied directly or indirectly to those basic economic engines.
- To the extent that Tacoma and Pierce County will see good, long-term growth, UP and others in the "near County" will be driven by this.
- Tacoma is a major urban player with a major urban downtown, be it good or bad. Tacoma is developing a ring of smaller urban centers – not atypical of what is happening across the country. Gig Harbor, Lakewood, Puyallup, and UP are part of that ring.

The cost of housing in UP was described as an important factor.

- People are paying incredible prices for housing in UP – the highest in Pierce County. Spec homes are selling for \$1.8 million, with view lots – just the dirt – selling for \$600,000. Incredible prices!

- I'm concerned about the skyrocketing price of housing. It would be good to explore incentives that pencil for developers but also promote affordable housing for seniors and young families, all in the same neighborhood so we're not pricing people out.

Stakeholders described challenges related to ongoing change in community and leadership makeup.

- Every five years 35% of the population changes. Seniors constitute 32% of the population. In 11 years we have seen big a turnaround of our population and need to assume that not everyone knows what's going on or how it was 11 years ago. We need to conduct outreach to these new residents to let people understand what has happened recently and then let them know what is planned for the future.
- The Council has been original since day one. This continuity has helped make the group very cohesive despite our differences and diversity. We have different interests but one goal – the betterment of the City. The composition of the Council will change in the future but am glad it hasn't occurred yet.

What opportunities do you see for broadening the City's retail market?

Several stakeholders described greater regional competition in the retail market.

- When the Town Center concept was developed, Tacoma Mall was not developing its lifestyle center. That advantage has slipped away. Now UP is competing against Tacoma Mall and Gig Harbor. The competitive advantage has gone, but if they can move better, faster there is still a lot of hope. Tacoma Mall may not be successful in pulling it off.

- They're not competing for customers, because people can change where they shop, but for businesses to sign leases. Owners are often concerned about cannibalization of their own stores. I think Tacoma Mall is the biggest danger – they are moving ahead.
- Tacoma Mall going forward with a lifestyle retail concept, including a new Nordstrom. The southern end of mall is to become a lifestyle center entry into the mall, with the balance of the mall staying same, at least in the first phase. Highland Hills Center on West 6th Ave is redeveloping. Other areas of Tacoma have retail aspirations, but primarily of a neighborhood character thus far. I think the Sarco site, which is half in Tacoma, half in Ruston, is going to go forward with a gigantic new waterfront development with retail, condos, apartments, some office, a full length esplanade, perhaps concert venues.
- I've talked to major retailers and they're saying they'd rather go to Gig Harbor or Puyallup. UP is a great corridor but can't support that much retail.

Stakeholders commonly thought of UP's retail niche as higher end, boutique retail in keeping with the character of the City. Maintaining a unique feel and local character is important to people.

- UP retail needs a "theme" – they shouldn't try to get just any retailer. They should target high end retailers, good restaurants.
- If we had a specialty hardware store it could do great targeting markets not covered by Lowe's and Home Depot. We should really establish our local character and keep out national chains.
- They won't land a Nordstrom in Town Center; instead, what will work for them are stores that aren't necessarily located in Pierce County already. They should target shops you can't find

in other places; not a Bed Bath and Beyond because there is already one in Lakewood.

- UP should think of Redmond Town Center rather than Lakewood Town Center. Pierce County is ready for that.
- They need to figure out what would work. Lakewood did this well, though obviously UP would be targeting different niche. They should stay away from repeating same old places. The Mall will beat everyone else at the standard stuff with its good parking and public transportation. The lower end stuff is done well in Lakewood. Maybe they could compete and win, but I doubt it. I'm trying not to use the word boutique, but that's the word that comes to mind. Downtown Olympia is a model. On a Saturday, there are people on the streets. They have unique shops and the farmer's market is quite good. While there is a Starbucks, there are probably 15 more interesting coffee shops.
- Whatever their retail offerings are, they have to be worth a trip for people to come find it in UP.

Stakeholders expressed hopes that certain retail gaps would be addressed.

- We need more restaurants. I don't even mind the lower end drive-up places. They're practical and people use them. Just make them adhere to good design standards.
- We're so devoid of retail anything helps. Town Center is targeting higher quality stores. We need quality eating establishments, a hotel and a place to buy daily goods.

While some stakeholders would like to see big box and others would not, they were unanimous in stating that if it does come, it should be in particular areas of town such as the Narrows, and not in the Town Center area.

- I don't ever want to see big box retail in UP – it just doesn't fit.

- Big box in UP? If needed, along 67th street, facing Fir Crest, but not in the city core where we have a homey atmosphere.
- The Narrows has big box potential – but there's a lot of potential there for lots of different things. It could be multi-family mid-rises, with a new neighborhood developing there.
- My idea of a nice shopping area doesn't have big box. There might be space for it near the Narrows, but I wouldn't want it elsewhere.
- A car dealership is not appropriate on Bridgeport Way – we've tried to accomplish this with our codes. There is room for big box stores in Narrows Plaza which is already developed but ripe for redevelopment. This would be a great location for big box as it's on the border with Tacoma and an area you drive your car to.

What opportunities do you see for broadening the City's office market?

Some stakeholders spoke favorably about an expanded UP office market.

- UP could position itself to position to attract commercial office from downtown Tacoma: it has great schools, great infrastructure, parks – and low crime! The City should do a market feasibility study in collaboration with the Chamber and EDB.
 - The UP office market primarily serves the internal market, with some potential to reach beyond the city limits.
 - Office makes sense, particularly if we can attract businesses that fit in the Prosperity Partnership clusters.
 - The City should capitalize on its incredible views. The site at 27th and Grandview would be a great place for high end view offices. I don't know the history, but I wonder if the planned medical offices and retirement condos are the best use of this land. Medical doesn't care about views.
- There's room for more medical offices and a hospital facility so you would not have to do emergency runs to Tacoma, Lakewood, or Gig Harbor.
 - There is a lack of affordable, quality office space suitable for small firms, even home-based businesses moving into their first rented space.

Others described the office market as a mid- to long-term strategy.

- Pierce County is overbuilt with office space right now. It's not a market we should focus on now, though we need to look at market potential in the mid- and long-term.
- As for office, we are waiting for Town Center to come on line, adding to the attractiveness of the City. We are willing to make the right changes to our zoning that would promote these kinds of opportunities. We need to see the market evolve.
- UP has lots of medical and dental, which bring lots of people into the community, but they haven't been too strong in traditional office. To attract large office you have to have environment that is a benefit to employees. You need quality of life issues, with restaurants, services, retail, good schools. Chambers Bay is a way to build this, and Town Center is a small part of what businesses are looking for. They have to build the community as a whole to hopefully attract clean, environmentally-friendly businesses into the community.
- I see opportunities for smaller, regional headquarters, though I don't know if they have space. UP's office market is probably strongest for proprietor-type businesses: a small firm with a proprietor who lives in town.
- For a town like UP, you'd look for professional services firms – engineering and architecture firms, perhaps law firms. They require the right kind of Class A or B+ office buildings. I'm not sure UP needs additional space at this point, but this sector is growing, no doubt about it.

