



February 4, 2023

Mayor Anne McEnery-Ogle
Honorable City Councilors
City of Vancouver
P.O. Box 1995
Vancouver, WA 98668-1995

OPPOSED TO ORDINANCE M-4396 PLACING A MORATORIUM ON WAREHOUSE & DISTRIBUTION PROJECTS

Mayor & Councilors:

I am writing on behalf of Toyer Strategic Advisors, Inc., a land use and economic development consultancy that in full disclosure has clients (developers, businesses and landowners) directly impacted by the city's approval of Ordinance M-4396.

For the reasons cited in the analysis that follows, we strongly encourage the city council to repeal the moratorium and alternatively form a task force with business leaders, tenants, property owners and industry stakeholders – a task force that would be directed to evaluate the city's concerns and identify short- and long-term actions that the city can take to sustain the city's economic development momentum and further the city's sustainability goals.

We believe without a change in approach, the moratorium will result in the accrual of unintended and long-term consequences to the city's economic conditions (i.e., city finances, local employment, business retention and expansion, etc.) without a commensurate nor substantive environmental benefit. This is because industrial projects of all types seeking to locate in the Vancouver/Portland metro area are likely to either locate elsewhere within the metro or at a site much further away – an outcome that will only increase congestion on a broader scale and reinforce a dependency and reliance upon single occupant vehicles (commutes to work or to shopping) and inefficient less-than-load (LTL) truck traffic.

However, by using a task force approach, the city can more quickly, cooperatively, and effectively work with key community and business stakeholders to identify short, medium, and long-term strategies that address climate change; identify and prioritize investments in transportation infrastructure; ensure a sustainable supply of industrial lands for development and redevelopment; and promote business retention, expansion, and attraction.

GENERAL MORATORIUM COMMENTS

How does the city's moratorium differentiate itself between placing a moratorium on warehousing and distribution as a use and industrial warehouses as a type of building design – the latter being what has been proposed in recent land use applications?

The moratorium is being applied to the expansion or development of facilities falling under the warehouse/freight movement use classification when the cumulative building square feet for the entire project exceeds 100,000 square feet. Thus, because new industrial facilities are designed as “industrial warehousing” (i.e. having dock doors, etc.), the moratorium essentially extends to all new industrial buildings unless the specific tenant is known to not be a warehouse/freight movement use.

Almost all new industrial development in the Vancouver metro is speculative in nature and designed as “industrial warehouses” to attract the broadest spectrum of likely industrial and commercial tenants which include manufacturing, warehousing, wholesale suppliers, contractors, wineries, gymnastics facilities, offices, etc. To the

extent the design of an industrial building resemble a warehouse, the moratorium doesn't just target warehousing and distribution facilities.

THE RIPPLE EFFECT OF A MORATORIUM

A one-year moratorium on development applications means that even once the city begins to accept applications again, it will at least 18 to 24 months for future projects to obtain permitting entitlements and finish construction. This means the city is effectively shutting down economic development opportunities for the next 3 years.

Can the city afford to be on the sidelines of economic development for the next 3 years, while those projects go elsewhere (and they will go elsewhere)?

DANGER OF GENERALIZING SIZE AND BUILDING TYPOLOGY

Below and on the next page are two examples of "industrial warehouses" the city has referenced when talking about the large warehouse projects that are the impetus for the moratorium even though these projects are designed to accommodate multiple industrial building tenants, much like strip commercial buildings accommodate multiple small businesses. The examples below are site plan images taken from project marketing materials available on-line.

The industrial warehouse design and site planning, like in these examples, clusters industrial uses on industrial sites in the same fashion that residential development is encouraged to cluster single family homes and/or apartment buildings.

