Arlington-Marysville Manufacturing-Industrial Center Market Study

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Community Attributes Inc. tells data-rich stories about communities that are important to decision makers.

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EXECUTIVE SUMMARY

The cities of Arlington and Marysville share the Arlington-Marysville Manufacturing and Industrial Center (AMMIC), a hub of industrial activity that is the second-largest Manufacturing/Industrial Center in Snohomish County. The AMMIC is recognized at the county level by Snohomish County, Snohomish County Tomorrow and the Puget Sound Regional Council (PSRC). According to PSRC, a Manufacturing/Industrial Center (MIC) is defined as an existing employment area with intensive, concentrated manufacturing and industrial land uses that cannot be easily mixed with other activities.

When countywide Manufacturing/Industrial Centers meet minimum thresholds set by PSRC, they can apply for a regional designation. Regional MICs receive funding priority for infrastructure and economic development. This market study is an initial step toward designating the AMMIC a regional MIC. PSRC requires a market study that provides context for local planning and demonstrates the MIC's potential to meet growth expectations.

This study includes a detailed existing conditions assessment, including a land use inventory as well as an initial assessment of the demand from industrial sectors—including emerging opportunities in aerospace and manufacturing—to operate within the AMMIC.

AMMIC Overview

Site and Location

The AMMIC includes a total land area within the MIC boundaries of 4,019 acres, of which 57% is in Arlington and its urban growth boundary and 43 percent lies in Marysville and its urban growth boundary. Nearly 1,762 acres, or about 44%, of the AMMIC land area consists of lands with the capacity for additional development, including partially-used sites, redevelopable sites and vacant sites.

The AMMIC is located within regional economic centers, and is close to Paine Field and I-5. State Routes 99, 531, and 530 connect the AMMIC directly to I-5, linking the area to British Columbia, the Seattle region, and Oregon and California in the south. Given the nearby manufacturing hub centered on Boeing at Paine Field, plus the presence of relatively affordable housing, a large manufacturing workforce resides within easy access of the AMMIC.

The AMMIC's mix of large amounts of developable property and its proximity to transportation assets like the airport and rail spurs, make it an attractive site for industrial activities.

AMMIC Activities

The primary zoning base in the AMMIC is light industrial, at 40%, general industrial at 22% and aviation flightline at 19%. Currently, the AMMIC is home to a variety of firms that employ 6,661 individuals. Industrial jobs in Manufacturing and Warehousing Transportation and Utilities, and construction and natural resources dominate employment, accounting for 69% and 10% of total employment, respectively.

Jobs

According to the PSRC forecast, from 2010 to 2040, total employment in the AMMIC is slated to increase at a compound annual growth rate of 3.7%. Manufacturing, warehousing, transportation, and utilities are expected to remain a stable base of area employment, with growth forecasted at 2.5% per year. Finance, insurance, and real estate services are forecasted to increase the fastest at 6.9% annually, while government employment is expected to increase at 1.0% per year. Rapid growth, 6.0% per year, is also expected in retail and food services employment. Anticipated growth in the region is expected to result in a rapid increase in service jobs around the area's manufacturing core.

The AMMIC is expected to represent a significantly higher concentration in manufacturing than in the county as a whole in 2040, with 40.0% of employment in manufacturing, warehousing, transportation, and utilities employment in the area compared to 16.2% in the county as a whole.

Employment scenarios conducted as part of this study estimate the AMMIC could support substantial job growth over the next two decades, with employment projections ranging from 8,000 jobs to upwards of 25,000 by 2040.

Employment densities within MICs vary greatly due to factors like the type of industrial uses, and the amount of space used to accommodate equipment versus employees. Technological advances are also restructuring several industrial sub-sectors (for example, aerospace manufacturing and warehousing) and creating lower employment densities in some MICs. For instance, an aerospace company recently purchased a 35,000 square foot building within the AMMIC and intends to employ 35 people. Thus, employment numbers and job-to-acres ratios do not capture the full extent of industrial activities on site.

Demand from Industrial Sectors

Snohomish County, the AMMIC and Paine Field are hubs of manufacturing activities, including several emerging technologies, such as advanced composite manufacturing. Composites are used in equipment for aerospace, boat building and biomedical manufacturing. There is also

local market interest in the production and distribution of high-value agricultural goods and recreational equipment.

The AMMIC is strategically located to accommodate other local industrial uses such as food processing for Snohomish and Skagit county farmers, and timber products manufacturing for timber from Canadian-owned companies. Firms engaged in a range of industrial activities may also benefit from co-locating at the AMMIC, which can consequently help buffer volatility in the downstream markets.

Market Analysis

The AMMIC currently has a vacancy rate of about 10% and rents of about $6.00/square foot. This is a higher vacancy rate and much lower rent than nearby Everett Paine Field. Low vacancy and consequently high rents in the region overall, and in Everett Paine Field specifically, and robust demand for industrial spaces, may accelerate construction in more affordable, alternative locations in the north end such as the AMMIC.

INTRODUCTION

Background and Purpose

The cities of Arlington and Marysville designated the Arlington-Marysville Manufacturing and Industrial Center (AMMIC) in 2008. Today, with support from the Puget Sound Regional Council (PSRC), the cities are preparing a market study for the AMMIC.

PSRC's *Industrial Lands Analysis for the Central Puget Sound Region* from March 2015 examined the AMMIC and considered the size at 3,302 acres. This Market Study considers the AMMIC at a larger area of 4,019 acres, which includes additional areas that allow industrial uses, some of which are zoned General Commercial in Marysville. In the Marysville portion of the AMMIC, Marysville is looking at changing standards in the commercial zones that allow industrial uses with the intention to make the zone more accommodating to industrial uses.

This market study provides regional economic context to inform AMMIC strategic decision-making with a greater understanding of demand and opportunities. The study assesses emerging opportunities in aerospace manufacturing and other industrial sectors, as well as opportunities from all industry sectors. The market analysis provides grounding for the feasibility of development types and opportunity sites. The analysis frames AMMIC's comparative advantages within the region with both near-term and long-term horizons.

Methods

This report relies on analysis of existing and published data sources, supplemented by custom data queries of economic data by local government officials, and supplemented by interviews with expert stakeholders in industrial land for Snohomish County and the region.

Organization of Report

The report is divided into two parts. Part 1, Findings and Opportunities, presents the qualitative assessment of the opportunities and challenges of industrial development at AMMIC. Part 2, Technical Analysis, provides the data and analysis that support the findings. The analysis examines regional trends and forecasts in the context of regional economic strategies to understand where regional priorities may shape industry growth in the long-term. Near-term analysis assesses real estate market conditions.

Part 2 concludes with absorption scenarios that link findings from near-term and long-term analysis. The report is organized as follows:

Part 1. Findings and Opportunities

- Emerging Opportunities
- AMMIC Competitive Advantages
- Strategic Considerations

Part 2. Technical Analysis

- Existing Conditions Overview
- Past and Present Economic Visions
- Regional Employment Trends
- Workforce Trends
- Industrial Trends and Opportunities
- Absorption Scenarios

PART 1. FINDINGS AND OPPORTUNITIES

Emerging Opportunities

Industrial and employment opportunities analyzed for planning and development of AMMIC fall into the following two general categories:

- **Local and regional industrial strengths.** Local and regional industrial strengths include aerospace manufacturing, transportation, distribution and logistics and others. Local demand would also come from population-driven industrial sectors, such as residential and commercial construction.

- **Aerospace and Aviation-Related Industry.** Interviews with experts in industrial demand revealed Aerospace manufacturing and aviation-related activities as a sector of interest. Opportunities in aerospace manufacturing and aviation-related industries are highlighted in this study.