Stakeholders were divided about the fiscal benefits to the City provided by office uses.

Some noted that offices support local retail establishments.

- Having office helps a city's retail by supporting daytime spending. Having housing is an important element – but during day, people are gone.
- The City spends time cultivating neighborhood retail and should spend equal or more time cultivating professional service firms, attracting new firms and expanding existing ones. This provides day-time population for retail.
- The City should pursue more neighborhood office development to create a daytime population to support restaurants and retail – workers will spend money on lunches, etc.

Others were less enthusiastic.

- There seems to be a lot of office space available right now, lots of inventory on the market. I'm seeing some clinics and things moving out to the area, but that's not the type of thing I'd like to attract because professional services don't bring money into the City in terms of tax revenues.
- While offices are good and providing professional services is good, this shouldn't be a strong emphasis for the City as the return for retail uses is much greater.
- Office doesn't make sense unless the City wants to start a B&O tax. The Council might consider this, but there would be a lot of opposition from the business community. Generally people recognize that B&O taxes are not a great way to tax.
- UP has lots of home-based businesses – I saw the headline not too long ago. Does this translate into meaningful economic activity?

What opportunities do you see for broadening the City's industrial market?

Stakeholders were divided about the appropriateness and benefits associated with industrial uses. Proponents focused on the creation of a diverse economy and the provision of living wage jobs. Opponents described such uses as inappropriate given the City's land availability and community character.

- The first thing they should ask when thinking about industrial uses is, do they have enough land available that would even appeal to the industrial market? If so, how does that fit in with their community plans? Does that meet the rationale for having industrial land, which is usually providing family wage jobs?
- There are industrial operations of all different sizes. If they have a couple of few-acre parcels, they could fit in a small manufacturer. They would likely cater to a local market so the transportation issues are not as great.
- They should examine who's there in their existing light industrial area: ask who is there and why they're there and then capitalize on that.
- I'd like to get some light industry into the City. This would provide jobs for people so they can stay in the community, living and working in same place.
- They should keep what industrial users they have and stay away from attracting more.
- There's no opportunity for more industrial uses: it's not a case of NIMBY, but there's just no space.
- I wouldn't want to see more industrial users. The community wouldn't be terribly excited by them, though some low-impact, very clean production industry might be fine.

Specific geographic areas were noted as most appropriate for industrial uses.

- I'd love to see a light industrial, high-tech office park at the south end of the Town Center area, with the revitalization of some older buildings. The Town Center grid would lend itself to this. Perhaps mixed use with apartments or condos above and retail along the street. A light industrial park would create an employment center that would connect well with Town Center.
- There is a small area south of the Narrows Plaza that is zoned light industrial/manufacturing, though it's not sewerred. The City is building a road network back in there.
- There is a strip of housing down 67th that backs up to an industrial area. This isn't good planning and should be rezoned to light industrial.

What investments in facilities or infrastructure would most benefit the community, particularly the business community?

Priority investments noted included public safety, roads and transit, parks and a community center.

- Roads and safety first. With growth, roads are going to get more congested. Some slowing is ok because we want people to shop and walk but we don't want gridlock.
- Sidewalks and streetlights – safety – were the top of the list of desired capital investments. The whole community is very concerned about safety. They want sidewalks and streetlights in residential and commercial areas, walkability, connectivity. They see walkability, health and wellbeing as related to safety.
- Pushing forward with more street improvements: curbs, sidewalks and streetlights. We should have streetlights on all major arterials, as well as a good network of sidewalks and bike paths.

- Parks development is important. The Kobayashi Preserve should be developed as a keystone entry to the Chambers Creek properties for recreational users. All our parks should be connected with trails.
- It's important to not do CIP planning in isolation. We should be reaching out to Tacoma and Lakewood, working with Sound Transit. We need to connect the three hubs of Tacoma, UP, and Lakewood.
- They need to think about how people shop and travel, not just thinking about traffic flow like an engineer. They need to think about how improvements will affect retail and other economic activities.
- There are parts of town that feel forgotten, like they're the UP stepchild: around 19th and 22nd street, also near 56th.
- We should bring 27th up to level of Bridgeport. It's now unappealing with nothing of curiosity to draw you out of your car.

There was not a lot of support expressed for City investments in broadband infrastructure, though some support was voiced for planned wireless connectivity in the Town Center area.

- Click! provides fiber pretty much everywhere in town. The City doesn't have to do anything there.
- Down the road, there is at least one private firm to announce in next month will provide wireless countywide, plus there's the Rainier Communications Council initiative. I'm not sure there's a real pressing need for wireless. It could provide some benefits, but I wouldn't encourage the City in this direction.
- I think the City should pursue its plans for limited wireless access in the Town Center area, as that makes sense.

Many stakeholders noted the challenges of managing community expectations around capital investments given past successes and high expectations – all in the face of current budget tightening.

- The future of capital investments is pretty dismal unless we get new revenue sources approved by voters. Pay as you go has potential and is the way the capital strategy committee is leaning.
- People don't get it: they want us to keep doing what we've been doing! We built 18 miles of sidewalk in the City's first ten years, and now we're looking to do ¼ mile in next ten years! People tell us they get the message, but we don't know they're really understanding it.
- We've been trying to inform people, but it takes a lot of education. Part of our problem is we've done such a good job managing resources to date, people don't see it yet. It's like we're crying wolf, because they see investment continuing on Town Center.
- They're not yet feeling the pain, so there is no incentive to support new funding mechanisms. The City has shielded residents from pain by shifting capital dollars into its operational budget so there have been no negative impacts to levels of service provision.
- They need to get out and door knock. They're not establishing any relationships with the general public now, especially if they're low-income, apartment dwellers. The City is great with engaged citizens – the Council really wants to listen to boards and commissions – but there are lots of people who don't get to town meetings.
- They need to be out talking with public. Bob Jean and department heads should be out talking with people. Not just through City publications, but actually talking to people!

Stakeholders noted potential strategies for funding capital investments, with some warning against increasing taxes.

- We need to be careful not to tax lower- and middle-classes out of UP. We need to not just provide affordable housing, but also keep taxes low. Once the new school bond levy hits, they're going to have a rude awakening. Timing a levy lid lift before this would be strategic, but may backfire on the City if it is more than people can afford combined with the school levy.
- We need to be visionary if considering a levy lid lift, establishing a vision for a site or project.

How would you describe the business climate in the City, considering such factors as permitting, regulations, fees and other City policies and practices?

Many stakeholders voiced positive reviews of the City's development climate.