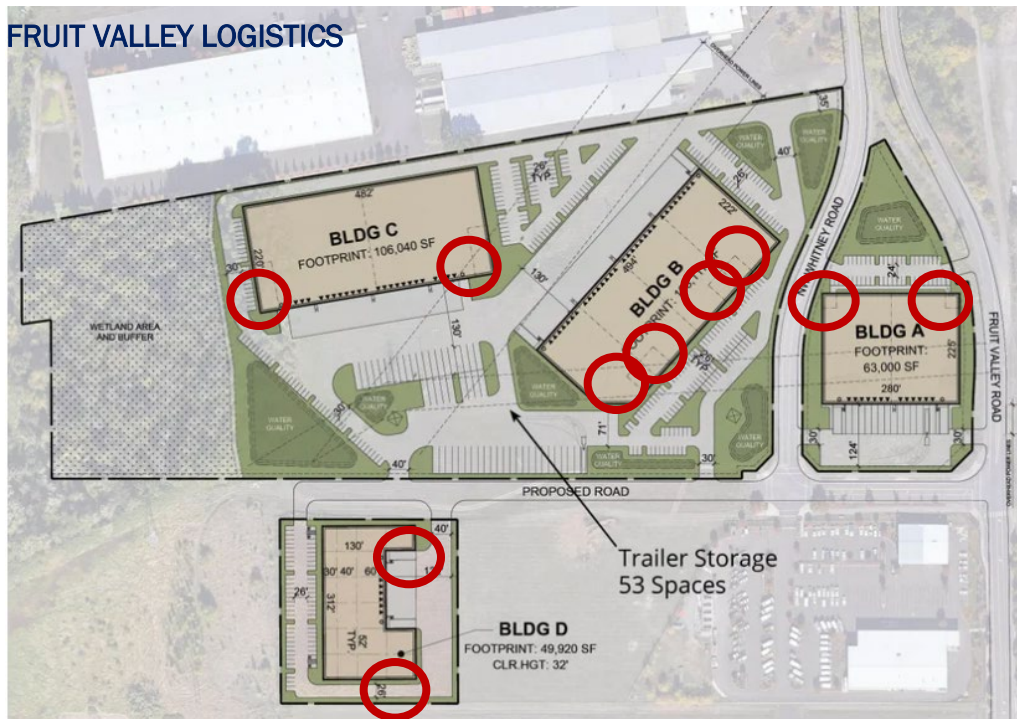
Example #1 – Fruit Valley Logistics

Moratorium's Perspective:

It's a 325,000 square feet warehouse distribution project.

What's Actually Shown:

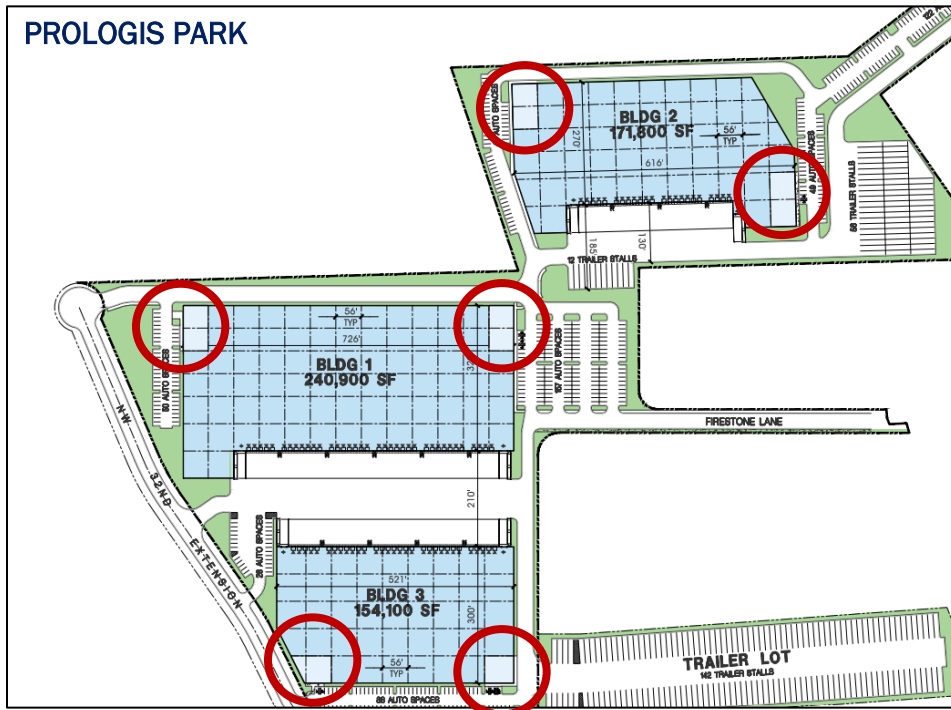
Overall building sizes that range from $\pm 49,000$ square feet to $\pm 108,000$ square feet, which the buildings have been designed to be demised into smaller spaces that could accommodate tenants seeking spaces as small as $\pm 24,960$ square feet. The red circles show proposed office nodes and reflect that site planning on this project anticipates as many as 10 tenants which could accommodate new or existing businesses in the Vancouver market.