Local and Regional Strengths

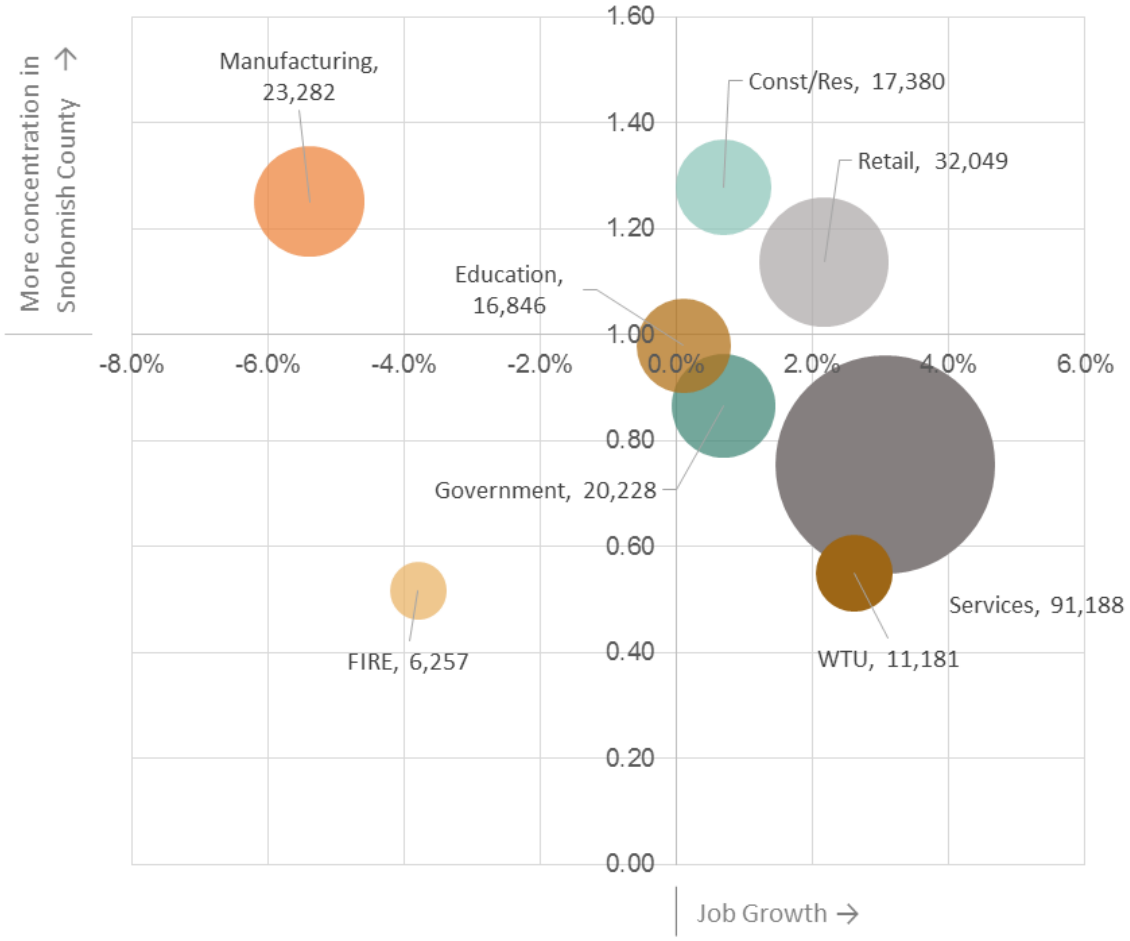
Local and regional industrial strengths include established industries and emerging clusters that are growing in regional prominence, shown in **Exhibit 1**. Industries with location quotients greater than 1.0 are industries that have a greater concentration in Snohomish County than elsewhere in the region, most notably Manufacturing jobs. The Manufacturing sector, associated with proximity to Boeing and Paine Field, is significantly concentrated in the county with a location quotient of 1.25. Aerospace firms lead this sector, but it also includes biotech and biomedical firms like CMC Biologics and Philips, instrumentation companies like Fluke Corporation, and heavy machinery companies like Advanced Rail Concepts. In addition to Manufacturing, Construction and Natural Resources, and Retail Trade are industry sectors that are more concentrated in the county than in the region. Industrial jobs in Warehousing, Transportation and Utilities (WTU) are less concentrated in Snohomish County than elsewhere in the region, as shown in their placement in the graph below the 1.0 value on the y-axis.

In terms of job growth, Retail Trade and Construction and Natural Resources are both growing sectors while jobs in the Manufacturing sector have shrunk in recent years. The decrease in the employment number for the Manufacturing sector, however, may not represent a contraction of the industry. One potential cause of the reduced number may be recent innovations such as increasing automation, especially in the aerospace manufacturing sector, with the result that the employment number may be an imperfect metric to capture the activity, output and trends of these uses.

Aerospace and Aviation-Related Industry

Aerospace is an important subsector of manufacturing. Snohomish County is at the epicenter of aerospace activities in Washington State: in 2014, 43,900 of the state's 93,900 aerospace workers were employed in Snohomish County. From 2000 to 2014, aerospace employment in the county grew at a compound annual growth rate of 2.8%, faster than the county's growth rate of 0.7% during the same period. Aerospace was one of the county's fastest-growing subsectors, outpaced only by services, which grew at a compound annual growth rate of 3.1%. Aerospace in the Puget Sound Region grew at a compound annual growth rate of 0.5%.

Exhibit 1
Snohomish County Competitive Sectors



Sources: Puget Sound Regional Council, Community Attributes Inc., 2016. 2004-2014 CAGRs, 2014 LQs, and 2014 Employment
Note: FIRE refers to Finance, Insurance, and Real Estate; WTU is Warehouse, Transportation, and Utilities; Const/Res is Construction and Natural Resources.

While aerospace manufacturing remains a traditional sector of strength for Snohomish County, interviews with local experts revealed growing interest in several related industries. Snohomish County and the AMMIC and Everett Paine Field areas are hubs for several emerging technologies centered on manufacturing. Advanced composite manufacturing was cited as a key, emerging industry. This technology was originally developed for aerospace manufacturing but has the potential to be a springboard for new industries as a platform technology. Composites now play key roles in new technologies in aerospace, boat building and biotechnology/biomedical businesses. In addition, there is market interest in the area from businesses engaged in the production and distribution of high value agricultural goods and recreational equipment.

Further Industry Potential

In addition to the industries discussed above, the Arlington Marysville MIC is potentially well-positioned to exploit a number of other industrial trends that could lead to growth in sectors that are not currently represented in the area.

First, given U.S. tariffs on the importation of value-added goods, particularly in the timber industry given the proximity and comparative strength of the Canadian raw timber sector, Canadian-owned companies have purchased or leased Washington State processing and shipping facilities in order to conduct value-added activities without the imposition of U.S. tariffs. The AMMIC is ideally situated on rail and interstate corridors and within short-haul trucking distance of Canadian distribution networks and ports of entry. In addition, nearby Stillaguamish Valley communities such as Darrington are currently exploring feasibility and funding opportunities related to the development of research and production facilities for high-value niche timber products manufacturing, including cross-laminated timber (CLT).

In addition to value-added timber, there is strong potential in the area for value-added agricultural industries as well. Given the strength of Snohomish and Skagit Counties' flower, feed, and produce farms, related activities such as jarring and canning, seed packing, flower products, and food processing could benefit to co-locating between producers and major distribution corridors. Additionally, while the Port-to-Pass IPZ application was denied, there remains an emerging home-grown, boutique outdoor recreation products manufacturing industry in the area drawn to the nearby recreational amenities of the Sky Valley.

Next, great structural potential exists for the Arlington-Marysville MIC to attract new development in capital-intensive industrial facilities, including automated distribution centers, with the passage of SB 5761 providing for a 10-year property tax exemption for the value of new construction of industrial / manufacturing facilities in targeted areas. The AMMIC would

potentially qualify as a targeted area due to its inclusion in the boundaries of the Snohomish County Innovation Partnership Zone ("Aerospace Convergence Zone).

Finally, synergistic opportunities exist for new business attraction that can leverage the sophisticated advanced manufacturing capabilities – including materials fabrication, coating, machining, and process engineering - present in the area in the form of suppliers to the aerospace manufacturing sector. For firms engaged in a diversity of activities – from recreation equipment design and manufacturing to industrial tooling, to food processing equipment to marine and automotive component manufacturing – locating in the AMMIC could derive a significant competitive advantage from co-location while at the same time diversifying and buffering from volatility in the downstream markets for local aerospace suppliers.

Arlington-Marysville MIC Comparative Advantages

AMMIC's location within regional economic centers, and its proximity to Paine Field and Interstate 5 is a significant comparative advantage. State Routes 99, 531, and 530 connect the MIC directly to I-5 – the west coast's principal interstate freeway - via three interchanges within one mile of the MIC, connecting the area to British Columbia in the north and to the Seattle metro, Oregon and California in the south. Given the nearby manufacturing hub centered on Boeing in Everett / Paine Field and the presence of relatively affordable housing, a large manufacturing workforce also resides within easy access of the MIC.

The MIC encompasses a publicly-owned and operated Class D general aviation airport, providing distributors and manufacturers of high-value goods air freight and air taxi service options and connectivity to Paine Field.

A pair of Burlington-Northern Santa Fe mainline subdivisions – the Bellingham and the Sumas, diverge at the southern end of the MIC and traverse the entire area. Great potential exists for further utilization of the mainline for bulk materials shipping with the development of additional rail sidings and yards in the MIC. In addition, AMMIC's greatest comparative advantages include the following:

- Presence of large, undeveloped parcels buffered from most residential uses.
- Pre-approved, pre-permitted land.
- A regulatory environment with certainty of regulations established, respected businesses who can vouch for the permitting process, and similar businesses in the area.

- City of Marysville's construction of two regional drainage ponds for use by the developing industry.

Arlington-Marysville MIC Employment Scenarios

Forecasts for Snohomish County suggest that county employment will grow by approximately 183,984 jobs by 2040. If the AMMIC maintains its current share of county employment, the resulting growth would total 2,049 new jobs added to the MIC between 2014 and 2040. **(Exhibit 36)** While likely a conservative estimate due to the Great Recession impacting both county and AMMIC growth rates for the sample period, this scenario represents the status quo option.

Specific small-area forecasts for employment in the Arlington-Marysville MIC were generated by a model developed by the Puget Sound Regional Council that is based upon development capacity in a given area as expressed by adopted land use policy. This capacity-based forecast indicates that 3,100 new industrial jobs could be added by 2040, primarily in the manufacturing and warehousing, transportation and utilities sectors. The forecast also indicates the AMMIC will include 10,095 jobs by 2025, surpassing the current regional designation threshold of 10,000 jobs. The AMMIC is forecasted to include 15,538 jobs by 2040.