- The City staff is generally pretty progressive and eager for development. UP is a good place for builders.
- The City will be honest and let someone know their chances if approval is unlikely. This allows developers to know the risks ahead of time, before putting their money up.
- From what I hear, with rare exception, our reputation is tremendously positive. People have said staff really helped push their projects through. We're seen as quick and responsive. On scale of 1-10, I think we're an 8 or 9.
- I've done two recent projects in UP, both of which were tenant improvements in a new building. I'd say UP's permit center is great – one of best jurisdictions I work with. They returned calls promptly, gave permit fees over phone and were very reasonable in review comments. My only complaint is minor: they requested some information, which I faxed over, but I never heard back they received it. That confirmation – additional communication – would have been great. They

could also further develop their website, adding downloadable forms, on-line project tracking and good links to permit codes and amendments. Useful websites are very important to the development community.

Others had more critical views.

- From a private sector view, it's amazing how many regulations the City has. It took a really long time to come to a decision on drive throughs. The decision they issued was not to the business community's liking but maybe it could have been less damaging if the City hadn't taken so long to come to a decision on the issue. The Planning Commission is perceived as not business friendly – they need to change that.
- The City has created ill will in the business community, among architects, developers and builders by asking them to give up so much when they want to build. Sign permits, building permits, and excessive mitigation requirements are disincentives for the development community. The City is really sticking developers with too many requirements.
- I had a major development in play that was scuttled by some last-minute City requirements. Until our proposal, nobody knew the City's plans for this particular area. The City needs to better communicate its plans to the development community better.
- There are one or two people on staff who can be counter-productive by being picky to the extreme when conducting plan reviews and site inspections. It might be useful to do anonymous survey of builders ask them to rate individuals. The City can then deal with problem individuals.
- The Planning Department needs to get it together. I know some developers who have had to consistently resubmit because the Comprehensive Plan, zoning, and other rules are not synched up. It would be nice if we had one book with all the rules for developers.

- Fees should only cover the City's costs. Some have complained about increasing fees. Fees get high for stuff like a rezone.
- A few builders want to do a commercial development in a residential area, wanting a rezone to use for commercial. That is a big conflict and a source of frustration.
- They have to be in touch with the market and the needs of the market – it's driven by tenants. They talk about zero lot lines in front and parking behind, but is that what tenants want? The City needs to be more aware of how the standards they develop will impact market decisions and the needs of retail tenants.

The City is described as having high standards and precise expectations for development. Some describe this is more positive terms, saying the City is clear in what it wants and does not want, while others criticize what they characterize as a lack of flexibility.

- I've heard complaints that the City only wants the highest end development. Perhaps there should be more room for some latitude, particularly in light industrial areas.
- The only complaints we get are from people not getting what they want. We don't get many complaints about how the City works with them.
- The City overall is great to work with, even people I've had trouble with. I just don't like their approach!
- The City has guidelines but it's like they're written in stone. They've gotten better over the years.
- They need to be more accommodating, saying "Here's what we can do to help you." They should be problem solvers. There has got to be a middle ground – not just black and white.
- Don't give us an absolute no, but look for alternative solutions.

- It all comes down to people and organizational culture: is customer service a priority? With Bobbie King and Leonard Yarberr the culture was good. I'm not sure how it's been since they left.
- The City can be focused on growth or on the status quo. It's about the culture that City leaders want to promulgate.

It was noted that the City is rethinking its approach to design standards.

- Current design standards leave something to be desired. Everyone wants variances, pushing to allow for more flexibility. The City is considering a point system so projects have a number of options, instead of having to do everything.
- The City has basically the same set of design standards for four different zones. We're trying to go to the communities to build in some unique features in design standards for each zone.

Stakeholders commented on Pierce County's influence over sewerage and sewer permitting.

- The County sewer utility has been notoriously slow, but it is getting better.
- The County has really responded to what used to be the biggest sticking point: their sewer review timeline. Their permit turnaround time is now in line with ours. Pierce County used to take six months while we were taking three weeks.
- There are options to explore to get more of the City on sewers. It might be possible to give UP the right to manage its own utility, contracting with the County as a service provider. This might be greater a burden than UP wants to take on at this point.

Stakeholders noted that City costs to businesses are low, with no B&O tax and a minimal business license fee.

- The City's business license fee of \$25 or \$30 is a pittance for a legal business.

Differing opinions were expressed regarding the desirability of a dedicated University Place Chamber of Commerce.

- Our chamber of commerce is part of the downtown chamber – it's a satellite chamber. They would be much more effective as their own standalone organization. Local business people are more in services rather than retail, so hard to get critical mass – they feel they can't afford to stand on their own. Until they do, they're always second fiddle to Tacoma's priorities.
- The City has a good relationship with the business community, but a local division of the chamber would be nice if it could support itself.
- Depending on what level of professionalism they want, people might not be well served by an independent chamber. For the number of businesses available in the community, they would have hard time meeting salaries, overhead.

What role should the City play in regional economic development efforts such as the Prosperity Partnership? What influence should these regional efforts have on the City's economic development efforts?

Stakeholders expressed strong support for UP involvement with the Prosperity Partnership and other regional initiatives.

- If the City is going to be leader, the education and knowledge they'd gain would be useful: in what sectors is the regional growth occurring? How can we tailor business attraction and retention efforts to take advantage of this?

- They need to support the Prosperity Partnership because there are no islands. Many of their residents work in one of the five clusters. Do they have home-based businesses with connections to the 5 target clusters? If they do, they can capitalize on it.
- If the Prosperity Partnership says the Cross Base Highway is the most important transportation investment the region can make, UP needs to support that, though it doesn't affect them directly. They are indirectly very affected by the regional economy. This also gains you friends and a reputation for being a broad thinker. UP doesn't have that; UP has a reputation for being pretty insular.
- Just being present is good. They've done a good job participating in the Prosperity Partnership, though not as well in Pierce County events.
- UP has been uneven in taking advantage of the opportunity to participate in the Regional Access Mobility Project (RAMP), though they came and made a presentation to the group. They should attend regularly and be there when an opportunity comes up to remind people of UP projects. They're very professional, but seem to not see group participation as important.

In terms of the City's actual role in the Prosperity Partnership, many recommended that the City be "at the table" in a limited role, without investing significant resources or inappropriately adopting the Partnership's cluster-based approach.

- The City should be at the table and be engaged symbolically: have the City's logo on the materials, with a link to the website. Go to the annual dinner. Support John Ladenburg in his efforts. But it's not something we should devote a lot of staff time to.
- They shouldn't send someone to cluster workgroups but should attend forums. Council should be there, or the City Manager or Mariza – though not necessarily all at same meeting.

- I wouldn't expect a smaller city like UP to adopt cluster-based employment. They should focus on making their city a good place to live, visit. Retail should be their focus. The Prosperity Partnership is export-oriented; for UP being export-oriented might mean developing their retail and getting people to come in from Lakewood and shop there. They should focus on being a great center for people to live and work – and I see no one doing that any better than UP.

What are the top two or three actions you would like to see the City take to support economic development? What outcomes you would like to see from this planning process?

Several stakeholders suggested the City be more committed to economic development.