Example #2 – Prologis Park

Moratorium Perspective: 566,800 square feet warehouse project.

What's Actually Shown: Three buildings that range from 154,100 square feet to 240,900 square feet with leasable areas as small as 50,000 square feet available. Given the office nodes on the buildings shown, this project could accommodate up to 6 businesses of varying use.



DOWNSTREAM IMPACT TO BUSINESS RETENTION, EXPANSION AND ATTRACTION

New large buildings aren't just for large new tenants, they facilitate business retention and expansion as well as attraction. In metro areas like Vancouver/Portland, logistics companies often lease space in multiple buildings throughout the area because larger spaces aren't available. However, if larger industrial warehouses become available, they can consolidate. The result is the vacancy of smaller spaces that can fulfill the needs of smaller industrial users, including small to medium sized manufacturers.

IMPACT TO THE CONSTRUCTION & TRADES INDUSTRIES

Every new building constructed directly supports a substantial number of contractors, subcontractors, material suppliers, and other local businesses that employ local workers. Slowing down new construction will have a direct impact on these businesses, their employees, and their families.

CITY REVENUE IMPLICATIONS

These industrial warehouse buildings are tax revenue juggernauts. Thus, a moratorium will reduce the revenues the city receives from many types of taxes during the moratorium and the restart period thereafter. Revenue impacts include:

- Sales taxes from construction, equipment purchases (racking, automation, etc.)
- Real estate excise taxes generated from the sale of the property
- Permit revenues generated from application, review and inspection fees
- Property taxes on the increased valuation created
- Water and sewer connection charges

- Traffic impact fees
- Utility taxes

SALES TAX IMPACT (EXAMPLE)

Estimated Sales Tax from Construction		
Building SF (Approx)		170,000
Construction Cost per SF		\$92
Total Construction Cost		\$15,640,000
State	6.50%	\$1,016,600.00
Vancouver, City	0.85%	\$132,940.00
C-Tran	0.70%	\$109,480.00
Clark County	0.15%	\$23,460.00
E911	0.10%	\$15,640.00
Mental Health	0.10%	\$15,640.00
Criminal Justice	0.10%	\$15,640.00
Affordable Housing	0.10%	\$15,640.00
	8.60%	\$1,345,040.00

- Assuming a construction cost of \$92 per square foot for a 170,000 square foot industrial warehouse building, the moratorium would impact city sales tax revenues by \$132,940:
- Of note, the Washington Employment Security Department County Data Tables report that in 2020 the "Construction of Buildings" accounted for \$998 million in annual taxable sales while the Transportation and Warehousing industry added another \$47 million in annual taxable sales.
- Sales taxes aren't the only tax revenues impacted by the moratorium. A delay in construction of new buildings also delays the additional of new taxable valuation to the property tax rolls.

PROPERTY TAX IMPACT (EXAMPLE)

		Estimated Taxable Valuation
Property Taxes Levy for a 170,000 SF "Industrial Warehouse"		\$ 20,369,020
County General	0.92759	\$ 18,894
County General ADREF	0.00166	\$ 34
Dev Disability	0.01087	\$ 221
Mental Health	0.01087	\$ 221
Veterans Assistance	0.00979	\$ 199
Conservations Futures ADREF	0.00007	\$ 1
Conservations Futures	0.03615	\$ 736
Ft. Vancouver Reg. Library	0.34275	\$ 6,981
Metropolitan Park District	0.17147	\$ 3,493
Metropolitan Park District ADREF	0.00041	\$ 8
Port of Vancouver Bonds	0.11449	\$ 2,332
Port of Vancouver General	0.15073	\$ 3,070
SD114 Evergreen Debt Svc	1.76351	\$ 35,921
SD114 Evergreen Enrichment	1.71968	\$ 35,028
SD114 Evergreen Technology Levy	0.42022	\$ 8,559
State Schools - Part 1	1.91284	\$ 38,963
State Schools - Part 2	1.03016	\$ 20,983
City of Vancouver Affordable Housing	0.22586	\$ 4,601
City of Vancouver General	1.97136	\$ 40,155
City of Vancouver ADREF	0.00595	\$ 121
Total All	10.82643	\$ 220,524

- The delay in adding the taxable valuation of the example 170,000 square foot building to the property tax rolls delays the city receiving approximately \$40,000 in property taxes annually.
- The impact is also felt by the Regional Library System, Mental Health Programs, and the local school district.
- For this example, based on current levy rates, the Evergreen School District would be delayed in receiving ±\$79,000 annually, impacting their ability to continue to upgrade technology in the classroom among other things.
- The delay in adding new industrial property valuation to the tax rolls ultimately impacts other classes of property as they have to absorb a greater share of the area's tax burden.