A third possible scenario is that the AMMIC captures an assertive share of the industrial jobs that go into MICs in the region, and outperforms both historic trends and the current PSRC forecast. There is anecdotal evidence of growing demand for the area from established firms as well as the potential for firms engaged in emerging manufacturing sub-sectors such as advanced composites. A range of possible employment levels are possible in the MIC dependent upon the scale and composition of the mix of industries locating there. Two useful comparisons with other MICs in the region with similar assets, access, and proximities may illustrate this potential. First, at the employment density found in the North Kent MIC – an area characterized by transportation, distribution, and logistics build out – the Arlington Marysville MIC could accommodate more than 24,800 jobs. Alternatively, if the AMMIC developed along the trajectory of the neighboring Paine Field MIC – with its large scale aerospace manufacturing activities – an equivalent employment density could yield upwards of 32,700 jobs.

PART 2. TECHNICAL ANALYSIS

Existing Conditions Overview

Definition and Location

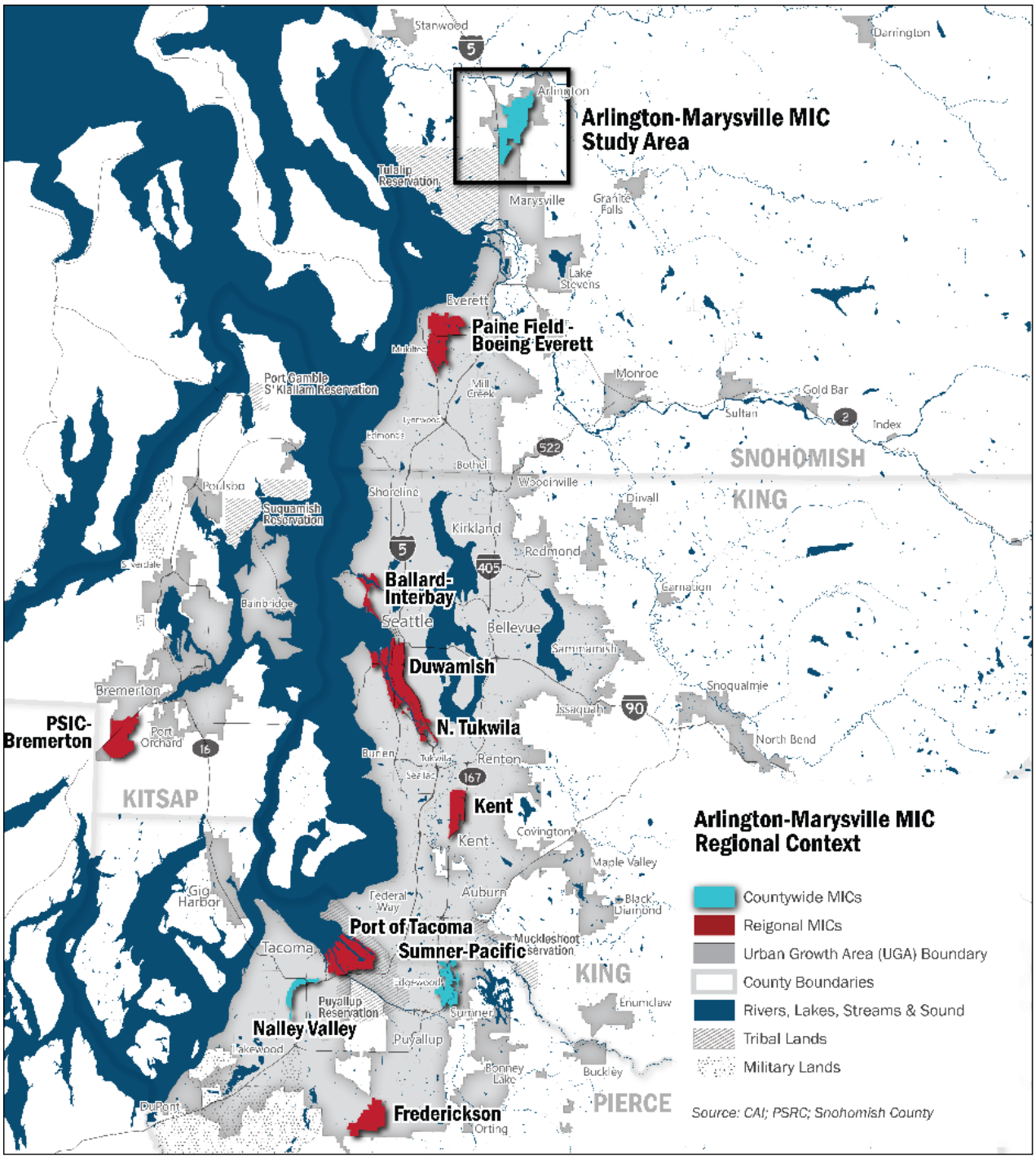
The Arlington-Marysville Manufacturing Industrial Center (AMMIC) consists of 4,019 acres located in the northeastern corner of Snohomish County. AMMIC includes 2,291 acres within the City of Arlington and 1,728 acres within the City of Marysville.

Manufacturing Industrial Center Designation

AMMIC is a designated countywide Manufacturing Industrial Center, a regional planning classification for the Puget Sound Regional Council. countywide MICs are recognized first in comprehensive plans and then in countywide planning policies. When countywide MICs meet minimum thresholds and have done significant planning they may apply to receive a regional designation. Currently, PSRC has designated three MICs at the countywide level, including South Tacoma Valley (Tacoma), Sumner-Pacific (Sumner and Pacific) and Arlington-Marysville (Arlington and Marysville).

Regional MICs receive funding priority for infrastructure and economic development. There are currently eight regional MICs in the Puget Sound region. The eight regional MICs as designated by PSRC include: Ballard-Interbay (Seattle), Duwamish (Seattle), Frederickson (Unincorporated Pierce County), Kent (Kent), North Tukwila (Tukwila), Paine Field/Boeing Everett (Everett, Unincorporated Snohomish County), Port of Tacoma (Tacoma) and PSIC-Bremerton (formerly South Kitsap Industrial Area). **(Exhibit 2)**

Exhibit 2
Regional & Countywide MICs, 2015



AMMIC Jobs

In 2014, AMMIC included approximately 6,661 jobs. **(Exhibit 3)** Industrial sectors employ 5,188 jobs in the AMMIC (78% of all AMMIC jobs). Industrial sectors include Construction and Resources, Manufacturing, and Warehousing, Transportation and Utilities.

Exhibit 3
Arlington-Marysville MIC
Employment by Sector, 2014

Sector	Jobs
Const/Res	604
FIRE/Services	633
Manufacturing and WTU	4,584
Retail	314
Government	500
Education	26
Total	6,661

Source: Puget Sound Regional Council, 2014

Size and Capacity

In comparison to acreage of other industrial centers in the region, the AMMIC is slightly smaller than the Duwamish MIC in South Seattle (~4,900 acres), and the Port of Tacoma (4,200 acres) and larger than Frederickson MIC (~2,700 acres) in south Pierce County and Kent MIC(~1,840) acres in King County.

Nearly 1,762 acres or approximately 44% of the land area in the AMMIC consists of lands with capacity for additional development, including partially-used sites, redevelopable sites, and vacant sites, according to the 2012/13 Snohomish County Buildable Lands analysis. Land use and zoning within the AMMIC is explored in greater detail in subsequent sections. **(Exhibit 19)**

Industrial Assets

Our work on industrial lands in the region has revealed the following physical and regulatory factors drive the selection process for potential locations for industrial purposes:

- Presence of land available that is buffered from residential uses.
- Access to a skilled workforce.
- Ease of transportation access.
- Pre-approved, pre-permitted land.

- A regulatory environment with certainty of regulations established, respected businesses who can vouch for the permitting process, and similar businesses in the area.

The AMMIC has several of these industrial assets that would immediately serve new businesses. These are summarized in **Exhibit 4**.

Exhibit 4
Arlington-Marysville Regional Access and Advantages, 2016

Assets	Advantages
Proximity to Boeing and Everett/Paine Field	Proximity to manufacturing hub centered around Boeing in Everett / Paine Field is a significant adavantage for the AMMIC.
Acces to Interstate 5	State Routes 99, 531, and 530 connect the MIC directly to I-5 – the west coast's principle interstate freeway - via three interchanges within 1 mile of the MIC, connecting the area to British Columbia in the north and to the Seattle metro, Oregon and California in the south.
Presence of Arlington Municipal Airport	The MIC encompasses a publicly-owned and operated Class D general aviation airport, providing distributors and manufacturers of high-value goods air freight and air taxi service options and connectivity to Paine Field. This is a major asset for aerospace and aviation related businesses and can be leveraged for economic development strategies.
Proximity to Workforce	Due to the the presence of relatively affordable housing, a large proportion of the manufacturing workforce live in communities close to the AMMIC such as Stanwood, Marysville or Darrington.
Access to Burlington-Northern Santa Fe Railroad	A pair of Burlington-Northern Santa Fe mainline subdivisions – the Bellingham and the Sumas, diverge at the southern end of the MIC and traverse the entire area. Great potential exists for further utilization of the mainline for bulk materials shipping with the development of additional rail sidings and yards in the MIC.