- I'd love to see the City follow the Renton model. Economic development needs to drive City Council policies, not engineering, not community development. This works because economic development captures everything.
- Having Mariza Craig head the Economic Development Department has worked extremely well. She has a great ability to work with businesses and a unique ability to have a vision of where we can go. But what hasn't worked as well is we haven't given her the total latitude she needs to maximize the value of her relationships with current and potential businesses. We haven't fully resourced economic development with funding and staff. With one breath we say we're committed to economic development, and with the next we don't commit.
- Mariza is the primary reason for the positive impacts of economic development in UP. This speaks very highly of her, but there's a limitation to what an economic development director can do alone.

Some stakeholders stated that the City needs to be realistic, acknowledging what it can't control, and more carefully communicating and managing community expectations.

- The City needs to recognize they can't control everything in economic development. Town Center is one example where the City can't implement all changes they want because they are dependant on others like the developers. The 27th Street business corridor is another example: the City has a vision, but business owners need to come together. The City can only facilitate the process.
- The Town Center plan may have over-promised how soon and how much would be accomplished – beyond the scope of what the City can actually influence.
- The City has done an excellent job, but will have more success if they can be clear about what they can do and not overreach. The City needs to do a better job packaging it and managing expectations.

Stakeholders expressed hopes for how the 2007-11 Plan should address specific parts of the City.

- I'd love to see the first phase of Town Center done and operational, with the Plan helping the City manage and leverage the ripple effect.
- If I could wave a wand, I'd love to see a professional light industrial park in south section of Town Center, anchoring Town Center with employment, light industrial on the backside, and retail along Bridgeport.
- Assume Town Center is phase one of an Uptown Revitalization Plan. The Uptown District is about 60 acres, of which Town Center accounts for about 15. The majority of it, including the intersection of Bridgeport and 40th remains to be addressed.
- The Plan should deal with character of the Town Center: If you look at market forces alone we'll end up with high end retail and

condos. The community has been clear they don't want a Disneyland – they want a real place, with real people and characteristics. The Plan should also address the character of Uptown, the 27th Street Business District, and the Narrows. I see a Town Center ripple throughout town from 27th to the Narrows.

- There isn't a vision yet for the area along Orchard in the southeast portion of town. Part of it is outside the current city limits, part of it inside, with some existing low end commercial. The Plan should address the redevelopment of this area.

Stakeholders clearly felt the City should focus on creating a good business climate.

- Streamline the permitting process and be more flexible on standards – come up with alternatives that aren't so black and white.
- The City should look at the kind of development they'd like to see and evaluate supportive infrastructure. If they want office, for example, they need to ask if they have broadband where it needs to be.
- Maybe step back from beatification and ask if they have what they need to prompt development. Make processes and regulations easy for someone to quickly locate a business in the City.
- The City should relax its design standards to be more user friendly but still in line with the City's goals and vision.
- The City needs to maintain a focus on quality of life, supporting the schools and finding recreation opportunities for people. Keep families playing and shopping in town.
- The City's job is to promote UP as a city, raising the brand recognition and creating a good environment for UP businesses to market themselves. The City should use general fund dollars to do this, without placing an additional tax on businesses.

Stakeholders were supportive of the idea of a City-run small business center. The Home Based Business Forum expressed strong support for this idea.

- Home-based businesses need a place to meet with clients, as well as access to office equipment. Shared reception services would be great. The City could also use the space to hold trainings or host conferences, meetings or cultural events. It might be an income generator for the City.
- It could be as simple as a room with a few small adjacent rooms, perhaps with AV extras. I've not heard of any other cities that have done this. You'd have to do it right with leather chairs, nice views – good space.
- They should not, however, get into incubator business! A city can try to do much for its businesses. A city shouldn't help market business and shouldn't help marginal ones stay alive.

Some stakeholders called for better support of existing businesses by the City.

- Economic development starts with existing businesses. There hasn't been a lot of assistance for them aside from networking – we need support to grow more. The City's focus has been more on recruitment, than local business expansion.
- I hear City staff don't really promote existing City businesses during conversations with outside developers and in considering possible Town Center tenants.
- When they have out of town guests, City staff should take them to a UP restaurant rather than to Tacoma or elsewhere.
- The City's economic development role will change as more development occurs, shifting more to retention. We always need to keep up the message of shopping locally. We need to help small businesses grow. Those businesses that have struggled through interruptions and construction related to Town Center need to be there – we need to be supportive of

these businesses and in any case, without a local flavor, the Town Center will feel too out of place to be successful.

Many stakeholders spoke about the relationship between the Economic Development Plan and the City's physical planning documents and processes.

Some stakeholders called for better alignment between the City's Comprehensive Plan and its Economic Development Plan.

- One disappointment is that the City has gone about implementing its first Economic Development Plan without connecting it to the Comprehensive Plan. Policies in the Comp Plan really need to drive the Economic Development Plan.
- Capital facilities planning should be driving economic development. For example, the Comp Plan calls for a pedestrian friendly environment. The City is working on a project for the Narrows that calls for a huge parking lot. The City should have tried to make it work in a way that is more pedestrian oriented, in keeping with the Comp Plan.

The connection between the aesthetic appeal of the community and its economic vitality was important to many.

- I think visual and aesthetic amenities are especially important, such as water features, cool architecture, and art. UP needs to be a good looking city with a visual draw.
- The Economic Development Plan should identify public art and strategic locations of public art to support economic development.

Several stakeholders spoke explicitly about tension and counterproductive interactions between the Planning Commission and the Economic Development Committee.

- The two groups definitely have differing goals and charges. This can be good, as there are times you have to have opposing forces to make a decision. It's also important to remember that we can have both good planning and economic development!
- There is value in having a group less rooted in the Comp Plan like the EDC, but there needs to be a way of checking their ideas against the vision.
- The Comp Plan is not set in stone. It can be changed, but it exists to provide a long-term vision and context for development. The EDC needs more explanation as to why things are zoned the way they are zoned and what that zoning entails. They can still accomplish their mission within this framework that preserves much of what is valuable about UP.
- Both committees have very good, well intentioned members of the community serving on them. Both have a slightly different vision of what UP should look. And both have exceeded their charters. The Planning Commission is charged with giving recommendations to the City Council about the vertical and horizontal layout of the City. They assume the Council will rubberstamp their recommendations without change. Similarly, the EDC charter is to look at the City from an economic perspective and give recommendations about what the City should do to bolster the economy. They have interpreted their role as commenting on all decisions related to the City's economy, which isn't necessarily the case.
- The conflict between the Planning Commission and the Economic Development Committee is not productive. We need more joint meetings, or representatives attending meetings or sub-committee meetings. This may be tough with the current personalities on the two committees.
- There needs to be more cross pollination of ideas, but the Planning Commission meets at night while the EDC meets in the morning, so it's difficult for members to sit in on each other's meetings.
- There was one joint meeting between the Planning Commission and EDC on the drive through issue. The groups came to consensus but those who didn't attend later disagreed. We could use more coordination.
- There should be a better way for us to keep each of the other group's progress; we often only hear about things when it comes out as a done deal, adopted by City Council.
- Both groups have become very divergent from their original charters. They are entrenched and diametrically opposed, seeing one another as threats. I would dissolve both boards, creating a combined board with different people – without that you can't resolve the differences that currently exist. The current situation is dysfunctional.