EMPLOYMENT & WAGES COMPARISON

The following graphic depicts the hourly wage data of full-time equivalent employees in manufacturing and transportation and warehouse. This data indicates that wages in both industries are very similar. For example, the percentage of workers in manufacturing making \$38/hour or greater accounts for 22% of its total workforce, while the same wage threshold for transportation and warehousing accounts for 23% of its total workforce. That said, manufacturing has a higher percentage of workers making less than \$19/hour than transportation and warehousing.

NAICS	Industry	Hourly Wages								
		<\$14.00	\$14.00 - \$19.99	\$20.00 - \$25.99	\$26.00 - \$31.99	\$32.00 - \$37.99	\$38.00 - \$43.99	\$44.00 - \$49.99	\$50.00 - \$55.99	>\$56.00+
31-33	Manufacturing	3.1%	23.9%	23.1%	17.5%	10.4%	6.4%	3.9%	2.8%	8.8%
48-49	Transportation & Warehousing	3.6%	20.9%	24.1%	19.7%	8.8%	6.4%	5.2%	3.3%	7.8%

Source: Washington Employment Security Department County Data Tables for Clark County, WA

Further, according to data from Washington Employment Security Department, the 2021 average annual wage for Transportation & Warehousing workers was \$65,221 (\$31.35/hour) compared to \$69,170 (\$33.25/hour) for manufacturing. Wholesale Trade, an industry that also uses industrial warehouse buildings, is shown to have an average annual wage of over \$96,000. When looked at wholistically, of the nineteen industries below, transportation and warehousing, manufacturing and wholesale trade are all within the top 10 of industries for average annual wages and each of these industries are tenants of industrial warehouse buildings.

All Sectors	Annual Average Wage
Accommodation & food services	\$ 25,755
Arts, entertainment, & recreation	\$ 28,000
Educational services	\$ 34,346
Retail trade	\$ 39,979
Ag., forestry, fishing & hunting	\$ 46,753
Other services, ex. public admin.	\$ 47,882
Administrative & waste services	\$ 51,315
Real estate & rental & leasing	\$ 55,165
Health care & social assistance	\$ 61,093
All Industries	\$ 65,032
Transportation & warehousing	\$ 65,221
Construction	\$ 68,945
Manufacturing	\$ 69,170
Government	\$ 70,890
Wholesale trade	\$ 96,060
Professional & technical services	\$ 99,131
Information	\$ 102,111
Mgmt.of companies & enterprises	\$ 112,029
Finance & insurance	\$ 122,988

THE MANUFACTURING SUPPLY CHAIN – WAREHOUSES NEEDED

Supply chain disruptions are projected to continue leading companies to onshore or nearshore, bringing manufacturing and distribution alike into the US in order to promote supply-chain resiliency and inventory availability. This will help reduce shortages for consumers, promote employment and mitigate negative economic impacts experienced during the pandemic.

- According to James Breeze, senior director and global head of industrial & logistics research at CBRE,

“Growth in manufacturing is also increasing demand for warehouse space in these regions, as companies want to locate warehouses as close to production as possible to either store raw materials or distribute finished products. Placing distribution centers near the point of manufacturing also saves money on transportation costs.”

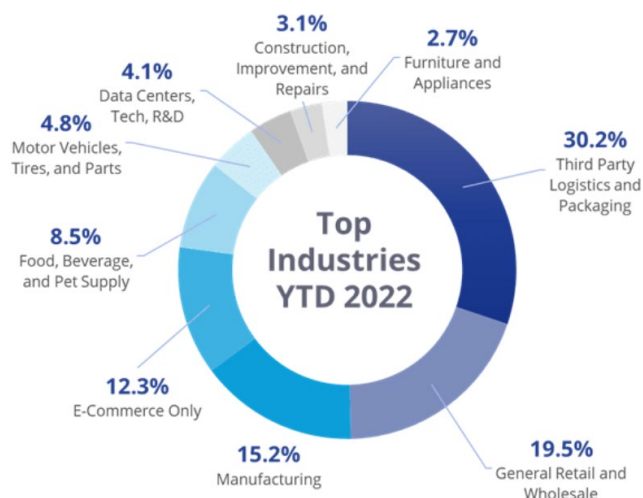
- According to an article by Wealth Management.com¹, over 1,800 companies re-shored production in 2021. The cite James Breeze, senior director and global head of industrial & logistics research at CBRE:

“. . . re-shoring activity is generating competition for industrial properties between manufacturers and logistics users, as those types of buildings can serve either purpose. Growth in manufacturing is also increasing demand for warehouse space in these regions, as companies want to locate warehouses as close to production as possible to either store raw materials or distribute finished products. Placing distribution centers near the point of manufacturing also saves money on transportation costs, Breeze notes.”

DEMAND FOR E-COMMERCE CONTINUES

E-commerce facilities are not the only users of large industrial warehouse buildings, but demand for e-commerce is increasing:

- E-commerce as a percentage of total retail sales has gone from $\pm 14\%$ in 2020 to $\pm 17\%$ currently. Forecasts suggest E-commerce as a percentage could be up to 22% by 2026.
- According to research by Colliers International, 1% of additional E-commerce growth equates to \$54.7 billion of retail sales, requiring ± 37 million square feet of additional warehouse space.
- A November 2022 report by Colliers shows third party logistics and packaging, *which is needed by every other industrial user*, has the largest market share ($\pm 30\%$) of industrial building space nationwide compared to manufacturing and e-commerce at $\pm 15\%$ and $\pm 12\%$:



E-COMMERCE HAS POSITIVE IMPACT ON SUSTAINABILITY

According to a study by the MIT Real Estateⁱⁱ Innovation Lab, online shopping demonstrates clear sustainability advantages over in-store shopping, even after factoring in higher returns and packaging.

- Carbon emissions from online shopping are 36% lower, on average, than those produced by in-store trips.
- Built-out logistics networks, which include urban fulfillment centers, can reduce transportation-related emissions by 50%.

EMPLOYMENT DENSITIES & BUILDABLE LANDS NOT AT RISK

Chris Reeves, a graduate student at Portland State University, released an Industrial Market Analysisⁱⁱⁱ in 2021 addressing employment density in e-commerce versus manufacturing. The study points out that e-commerce warehousing often has a higher employment density than manufacturing facilities:

“NAIOP cites that the average employment density for an e-commerce facility is 700 feet per worker (NAIOP). Most new Amazon facilities have one employee per 600 to 650 square feet, often employing a massive 2,000 to 3,000 workers per establishment. For some context, this contrasts the Cascades Tissue converting manufacturing facility in Scappoose, Oregon (Cascades) which has 1 employee per 4,000 square feet, or Wilsonart Wood Finishing Manufacturing plant in Klamath Falls (Wilsonart) which has 1,900 square feet per employee.”

According to NAIOP, the average E-commerce facility has three times the number of employees per square foot compared to traditional contract warehousing.

The 2021 Buildable Lands Report for Clark County assumes employment densities of 9 employees per acre for industrial and 20 employees per acre for commercial. And based on 2021 Buildable Lands Report for Clark County, the city's land supply does not require emergency actions. The report indicates the land supply the largest share of total net buildable employment land is the 2,423 net acres (62%) of industrial land within the City of Vancouver and its unincorporated UGA.

CONCLUSION

We are concerned that the city's moratorium was enacted without full evaluation and consideration of the information we've presented herein. Thus, we respectfully request that the city reconsider the enactment of the moratorium and encourage the city to repeal the moratorium and alternatively appoint a task force that can more rapidly address the city's concerns without risking the city's economic development future.

Very Sincerely,



David K. Toyer
President

ENDNOTES:

ⁱ [Surge in Re-Shoring Activity Creates More Demand for Industrial Space | Wealth Management](#)

ⁱⁱ MIT Study: [FINAL_Retail-carbon-footprints-report_011221.pdf \(mit.edu\)](#)

ⁱⁱⁱ https://www.pdx.edu/realestate/sites/g/files/znlchr3251/files/2021-06/Q1%20Industrial_Chris_Reeves_v2%20-%20Meagan%20An.pdf