Arlington-Marysville Economic Visions

Past Efforts

ARLINGTON AIRPORT PLANNING

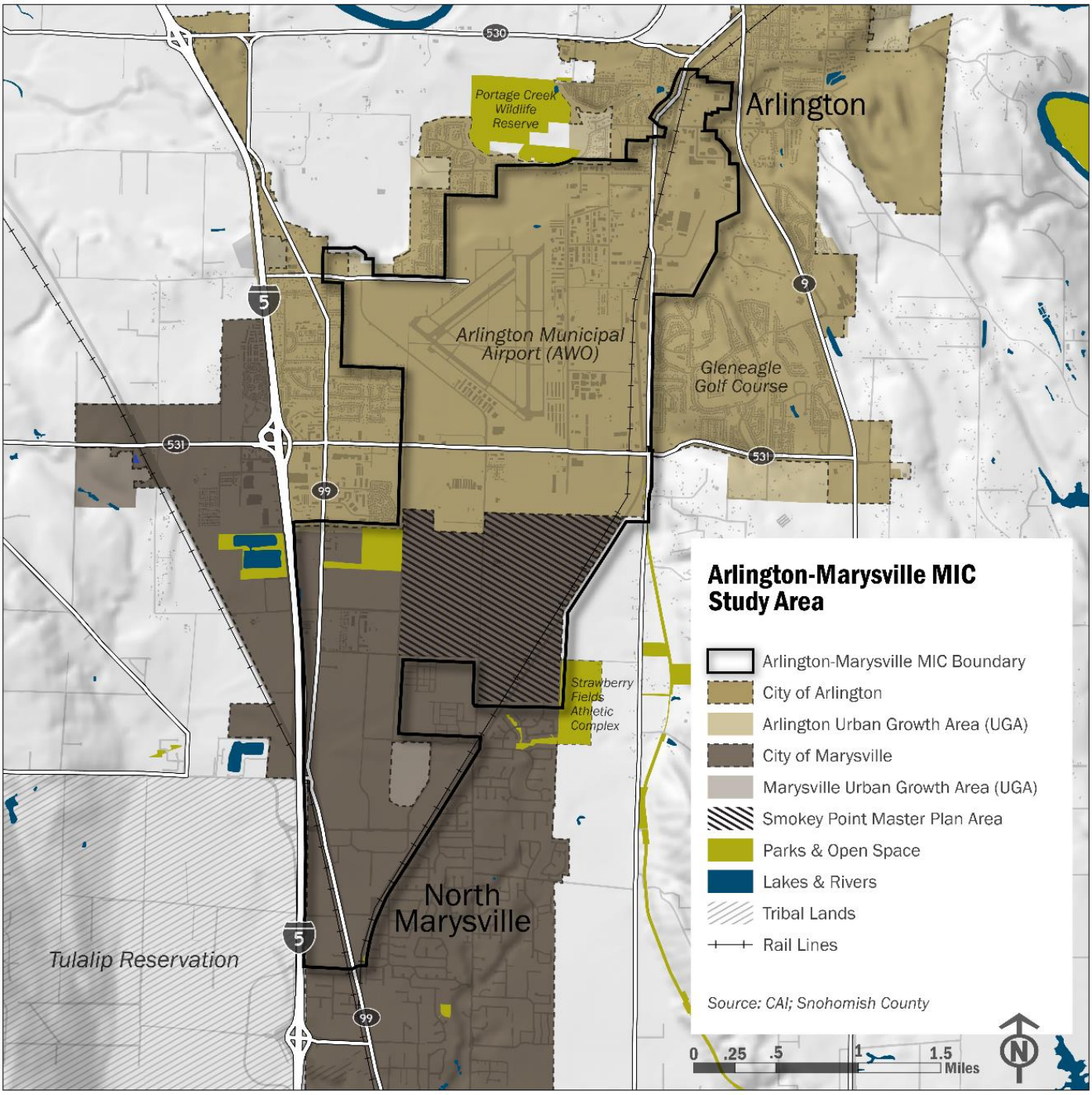
The Arlington Municipal Airport is central to economic development in the City. In addition to aviation operations, industrial, commercial, and public land uses are concentrated within the 1,200-acre airport and adjacent industrial park. A total of 130 businesses lease land and/or facilities on airport property. 25% of these firms are aviation-related and

support the 580 aircrafts stored at the airport. As of July 2015, airport hangar occupancy was at 100% with demand for additional storage facilities. The remaining 75% of businesses are located throughout the 100-acre airport industrial park. The City of Arlington aims to continue to foster airport growth and development, and leverage the convenience of a proximal regional airport to new industrial park tenants.

SMOKEY POINT MASTERPLAN

In 2008, Marysville designated the 675-acre Smokey Point area for light industrial and commercial usage. The site opened in 2012, and is the largest developed concentration of the aforementioned mixed uses along I-5 between Tacoma and the U.S./Canada border. Smokey Point is the result of an economic development collaboration between the Cities of Marysville and Arlington, Snohomish County, and the Tulalip Tribes. As developers continue to increase business density in Smokey Point, 60% of the site area will be reserved for light industrial use, and the other 40% will feature office space. The site has the potential to house 10,000 new jobs when fully occupied.

Exhibit 5
Arlington-Marysville MIC Study Area



Sources: Puget Sound Regional Council, Arlington, Marysville, Community Attributes Inc., 2016.

Arlington-Marysville Existing Conditions

Location and Access

The Arlington-Marysville MIC (AMMIC) lies between the cities of Arlington and Marysville and is one of only three MICs that straddle the territory of more than one municipality (the others are Paine Field – Boeing Everett Regional MIC and the Sumner – Pacific Countywide MIC. **(Exhibit 5)** The AMMIC occupies a lowland basin east of I-5 and the Tulalip Plateau and spans the Stillaguamish and Snohomish River watersheds. The total land area of within the MIC boundaries is 4,019 acres, while the total area of parcels lying within the boundary, exclusive of some rights-of-way, is 3,809 acres. 57% of the MIC land area lies within the City of Arlington and its urban growth boundary (UGB) **(Exhibits 5** and **6)**, while 43% lies in the City of Marysville and its UGB. Within the City of Arlington's portion, the 737 acre city-owned and operated Arlington Municipal Airport (AWO) occupies 18% of the MIC's land area. The City of Marysville's 2007 Smokey Point Master Planning Area occupies approximately 665 acres, or 17% of the MIC land area, including a large proportion of the undeveloped property in the MIC.

The AMMIC is bounded generally on the east by BNSF's Sumas freight rail mainline subdivision, and is bisected south of Arlington Airport by State Route 531 (172nd Ave. NE). Just east of I-5, State Highway 99 (Smokey Point Boulevard) connects the Smokey Point retail area at 172nd Ave. NE with the City of Marysville to the south. The most significant industrial concentrations lie along Smokey Point Boulevard in the MIC, south of the retail zone, and to the east and northeast of Arlington Airport between 59th and 67th Aves. NE.

Exhibit 6
AMMIC Size by Municipality, 2015

City	*Acres*	*Percent*
Arlington	2,291	57%
Arlington Municipal Airport	737	18%
Marysville	1,728	43%
Total	4,019	100%

Sources: CAI; PSRC; Snohomish County

Parcel Size and Configuration

Parcels sizes in the MIC range from less than an acre up to nearly 178 acres. **(Exhibit 7)** The largest parcels – from approximately 100 to 178 acres are found within the boundaries of Arlington Municipal Airport. The next largest parcels – ranging in size from approximately 20 to 100 acres are largely comprised of vacant and agricultural sites concentrated

generally south of the airport and within the Smokey Point Master Planning Area – though several of these sites area scattered elsewhere around the MIC, including within the Airport Business Park southwest of runway 29 at Arlington Airport, and east of Smokey Point Boulevard in North Marysville. Ideal parcel shapes for industrial development are typically rectangular or square; most of the larger parcels in the MIC are regularly-shaped, though a number of triangular parcels lie to the east along the BNSF mainline, and around the airport. The smallest parcels in the MIC are found along Smokey Point Boulevard and closest to downtown Arlington north and east of the airport.