Several stakeholders mentioned opportunities for the City to better collaborate with partners and the community.

- They need to take better advantage of local resources and other partners. Very few cities have the likes of David Greybill, Denise Dyer and Bruce Kendall all living within the City, available to them. And yet the City didn't draw on them related to the Town Center effort. It's ok to tap people at the regional level for local issues, as well as such organizations as the EDB and Pierce County's Economic Development Division.
- We have great local developers. The City should involve them, give them an opportunity to participate. It's great to tap into this local knowledge and feel. Big developers won't be able to understand the community like local developers.
- Partnerships were the reason the City was successful in its first Economic Development Plan. It's important that the new Plan

be community-driven; when UP takes this approach, it's successful.

- Key partners for the City in the first Plan included the local business community; retailers (now the 27th St Business District); property owners; the Chamber; the EDB; the County; key members and representatives of the City Council, boards and commissions; the library and fire districts; and representatives from the neighborhoods.

Other hoped-for outcomes of the current economic development planning process:

- I hope to see diversity of choice with as many different kinds of activity as possible in small, medium, and large businesses. We're predominantly a small business community. We need to continue that focus and add to it with regional and national businesses.
- A lot of new retail businesses are owned by foreign-born individuals who don't necessarily live here. Working with these business owners is important, but how to crack that nut? You may face language barriers and a basic distrust of the government sector; it can be hard to get them engaged. We won't have a fully functioning and integrated business community until we do.
- UP has to support transit, working with Pierce Transit to improve ridership and developing park and rides, bus turnouts, and shelters. They should try and improve pedestrian options. I think they have their eyes on that and need to continue as it's important to a vibrant and growing community.
- The Chambers Creek properties are a real potential for UP. I know UP supports it and has been positive player, but having a big thing happening in your community doesn't spell success: you need a plan. As the golf course and other uses develop, how do they tie in?

- A lot of remaining pieces of property are small and don't lend themselves to redevelopment. The City needs a program to work on consolidating properties to support larger development.
- A lot of businesses are in converted houses, some of which look pretty beat up. The City can help redevelop these and get some better signage.
- The City should use its new business welcome packet more proactively, using this description of business resources to attract new businesses to town, spreading the word through real estate agents and others.
- Pierce County has an image problem because it has high crime rate and growth is seen as out of control. The County is generally not seen as a prosperous place to do business. So, we in UP need to work not just on our own community image, but county wide.

How could UP be a better partner?

Communication was the most frequently cited area for improvement.

- Communication could be improved, though that's both of our faults. They're a good partner, but we're both insular in our own ways.
- We need to get together more often, coming together on those things in the Prosperity Partnership that are critical to us – tourism, transportation, preserving the bases.
- The City does a good job communicating with residents through its newsletter, but they're not as good about getting the word out to neighboring communities. Are John Ladenburg and other Pierce County staff on their mailing list? What about staff in Lakewood or Tacoma? It's the City's job to get its message out.

- We're not there yet – there's no antagonism, but we're not as effective as we should be. Twenty years ago, Pierce County had an extremely effective delegation in Olympia – “the Pierce County Mafia” – that could draw money and attention to the region. This should be a broad effort, getting the right people in as elected officials, grooming them, and then calling on legislators to focus on Pierce County, the second largest county in the state.

Partners also mentioned the desirability of better defining roles and responsibilities to avoid duplication of effort.

- It would be nice to have better delineation of roles. What do they see as the City's role, our role, the role for others?
- There tends to be some overlap, with both of us using resources to do something only one of us needs to do. Are we duplicating services? Have we clearly delineated roles? Our expectations for one another need to be very clear.

ATTACHMENT A: STAKEHOLDERS INTERVIEWED

City Council

- | | |
|-------------------|---------------------|
| 1. Gerald Gehring | 5. Ken Grassi |
| 2. Stan Flemming | 6. Debbie Klosowski |
| 3. Linda Bird | 7. Lorna Smith |
| 4. Jean Brooks | |

City Staff

- | | |
|--------------------|-------------------------------|
| 8. Bob Jean | City Manager |
| 9. Rob Karlinsey | Assistant City Manager |
| 10. Steve Sugg | Assistant City Manager |
| 11. David Swindale | Development Services Director |

Real Estate and Development Community

- | | |
|----------------------|--------------------|
| 12. Lisa Scarbonte | Buffalo Design |
| 13. Jeff Lyon | GVA Kidder Mathews |
| 14. Joe Mayer | Mayer Built Homes |
| 15. Michael Rabstoff | Miravest, Inc. |
| 16. Nat Franklin | PMF Investments |
| 17. Dean Saffle | Saffle Co. Inc. |

Business Community

- | | |
|---|--|
| 18. Les Barnett | Bates Technical College; consultant support for UP Home-Based Business Forum |
| 19. Ruth Anne Johnson | Fred Meyer |
| 20. Group interview with approximately 20 individuals | Home-Based Business Forum |
| 21. Paul Ellis | Tacoma/Pierce County Chamber |
| 22. Group interview with approximately 15 individuals | UP/Fircrest Chamber |
| 23. Dr. David Hays | Vision Care Associates; 27th Street Business District |

City Commissions and Task Forces

- | | |
|-----------------------|------------------------------------|
| 24. Caroline Belleci | Chair, Planning Commission |
| 25. Denise McCluskey | Chair, Capital Strategy Task Force |
| 26. Cliff Quisenberry | Vice-Chair, Planning Commission |

Neighbors and Regional Partners

- | | |
|-----------------------------|--|
| 27. Rob Allen | Pierce County Economic Development Division |
| 28. Patty Banks | Superintendent UP School District |
| 29. John Caulfield | City Manager, Mountlake Terrace; former UP Deputy City Manager |
| 30. Denise Dyer | Pierce County Economic Development Division |
| 31. Joe Hannon | City of Lakewood Economic Development |
| 32. Michelle Johnson | Chancellor, Pierce College |
| 33. Bruce Kendall | Economic Development Board |
| 34. Councilmember Terry Lee | Pierce County Council |
| 35. Tom Mackenzie | US Army |
| 36. Bruce Mann | Professor, University of Puget Sound |
| 37. Ryan Petty | City of Tacoma Economic Development |
| 38. Joe Scorcio | Pierce County Public Works |

ATTACHMENT B: INTERVIEW QUESTIONS

Interviewers drew from the following list of questions as appropriate to the interviewee. Not all questions were asked of all interviewees.

- What is your vision for University Place: what do you hope it is like 20 years from now?
- Thinking about economic development broadly, considering economic vitality, livability/quality of life, and community identity, what are University Place's greatest strengths and assets?
 - What are the City's greatest challenges?
 - What are the City's greatest opportunities?
- What large-scale initiatives would be most effective in building on the City's strengths and opportunities?
- What are the key factors affecting your business in the next three to five years?
OR What key economic, political and social trends will affect University Place's economy in the next three to five years?
- Do you see particular opportunities for broadening the City's retail or office markets? If yes, what are the key ingredients needed for UP to be successful in these sectors?
- What investments in facilities or infrastructure would most benefit the community, particularly the business community?
- How would you describe the business environment in the City, considering such factors as permitting, regulations, fees and other City policies and practices?
- What role should the City play in regional economic development efforts such as the Prosperity Partnership? What influence should these regional efforts have on the City's economic development efforts?
- To the best of your knowledge, what role does the City currently play in economic development? What should the City do to enhance its role?
- If you are familiar with the City's 2002-7 Economic Development Action Plan, please comment on its strengths and weaknesses.
- What are the top two or three actions you would like to see the City take to support economic development?
- Who else should we be talking to?

In addition to the above questions, the following questions were used in discussions with City partners and neighbors:

- How could UP be a better partner?
- How could communication between your organization and the City of UP be improved?

Fiscal Implications of Land Use Alternatives

MEMORANDUM

DATE: January 2007

TO: City of University Place Economic Development Committee

FROM: Brett Sheckler, Senior Associate, Berk & Associates

RE: Fiscal Implications of Land Use Alternatives

When considering opportunities for economic development, cities typically pursue two simultaneously goals: (1) the city seeks to promote development that helps achieve the city's overall vision and (2) it seeks development patterns that will strengthen the city's long-term fiscal sustainability. The goal is to move the city closer to achieving its broad vision for the future while, simultaneously, ensuring that, over the long term, the city maintains the financial means to provide services that residents desire.

The following memorandum focuses on the latter of these two goals, providing an assessment of the fiscal implications of alternative land uses. The purpose of the memo is to inform the Economic Development Committee and other decisionmakers at the City of University Place about implications for fiscal sustainability as they consider land use choices designed to foster economic development in the City.

Any use of land within City boundaries generates two counteracting fiscal forces:

1. It generates a stream of tax revenues, a share of which accrues to the City, principally from property tax, utility taxes, and retail sales tax; and

2. It also generates demands for public services, including those typically provided by cities such as construction and maintenance of infrastructure, public safety services, parks construction and maintenance, recreation and community services, and a host of other City services that may be consumed less directly, but are no less real.

The question that city policymakers face when they consider the city's posture towards new development is: *How would the development in question affect each side of the city's fiscal equation?*

Within the world of municipal governance, a great deal of conventional wisdom exists about the relative fiscal attractiveness of different types of development. In reality, however, the net fiscal impact of a given development project varies tremendously from city to city. We have worked with cities in Washington State for which we could honestly say that *no* form of development would be a net fiscal winner for the city. And, much more common, we have worked with cities in circumstances where (due to economies of scale in city services and synergies among uses) virtually *any* form of development would represent a fiscal windfall for the city.

The goals of this memo are to (1) outline the factors that have a bearing on the relative fiscal attractiveness of different kinds of development, (2) outline a general hierarchy of the relative fiscal attractiveness of different uses, and (3) discuss some of the potential synergies that may make a given type of development more attractive under certain circumstances. Our hope is that, with this information in hand, decisionmakers at the City of University Place will be in a better position to evaluate the implications of different forms of potential development.

Incremental Costs Versus Average Costs

When a city policymaker thinks about the fiscal implications of serving the city's constituents, he or she often thinks in terms of per-capita costs and per-capita revenues. In 2004, for example, University Place took in roughly \$360 in General Fund revenues per resident, while spending roughly \$260 of General Fund dollars for provision of services.¹ (The difference between General Fund costs and revenues are dollars that were available to fund reserves and non-General-Fund expenditures like road maintenance.)

In reality, however, when a city thinks about the fiscal impact of adding *new* households or a *new* center of commercial activity, *average revenues* and *average costs of service* are not particularly helpful. In this situation, the key questions are:

1. What *new* revenues will the new development bring to the city? and
2. What *new* costs of service will the development introduce?

On the revenue side of the equation, new households or new businesses bring with them the full slate of new city revenues. They will pay property and utility taxes; residents will pay sales taxes on their purchases (some of which will be made locally); and to the extent that new businesses increase the city's overall capture of retail activity (attracting purchases that would otherwise be made elsewhere), new businesses will drive new sales tax revenues. In addition, any new city population allows the city to

¹ These figures are based on financial figures reported by the State Auditor's Office.

collect additional revenues that are distributed at the state or county level based on city population.

In contrast with new revenues, on the *cost* side of the equation, in many instances, a group of new households or new businesses may generate only modest increases in the cost of providing city services.

With a number of fixed costs already in place (e.g. key positions at City Hall and existing city systems and infrastructure) it is often the case that the *incremental* cost of serving a new household or a new business is significantly lower than the *average* cost of serving the city's existing constituents. Based on our experience working with cities across the state, we believe that virtually every growing city enjoys *some* level of these so-called "economies of scale."

A city with 100 new households does not need to hire a new city manager, a new police chief, or a new finance director. Likewise, a city with five new businesses would not expect to spend significantly more to produce the next update of the city's comprehensive plan. Beyond these basic economies, cities that have the greatest opportunity to enjoy economies of scale are those that have capacity within their existing police or fire service structures to absorb additional constituents without having to expand staffing. Because the City of UP does not directly provide fire and emergency medical services, potential economies of scale for fire services has no bearing on the city's fiscal position. However, the City of UP *does* provide police services. Moreover, since police service costs represent roughly 50% of the City's General Fund expenditures, if opportunities for economies of scale in police services *did* exist, then the implications for the fiscal impact of development could be significant.

Fiscal Impacts of Different Land Uses

From a city's perspective, every type of land use generates a unique mix of revenues and service costs. Inevitably, the balance between costs and revenues will vary by contemplated land uses.

For a city like University Place, with no business or employee taxes, the net contribution of land uses could generally be ranked as follows, ranking from most to least attractive.

1. Automobile dealer
2. Retailers of high-cost items like furniture, home electronics, etc.
3. Big and medium box retailers and restaurants
4. Small retailers and consumer service providers
5. Office park
6. Industrial
7. High value residential
8. Mid-to-low value residential

Having ventured to present a ranked list of land uses, the very next thing we will say is that such a ranked list is of limited value. The inter-relationships between land uses and fiscal impacts are extremely complex, varying based on the place, time, and conditions surrounding the development in question.

For example, while multifamily housing may not offer the biggest fiscal windfall for a city *on average*, there are some circumstances where multifamily may be crucial to the city's fiscal success. In many cities, for example, dense, close-in pockets of multifamily housing provide crucial support for adjacent commercial centers, serving as a critical foundation for the cities' ongoing economic development.

If multifamily housing works to support a city's desired urban form, such development can be a key component to the city's fiscal sustainability. If, on the other hand, multifamily units are built on the periphery of a city, where they provide little support for the city's commercial nodes, those developments would be less likely to offer significant benefits to the city's fiscal position.