Exhibit 7
AMMIC Parcel Size Distribution, 2015

Size Range, Acres	*Parcels*
0-5	484
5-10	66
10-20	37
20-50	20
50-100	7
100-200	6
More	0

Sources: CAI; Snohomish County

Property Ownership

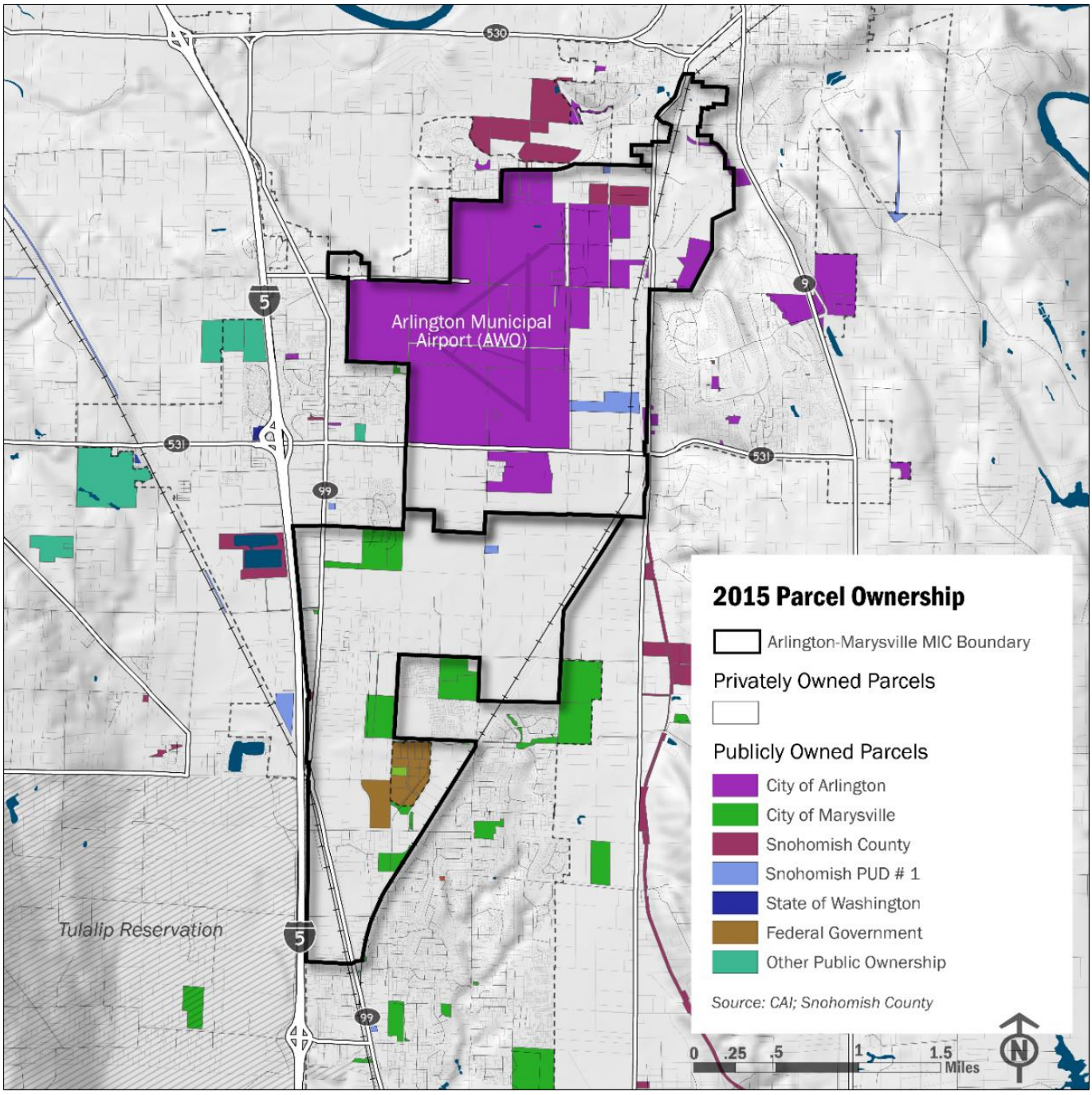
Public ownership of land in the Arlington Marysville Countywide MIC amounts to less than half. **(Exhibit 8)** The large majority of this public ownership is the City of Arlington-owned property making up the Arlington Municipal Airport in the northern half of the MIC. **(Exhibit 6)** The City of Marysville owns a number of parcels east of Smokey Point Boulevard, and the Federal Government owns the large Army Reserve and Navy complexes on 136th Street NE between 40th and 45th Avenues. **(Exhibit 9)**

Exhibit 8
Parcel Ownership, 2015

Ownership	*Acreage*	*Percent*
Privately Owned	1936	50.8%
Publicly Owned	1873	49.2%
Total	3809	100.0%

Sources: CAI; Snohomish County

Exhibit 9
Map of Detailed Parcel Ownership, 2015

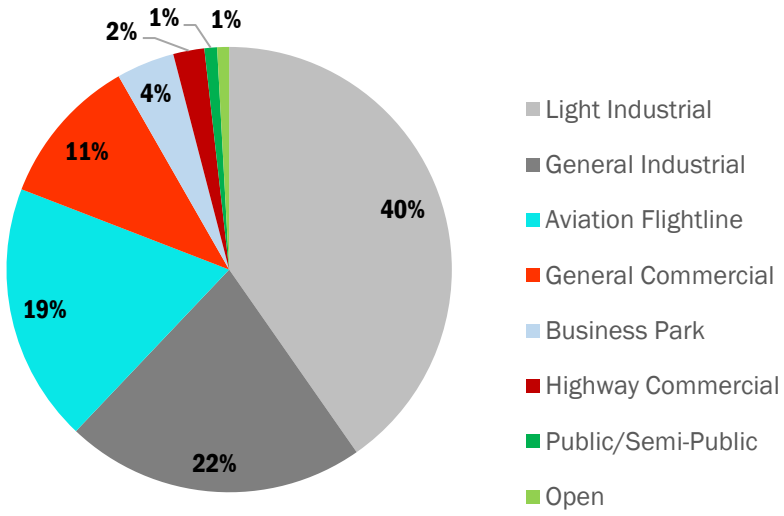


Sources: Puget Sound Regional Council, Arlington, Marysville, Community Attributes Inc., 2016.

Zoning

Consistent with designation of the area in both cities' comprehensive plans as a manufacturing-industrial center, the primary base zoning classifications in the MIC are light industrial (40%), general industrial (22%), and aviation flightline (19%). Combined, these zones encompass 81% of the MIC land area. **(Exhibit 10)** Commercial zones constitute another 13% of the MIC, and the Airport Business Park zone, southwest of runway 29, another 4%.

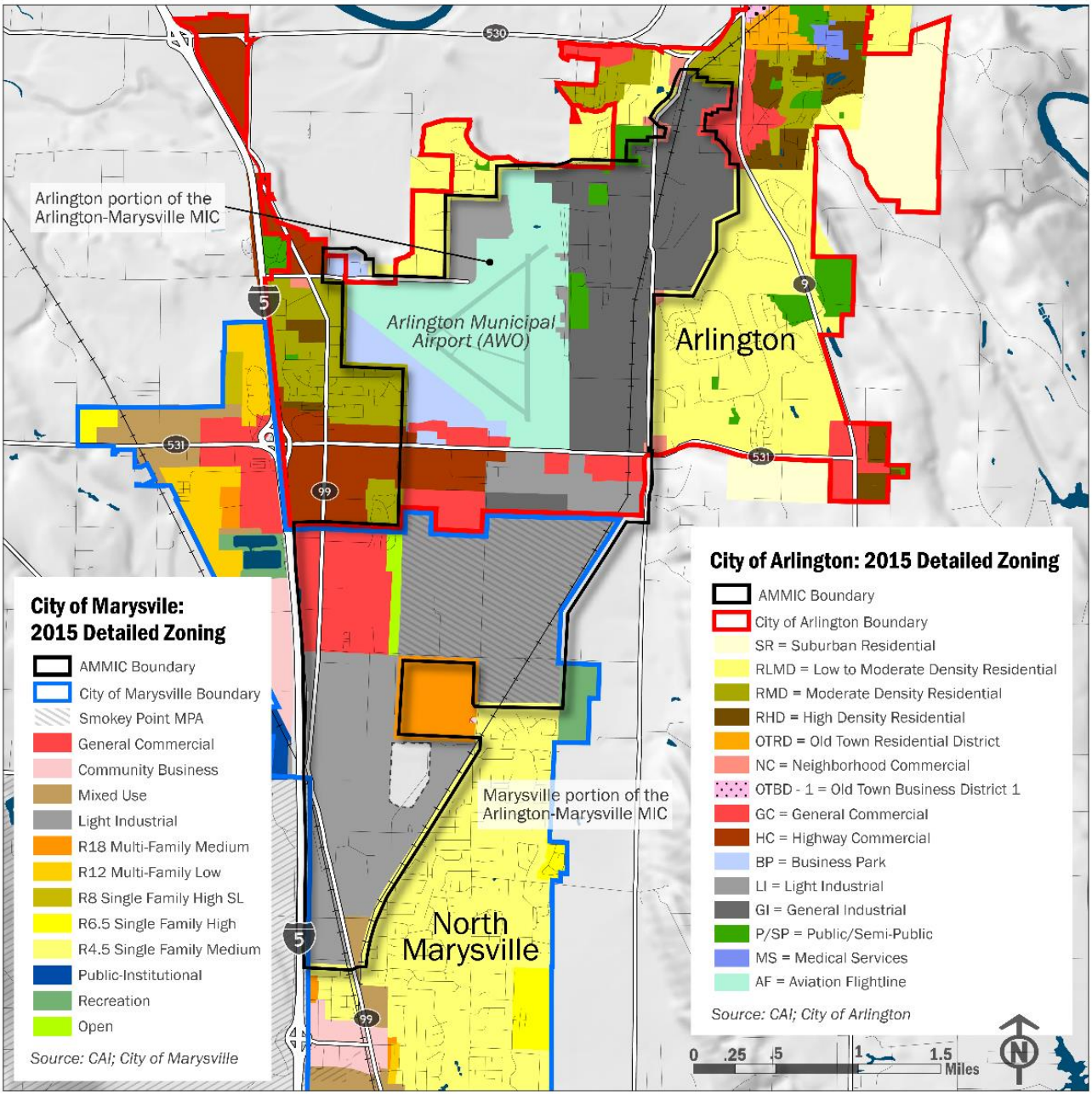
Exhibit 10
AMMIC Combined Base Zoning Summary, 2015



Source: CAI; City of Arlington; City of Marysville

In Arlington, 854 acres (22% of the MIC land area) to the east and northeast of the Airport are zoned General Industrial. This zone is intended to accommodate enterprises engaged in the manufacturing, processing, creating, repairing, renovating, painting, cleaning, or assembling of goods, merchandise, or equipment. The Arlington Airport is zoned Aviation Flightline strictly for airport operations and uses directly related to aviation operations on site, and comprises 19% of the MIC. A 236-acre area north of the Airport is zoned for Light Industrial. The Light Industrial district is distinguished from the General Industrial district in that the Light Industrial district is intended to be a cleaner, more business park-like area, whereas the General Industrial district allows more resource-based manufacturing has a greater tolerance of the manufacturing impacts that typically accompany such manufacturing. The Arlington Airport's Business Park zone comprises 166 acres **(Exhibits 11 and 12)** and is designed to accommodate office, hi-tech, research and development and related uses in a park-like, master-planned setting.