When reviewing the above list, it is also important to bear in mind that the relative contribution of uses depend on future events. For example, if taxation of internet transactions becomes a reality, and households' purchasing patterns continue to shift towards internet purchases, then residential land uses become more attractive across the board.

Ultimately, rather than concentrating on the *average* fiscal contribution of land uses, it is more valuable to understand the underlying mechanisms through which land use and fiscal sustainability relate.

High Value Retail

Among all potential uses of a given property, high value retail generates the greatest fiscal benefit to a city. An auto dealership can generate city sales taxes of \$100,000 to \$500,000 or more annually. At the same time, because the value of each transaction

is so high, an auto dealership generates this revenue with very little incremental demand for city services. To a lesser degree, other retailers of high value goods, including furniture, appliances, or home electronics all generate relatively high revenues, while attracting relatively few trips compared with big box retail uses that generate lower average revenues per transaction.

Another benefit of high value retailers is that they have the ability to attract customers from a very large area. Auto dealers in Puyallup, for example, attract customers from a large portion of the Puget Sound area, allowing the City of Puyallup to draw on a tax base that extends far outside its municipal boundaries. In the realm of furniture stores, Ikea performs in a similar manner for the City of Renton, drawing customers from across King County and beyond, generating as much as \$1 million a year in City tax revenues.²

From a purely fiscal perspective, all cities would like to attract an auto dealership or an Ikea. Most cities face two challenges: (1) Does the city have the vocational characteristics that auto dealerships seek? (2) Does the city have developable properties available that would support these kinds of uses?

In most instances, if a city does not already have an auto dealership, it is unlikely that they are ever going to get one. Because the auto-dealership market is well-established within the region, most of the best sites for dealerships have already been identified and exploited. Perhaps even more important, shifts in

² Based on estimated average sales per square feet of \$500 and more than 200,000 square feet of retail space.

the the auto dealership model in recent decades have resulted in a situation where the “strong” cities tend to get stronger. In today’s market, dealerships not only want high-visibility sites with great access, they also want to be located adjacent to other, competing dealerships (to improve their ability to attract potential customers from a distance). Consequently, all else being equal, an area that currently has *no* dealerships is unlikely to attract a new one.

Big Box Retail

Like auto dealerships and other high-value retailers, big box retailers like Costco, Wal-Mart, Target, Home Depot, or Lowes can generate anywhere from \$100,000 to \$500,000 or more a year in sales tax revenues for a city. The difference between the two categories is that big box retailers (1) generally attract greater numbers of trips and (2) generally draw on a slightly smaller trade area to attract their customers.

Overall, big box retail is very beneficial to a city’s fiscal position, but generates greater demand for city services like public safety and transportation infrastructure. For the typical city in Washington State, a single big box store might generate \$300,000 in sales tax revenues annually, while at the same time, creating enough activity to demand, on average, one additional commissioned police officer on the city’s police force. Big box retail also generates a high number of trips that must be supported by the city’s transportation infrastructure. Traffic and impacts to a community’s character can be minimized by locating large scale, auto-oriented retail in geographic locations that best support this use.

Restaurant and Entertainment

By themselves, movie theaters, other entertainment venues, and restaurants can generate substantial revenues to a city. An added

benefit of these categories of uses is that, in addition to generating revenues on their own, they also generate positive spillover effects.

Major shopping centers and traditional downtowns seek out restaurants, movie theaters, and performing arts venues as a way to attract a critical mass of activity. In most instances, people who travel to a commercial center to see a movie or a play will venture out for an entire evening, eating at a nearby restaurant and shopping at nearby stores. The more pleasant and seamless a district can make that experience, the better positioned that center is to generate revenues.

From a public amenity perspective, the benefits of establishing a shopping/entertainment center are substantial. From a fiscal-balance perspective, the net benefits are substantial as well, but entertainment uses *do* generate certain demands for city services. High levels of evening activity often drive additional demand for increased law enforcement staffing. Also, depending on the configuration of the district, public investment in infrastructure and amenities may be necessary to make the district attractive to potential visitors.

The good news is that public investments that make an entertainment district attractive to visitors are often the same investments that help to create a venue and focus for *community* activity—a goal that most cities have identified as desirable in its own right.

Given UP's particular circumstances, it is important to note that development of UP's Town Center and development of big-box, auto-oriented retail could offer some valuable synergies. Both the Town Center and an auto-oriented big box store would be likely to expand the city's retail capture area, drawing people to UP from

farther out. One of the basic tenets of retailing is that two strong attractors in proximity to one another tend to generate a stronger draw than either attractor would achieve on its own. As a result, both Town Center and a big box store would benefit from the existence of the other attractor. An extreme example of the benefit of such critical mass is the Southcenter area of Tukwila, where Southcenter Mall combines with Coscto, Lowes, Home Depot, and a series of power centers to generate one of the most dominant retail attractors in all of Puget Sound.

Lower Value Retail and Consumer Services

From a fiscal-balance perspective, the bottom rung in the hierarchy of retail attractiveness falls to community retail and consumer service uses. This category includes grocery stores, drug stores, fast food chains, banks, auto-services, video stores, and various other retail and consumer services.

All of these uses are attractive, first, because they generate net fiscal benefits to the city and, second, because they provide services the community needs. However, because the level of activity around these centers is relatively high compared to the revenues they generate, while they are still attractive, the *net* fiscal benefits of these uses do not match those of big box and higher value retail.

Office

When thinking about development of office uses, it is useful to divide uses into two categories:

1. Those uses that provide services to local markets. This includes services like banks and investment services, real

estate offices, and professional services like doctors, dentists and lawyers.

2. Uses that provide services to broader markets (i.e. markets that are not concentrated in the immediate area).

The principal difference between these two categories of office uses is that the first category typically “needs” to be located in a given local area, while the second category has much more flexibility in its location choices.

University Place appears to be relatively strong in terms of professional services and consumer-oriented service uses. However, the City has fewer service firms that are focused on serving broader markets.

Because UP does not levy any substantial business or employee tax, office uses in the City will not match retail uses for revenue generation. A typical, higher-end office building might generate \$60 per employee in City property tax and another \$75 in utility taxes per year. If Washington State’s sales tax sourcing rules were to change, then office uses will generate additional tax revenues from delivery of supplies, furniture and equipment. Depending on the nature of the office, these sales tax revenues from deliveries might equal an additional \$20 or \$30 per employee annually.

In addition to direct revenue, office employees typically make daytime expenditures for food, drink, and convenience purchases in nearby retail areas. In addition to generating sales tax revenues (perhaps \$20 per year, per employee), the relatively dense pool of daytime population provides important support for local shops and restaurants. For many districts, the key to a successful, active retail/entertainment center is the combination of daytime support

from office workers with day and evening support from households. Restaurants, in particular, are clear beneficiaries of lunch-hour support from nearby offices.

Another benefit of office uses is that they generally drive only modest demand for services. Office uses generate relatively few vehicle trips, they generate very little in the way of demand for police services, and any demand they generate for parks facilities is likely to occur during mid-day periods when existing park capacity may be underutilized.