Exhibit 11
Map of Arlington & Marysville Detailed Zoning, 2015



Sources: Puget Sound Regional Council, Arlington, Marysville, Community Attributes Inc., 2016.

Exhibit 12
Summary of Arlington & Marysville Detailed Zoning, 2015

City	*Zone*	*Acres*	*Percent*
Marysville	General Commercial	270.3	7%
Marysville	Light Industrial	1344.0	34%
Marysville	Open	34.0	1%
Arlington	Aviation Flightline	737.2	19%
Arlington	Business Park	165.7	4%
Arlington	General Commercial	155.7	4%
Arlington	General Industrial	854.4	22%
Arlington	Highway Commercial	88.6	2%
Arlington	Light Industrial	236.6	6%
Arlington	Public/Semi-Public	36.0	1%
Total		3922.3	100%

Source: CAI; City of Arlington; City of Marysville

The majority of the Marysville portion of the MIC, 1,344 acres (34% of the MIC land area), are zoned Light Industrial. This zone is intended to provide for the location of non-nuisance-generating industrial activities including manufacturing, assembly, fabrication, processing, bulk handling and storage, R&D facilities, warehousing and limited retail. Marysville's Light Industrial Zone also takes part in an industrial pilot program to provide living wage incentives. This program is focused on economic growth and job creation and offers reduced impact fees and connection charges in exchange for the creation of living wage jobs[1]. This zone also includes the whole of the Smokey Point Master Plan Area. In addition, a large area – 270 acres – straddling Smokey Point Boulevard from 152nd Ave. north to the MIC boundary is zoned General Commercial. **(Exhibits 11** and **12)**

AIRPORT PROTECTION DISTRICT

In addition to the base zoning, most of the land area in the MIC – 94% lies within a special zoning overlay called the Arlington Airport Protection District (APD). The APD was enacted in the Arlington Municipal Code per state regulations that require cities to enact development regulations to discourage siting of incompatible land uses and densities adjacent to general aviation airports to reduce hazards to lives and properties and ensure a safe flying environment. The APD is a zoning overlay that modifies the density and land use requirements of underlying zoning districts.

The APD zoning overlay consists of four Subdistricts (A, B, C & D). Subdistrict A is further subdivided into five Airport Safety Zones. **(Exhibit 10)** Each Subdistrict and Airport Safety Zone modifies the

[1] City of Arlington Municipal Code Ordinance 2906 : 1, 2012.

underlying zone's allowable density and land uses per the summary table in **Exhibit 14**.

The following notable regulations apply to Subdistricts A, B, C, and D:

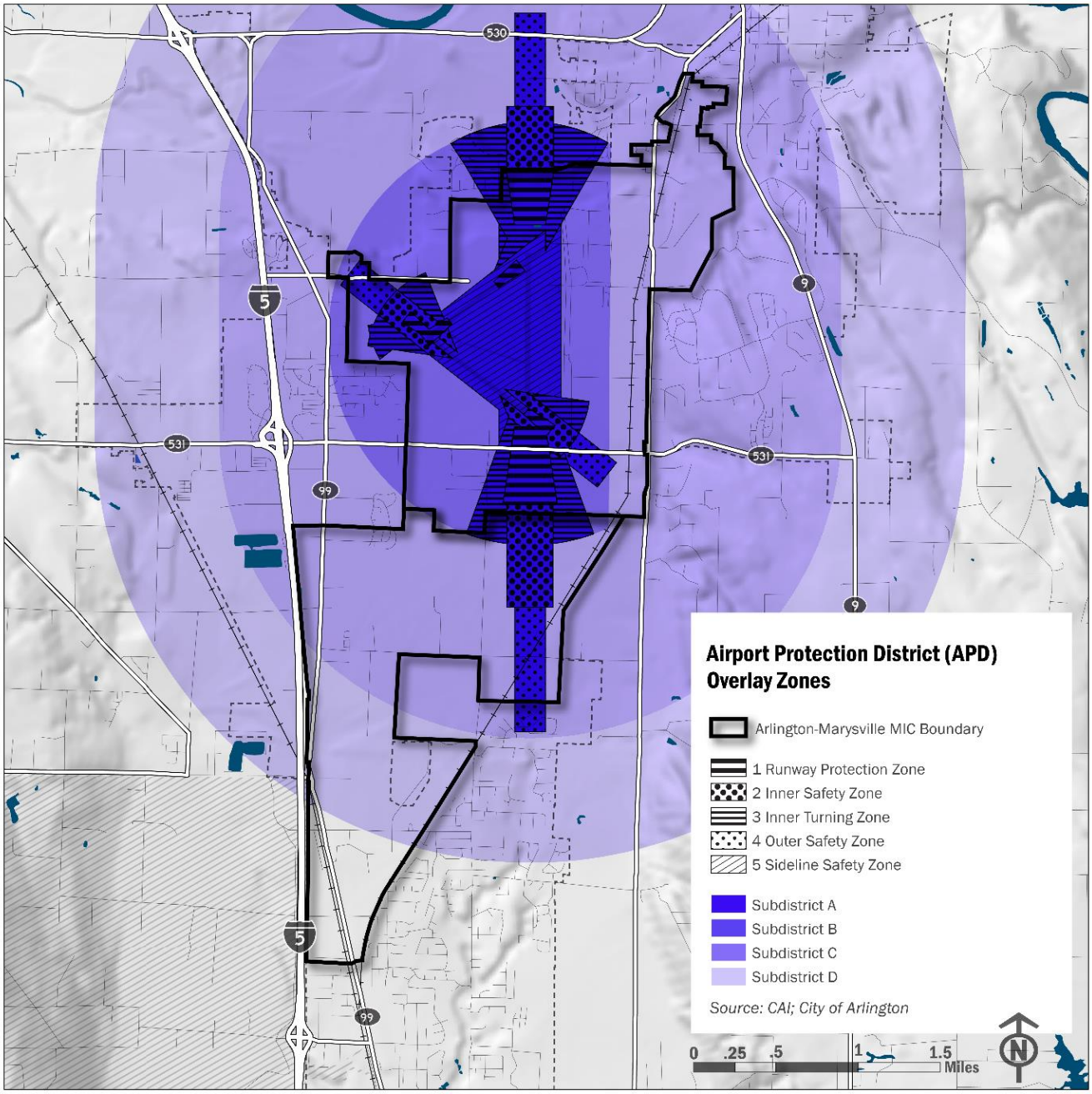
- No land uses that could cause electronic interference.
- No buildings or structures that produce fly ash, dust, vapor, gases, or other forms of emissions that could affect visibility.

Subdistrict A includes 5 protection and safety zones related to airplane takeoff and landing, and has the most stringent zoning restrictions. Consequently, property development is most constrained in this area. Regarding high intensity uses in the Runway Protection, Inner Safety, and Inner Turning Zones, structures must be located outside the restricted zones if the density is averaged over a large parcel.

Subdistrict B restricts any special functions under the airport traffic pattern. According to Arlington's definition, special function uses identify the relative inability of individuals occupying such a space to move out of harm's way. Structures that fit this criteria include schools, hospitals, nursing homes, and sports stadiums. Subdistricts C and D have the fewest limitations. Development of manufacturing facilities could potentially be constrained by the restriction on particulate emissions in all Subdistricts.

Arlington Municipal Airport, view looking north. Sources: City of Arlington, 2016.

Exhibit 13
Airport Protection District (APD) Zoning Overlays, 2015



Sources: Puget Sound Regional Council, Arlington, Marysville, Community Attributes Inc., 2016.

Exhibit 14
Summary of APD Districts & Development Restrictions, 2015

Zone	Restrictions
Subdistrict A	• Structures, devices, or other objects that make it difficult for pilots to identify airport lights, or otherwise impair visibility are prohibited. • No bulk above ground storage greater than 6,000 gallons of flammable or hazardous substance. • Except for aeronautical events, no permanent (e.g. housing) or temporary (e.g. festivals) public assembly of people. • Special functions prohibited under airport traffic pattern.
Runway Protection Zone	• No use, building, or other structure permitted. Accessory activities, such as off-street parking or low-growing landscaping, are permitted. • No high intensity uses permitted. • No emergency services stations or operations.
Inner Safety Zone	• No high intensity uses permitted. • No emergency services stations or operations. • Maximum Residential Density: 1 du/10 acres • Maximum Nonresidential Intensity[1]: 25
Inner Turning Zone	• No high intensity uses permitted. • No emergency services stations or operations. • Maximum Residential Density: 1 du/5 acres • Maximum Nonresidential Intensity[1]: 60
Outer Safety Zone	• Maximum Residential Density: 1 du/5 acres • Maximum Nonresidential Intensity[1]: 60
Sideline Safety Zone	• Maximum Residential Density: 1 du/5 acres • Maximum Nonresidential Intensity[1]: 80
Subdistrict B	• Special functions prohibited under airport traffic pattern.
Subdistrict C	No unique restrictions
Subdistrict D	No unique restrictions

[1]Average number of people per gross acre.

Land Use Inventory

Current land use codes for base parcels were reviewed in order to provide insight into activities taking place on lands in the Arlington-Marysville

MIC. The current land use codes are recorded by the Snohomish County Assessor in their parcel dataset released for 2015.

In terms of number of parcels, the most frequent current land use code in the MIC was found to be vacant land with 210 parcels totaling over 1,050 acres – nearly 28% of the land area of the MIC (Exhibit 12). Industrial uses were the next most frequent activity recorded on MIC land by number of parcels at 164; industrial uses were, however, the most expansive in terms of land area, with sub-categories of manufacturing, construction, transportation, utilities, and wholesaling/warehousing totaling 1,493 acres, or 39% of the MIC land area. Covering 656 acres of the MIC were undeveloped agricultural lands classified under the Open Space Taxation Act of Washington (see next section). Finally, commercial uses, including retail, hospitality and services, accounted for nearly 10% of the land area of the MIC at 365 acres. **(Exhibit 15)**

Note: While current land uses can be described by relative magnitude in terms of acres, these results must be viewed with caution since many recorded land uses occupy only a portion of the described site, and / or there may be more than one use for a given site. In addition, properties may be mistakenly categorized.

Exhibit 15
AMMIC Generalized Land Use Inventory, 2015

UseCode	*Parcels*	*Acres*	*Percent*
Agriculture	3	18.39	0.5%
Industrial	**164**	**1492.58**	**39.1%**
Manufacturing	88	330.54	8.7%
Construction	9	39.14	1.0%
Transportation	19	950.99	24.9%
Utilities	2	13.62	0.4%
Wholesaling & Warehousing	46	158.29	4.1%
Institutional	5	8.67	0.2%
RCW Agriculture	36	617.24	16.2%
RCW GeneralAgCons	2	38.56	1.0%
Recreation	1	1.49	0.0%
Residential	117	199.86	5.2%
Resource	1	11.59	0.3%
Retail & Hospitality	36	259.53	6.8%
Services	45	105.75	2.8%
Vacant Land	210	1052.24	27.6%
Water Retention Area	1	9.07	0.2%
Total	621	3814.97	100%

Source: CAI; Snohomish County

CURRENT USE CLASSIFICATION

Passed in 1970, Washington State's Open Space Taxation Act allows property owners to have their open space, farm and agricultural, and timber lands valued at their current use rather than at their highest and best use. The Act is intended to preserve agricultural, timber and open space resources from competing development for the health and enjoyment of the state's citizens.

As **Exhibit 16** shows, 57% of the largely undeveloped land area of the Smokey Point Master Plan Area consists of parcels classified under the Open Space Taxation Act. On average, these parcels' values are assessed at only 4.19% of their fair market value for property taxation purposes. Further, removal or change of use on these classified properties results in a significant financial penalty.

The initial current use classification period lasts for a period of ten years. The owner can request removal at 8 years with 2 years notice, resulting in removal at 10th year. However, taxes and interest for the last seven years amounting to the difference between the tax paid on the current use value and the tax that would have been paid on the land had it not been classified are due. If the property is sold and the new owner chooses not to sign a Notice of Continuance, the same seven years' tax and interest, plus a 20% penalty, must be paid. If an owner wishes to change the use of the property, 60 days' notice must be given and seven years' tax, interest, and 20% penalty is due.

Exhibit 16
Comparison of Current Use Assessments to Market Value Assessments in the Smokey Point Master Plan Area

	Parcels	*Acres*	*Percent*	*Average Parcel Size*	*Average Land Value Assessment*	*Percent of Market Value*
Market Value	23	287	43%	12.01	$ 1,208,825	100.00%
Current Use	19	378	57%	19.90	$ 41,300	**4.19%**
Total	42	665	100%			

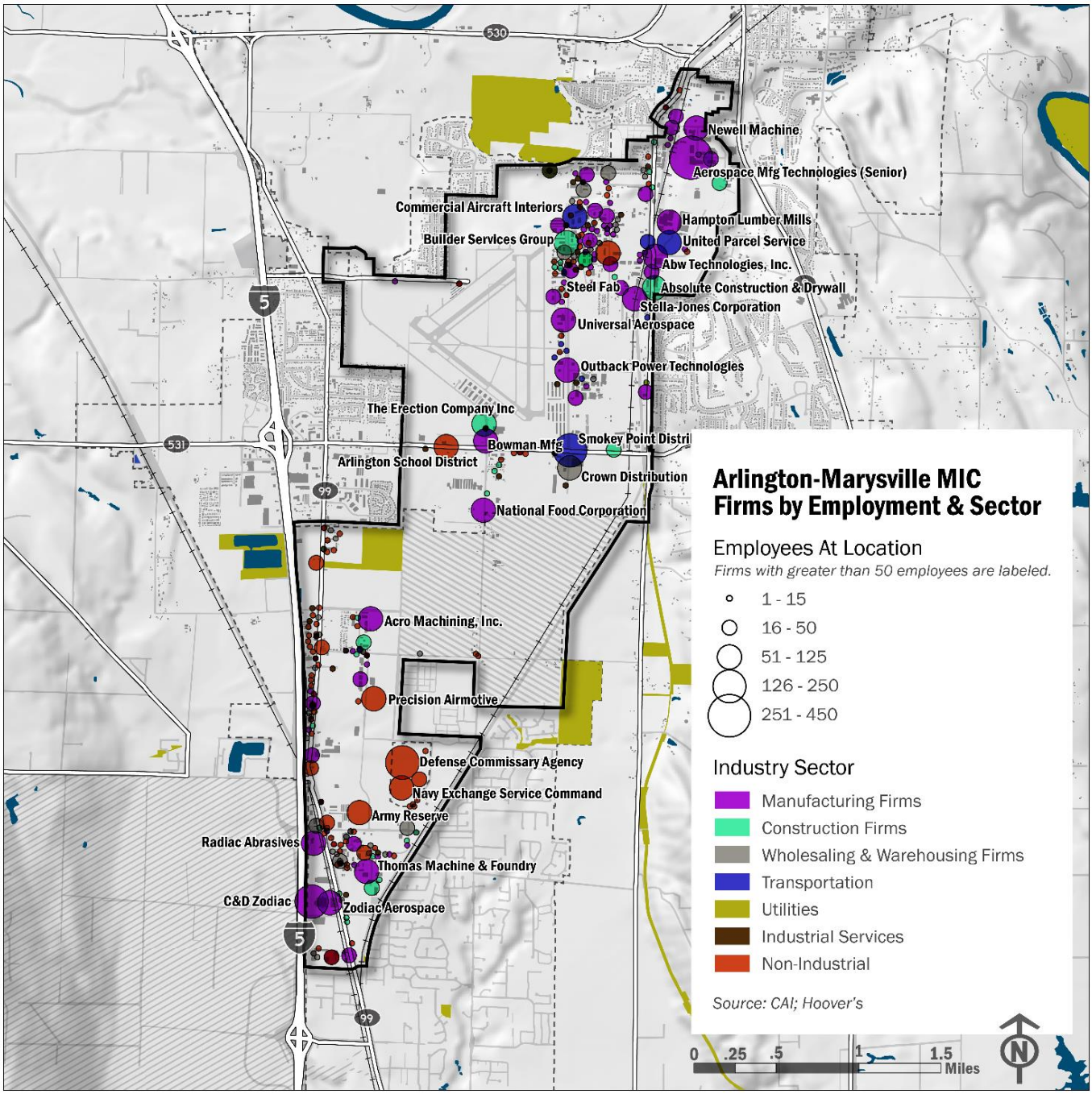
Source: CAI; Snohomish County Assessor

Firm Activities & Location

Exhibit 17 illustrates the distribution of existing firms by activity and on-site employment level within the Arlington-Marysville MIC boundaries. Many large manufacturing, processing and fabrication firms – especially related to aerospace and metal fabrication activities – are located east and northeast of the Arlington Municipal Airport, as well as along the southern reaches of Smokey Point Boulevard, including Zodiac Aerospace and Senior Aerospace AMT, a manufacturer of structural jet parts. Warehousing and Transportation firms appear generally cluster around

the airport and major arterials, and while smaller in employment footprint relative to manufacturing, tend to utilize larger building footprints.

Exhibit 17
AMMIC Firms by Employment & Sector, 2015



Sources: Puget Sound Regional Council, Arlington, Marysville, Community Attributes Inc., 2016.