Industrial

Like office, industrial uses in UP would not generate business or employee taxes, but they would generate property and utility taxes. In addition, under existing sales tax sourcing rules, a small subset of industrial uses can generate *substantial* retail sales tax. With expected changes in sourcing rules, these sales tax revenues from industrial users will probably all but disappear.

The difference between industrial and office uses is that a typical industrial use generates less revenue per acre of land in terms of property taxes, utility taxes, taxes on delivered retail goods and employee demand for local services.

Industrial buildings cost less to construct (per square foot), and industrial uses typically require a lower ratio of building square footage to square footage of land (typically referred to as floor-area-ratio [FAR]).

While a suburban office building might support more than 70 employees per acre, a typical industrial use is likely to support 25 or fewer.³ Lastly, analysis that Berk & Associates has performed in the past suggest that, on average, office uses generate more utility taxes than do industrial uses. While there are certainly exceptions where industrial uses demand large amounts of electricity or natural gas, we have found that, on average, office uses are more intensive in their use of electricity (to power lights, computers, etc.) and telephones.

Another disadvantage of industrial uses, in comparison with office, is that the lower density of workers in industrial settings provides more modest daytime expenditures to support nearby commercial centers.

The demands for service introduced by industrial uses can vary depending on the nature of the use and the general level of activity. Manufacturing and warehouse and distribution uses tend to put more stress on a city's road network. For police services, industrial uses may generate as little demand as does an acre of office.

Residential

For a city like University Place, the extent to which developing new housing will represent a fiscal benefit to the city depends on a number of factors:

³ Assuming an FAR of 0.5 for office and 300 square feet per employee, versus an FAR of 0.3 for industrial, with 500 square feet per employee.

- 1. How great are the city's opportunities for economies of scale?** If the city is in a position to absorb additional constituents without incurring incremental costs of service for certain service categories, then many forms of housing are likely to generate net fiscal benefits for the city.
- 2. Where is the housing located? How does it contribute to UP's urban form?** Given UP's goal of fostering a vibrant Town Center and, potentially, other auto-oriented retail uses, new housing can play an important role by bolstering the "core" foundational market that supports such development.
- 3. What is the value of the housing in question?** All else being equal, high value housing generates greater fiscal benefits to the city than low value housing. However, depending on the opportunities for economies of scale, and depending on the support the new housing can offer to commercial development in the city, it is entirely possible that virtually *any* form of residential development could offer fiscal benefits to the city.

Given UP's existing tax structure, a new housing unit with an improvement value of \$80,000 per resident would generate roughly \$260 in core operating revenues per year.⁴ The question

⁴ Improvement value is defined as the difference between the assessed value of the new housing after development and the assessed value of the property prior to development. For example, a vacant single family parcel that was valued at \$100,000 originally, and was valued at \$300,000 after the house was completed, would have an "improvement" value of \$80,000 per resident. The incremental value of

for the City of UP is: *Would addition of this new unit increase the City's core operating costs by \$260?* For many cities with cost structures like UP, the answer to that question is: *No, adding another person to the city generates costs that are less than \$260.*

Within the residential category, it is clear that high-value residential uses will generate greater net fiscal benefits to the City than will lower-value units. A new, \$600,000 house will generate significantly more new revenue for UP than would a new \$300,000 house, while in all likelihood, not generating any increase in City service costs.

When discussing costs of service, it is also worth noting that, on average, renter-occupied housing units tend to drive greater demand for police services than do owner-occupied units. We base this statement on (1) econometric analyses of the experiences of more than 170 cities across Washington State and (2) the work we have done with numerous police departments around the Puget Sound region.

Having made the preceding statement about renter-occupied housing, we would like to make a couple of points about what we *cannot* say. The data we use to identify relationship between housing tenure and police activity are not sufficiently detailed to

the property would be \$200,000, which, assuming an average household size of 2.5 persons, translates into \$80,000 per resident. Estimated revenues include: \$108 in incremental property taxes (\$80,000 * a city levy rate of \$1.35); \$60 in new utility taxes; \$50 in retail sales tax from local retail purchases; \$32 in state-shared revenue distributions for gas taxes and liquor taxes and profits; and \$13 in criminal justice sales tax distributions.

allow us to draw distinctions among the different forms rental housing. It may be that certain renter-occupied housing forms are less problematic than others. Clearly, different neighborhoods with the same tenure profile can, and do, generate very different demand for police services.

Anecdotal evidence suggests that demand for police services depends on how the housing relates to the surrounding urban environment. For decades, city planners have noted the importance of "eyes on the street"—the notion that, in settings where a few stories of multifamily housing are strongly connected to the street, residents take a certain degree of ownership over what happens in and around their building, increasing safety and security for the entire area.

Given UP's plans for economic development, it is particularly important to note that, for many commercial/entertainment centers, some degree of dense, close-in support from multifamily housing can be a key component of the centers success. The close support of multifamily housing provides restaurants and retailers with a guaranteed base of sales. Moreover, multifamily support also provides a foundational baseline of *activity* in the center that makes the center more attractive to residents in its broader market. In this sense, multifamily housing can often act as a valuable ingredient to the success of the center.

In the end, as noted earlier, the fiscal attractiveness of residential development depends on the extent to which opportunities exist within the City for opportunities of scale. Clearly, high value residential housing has the greatest opportunity to generate net fiscal benefits for the the City. Given the right situation, however—a situation that includes opportunities for economies of scale and opportunities for relatively dense housing to provide close-in

support for a commercial center—it is entirely possible that even relatively low-value apartment housing could offer net fiscal benefits for the City.

CONCLUSION

Ultimately, a city's strategy for attaining fiscal sustainability has to approach questions of governance and land use as a whole. When approaching questions of economic development, cities have multiple goals: seeking development that helps to achieve the city's overall vision *and* seeking development that will strengthen the city's long-term fiscal sustainability. In any given instance, however, cities can, and do, choose to give priority to one goal over the other.

In one instance, a city may alter its land use policies to attract a high-revenue-generating big box store, and in a separate deal, the very same city may choose to forego a potential high-revenue-generating opportunity to promote development that will move the city closer to achieving its long term vision.

From a purely fiscal perspective, all cities would like to attract or retain an auto dealership, an Ikea, or a Costco. For the most part, however, whether or not a city gets such a fiscal boon depends in large part on the luck of geography and the availability of suitable sites.

For most cities, the key to achieving fiscal sustainability is (1) to have a realistic understanding of where the city stands; (2) to provide development opportunities that will serve the city well, both fiscally and in terms of achieving the city's overall vision; and (3) to take advantage of the potential for supportive relationships between land uses.

A city is well served when it looks carefully at the role that each type of land use can play in supporting its vision. Most cities share UP's goal of creating a city center that can provide a sense of *place* for its residents and businesses. One way to strengthen such a center is to encourage development patterns that will generate mutual support among land uses. This requires focusing residential and commercial development in ways that give the city's central place the best chance to enhance its position in the market.