Infrastructure & Access

REGIONAL ACCESS & ADVANTAGES

The AMMIC is well-situated for regional access and connectivity via multiple transportation modes. State Routes 99, 531, and 530 connect the AMMIC directly to I-5 – the west coast's principal interstate freeway - via three interchanges within 1 mile of the MIC, connecting the area to British Columbia in the north and to the Seattle metro, Oregon and California in the south. Given the nearby manufacturing hub centered around Boeing in Everett / Paine Field and the presence of relatively affordable housing area, a large manufacturing workforce also resides within easy access of the AMMIC.

The AMMIC encompasses a publicly-owned and operated Class D general aviation airport, providing distributors and manufacturers of high-value goods air freight and air taxi service options and connectivity to Paine Field.

A pair of Burlington-Northern Santa Fe mainline subdivisions – the Bellingham and the Sumas, diverge at the southern end of the AMMIC and traverse the entire area. Great potential exists for further utilization of the mainline for bulk materials shipping with the development of additional rail sidings and yards in the AMMIC.

HYDROLOGY & STORMWATER FACILITIES

The Smokey Point Master Plan created in 2008 indicated that in addition to the two streams draining the central area of the AMMIC – Hayho and Edgecomb Creeks (tributaries of the Quilceda Creek that drains into the Snohomish River to the south of the area) – there is the potential for significant acreage of unmapped wetlands in this area of the AMMIC. Since the Master Plan Area (MPA) is also where the greatest potential for future development exists, this may be an important element that can affect market assessments. **Exhibit 18** illustrates the area's streams and creeks, mapped wetlands, and existing stormwater facilities, including the two public stormwater retention ponds located along 40th Ave. NE, south of 152nd in North Marysville. These were built by the city of Marysville with the intent to provide an option for private development to buy into these regional ponds and have more developable land on their sites.

The City of Marysville provides the following development guidelines regarding critical areas and wetlands:

Development Guidelines – Wetlands and Critical Areas

- Wetlands and on-site critical areas will be investigated and delineated under the City's Critical Areas and Critical Areas Guidelines. MMC Chapter 22E.010, Critical Areas Management. Applicants will conduct site specific wetland studies and verify hydrology during the spring growing period prior

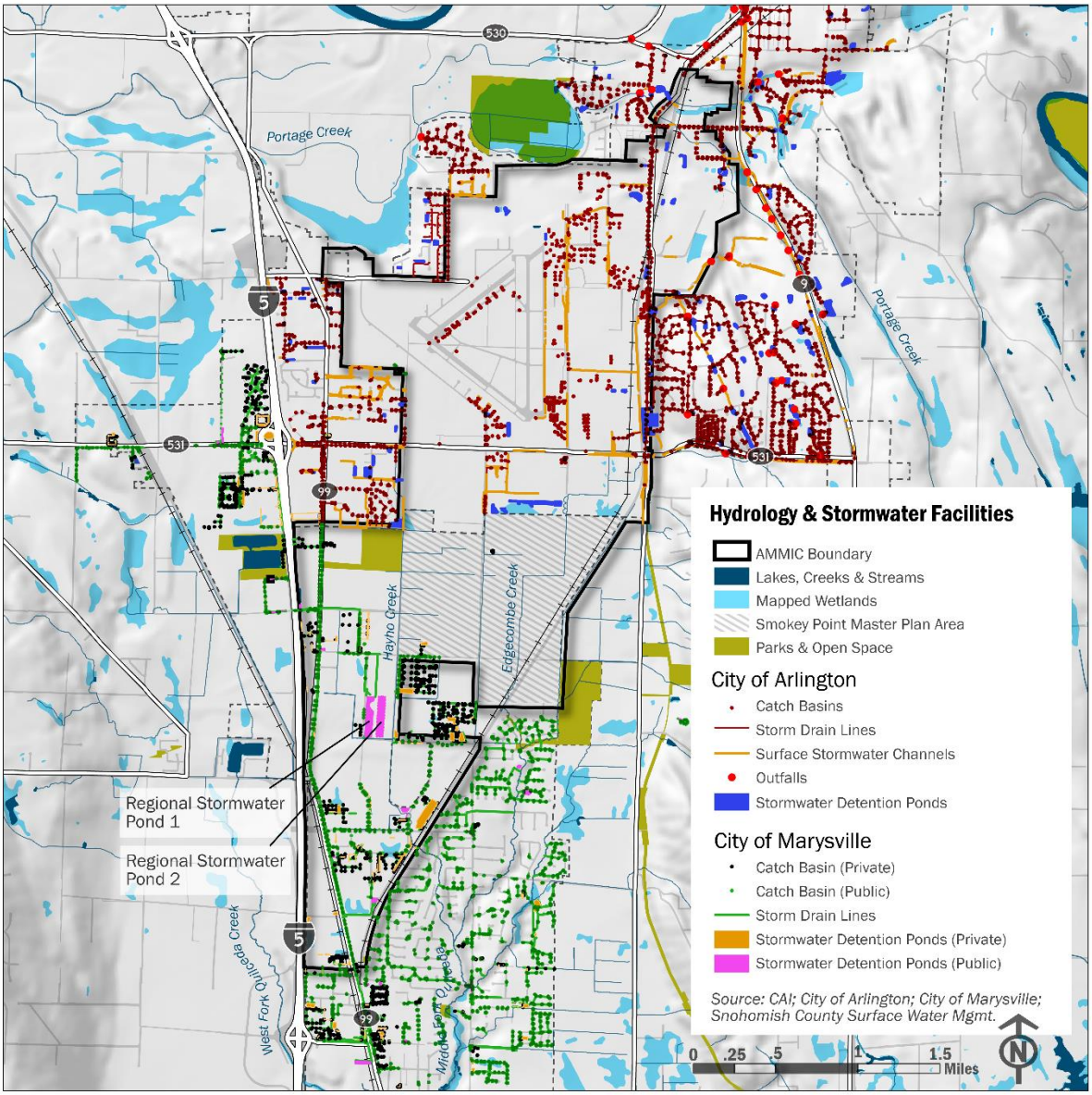
to permit application submittal to determine the level of potential wetland impact and mitigation.

- The City will pursue a regional public/private partnership for a regional mitigation approach on the wetlands, ditches and potential creek relocations. A memorandum of understanding between the City and developers will be required to establish a level of commitment to the approving natural resource agencies.

- New development may conduct delineation and proposed mitigation approaches on an individual parcel basis. The applicant would mitigate the impacts of development as determined by City Staff in review of submitted technical reports. There may be a fee in lieu of mitigation, if the City has reached agreement on a regional approach with appropriate State agencies.

- Wetland mitigation areas should be located at either the proposed east side add-on site that will serve as both a wetland mitigation site and potential regional detention facility; or at any other site approved by the City of Marysville.

Exhibit 18
AMMIC Hydrology, Wetlands & Stormwater Infrastructure, 2015



Sources: Puget Sound Regional Council, Arlington, Marysville, Community Attributes Inc., 2016.

Development Capacity

BUILDABLE LANDS

The Snohomish County Buildable Lands Report, released in 2012 and adopted in 2013, analyzed land parcels countywide for development capacity as required by Washington's Growth Management Act (GMA). The analysis combined individual parcels into "Economic Units" to more accurately describe land uses within parcels, across parcels, and parcel assembly opportunities when multiple, commonly-owned parcels lie side by side. The analysis deducted critical areas (including a small proportional deduction for unmapped critical areas), easements, and capital facilities from its final inventory of developable land. The results of this analysis indicated that, within the boundaries of the AMMIC, a total of 46% of the land area – 1,762 acres – consisted of lands with capacity for additional development, including partially-used sites, redevelopable sites, and vacant sites. **(Exhibit 19)**

Exhibit 19
AMMIC Buildable Lands Summary, 2012

			Lands w/ Capacity for Additional Development			
	Constant	*Pending*	*Partially-Used*	*Redevelopable*	*Vacant*	*Total*
Total Acres	1,629	119	131	778	1,138	3,795
Less Unbuildable Portions*			6	62	130	
Less Used Portion of Partially-Used			86			
Gross Buildable Acres **			38	717	1,007	**1,762**
Percent of Total Acres	43%	3%	1%	19%	27%	**46%**

Source: CAI; Snohomish County Buildable Lands Report, 2013

* Includes critical areas, easements, capital facilities, & 5% addition for unmapped critical areas.

** Irrespective of market factor (Snohomish County used 15% for vacant and 30% for partially-used and redevelopable)

ADDITIONAL CONSTRAINTS

In addition to the unbuildable lands outlined and accounted for in the Buildable Lands Report, additional constraints may exist for select sub-areas of the AMMIC. First, the overlay zoning requirements of the Airport Protection District limit non-residential development density, prohibit certain emissions impacts, and restrict special functions such as outdoor gatherings and institutional development, within certain zones surrounding the Arlington Municipal Airport. Altogether, the APD zones cover nearly 89% of the land area of the AMMIC **(Exhibit 13)**. However,

the most restrictive zone – Subdistrict A including the Airport Safety Zones – only encompasses 233 acres, or 11% of the AMMIC land area. **Exhibit 21** shows a complete summary of land use restrictions and performance requirements by Subdistrict in the APD. See **Exhibit 21** for an overlay map of the APD zones and Buildable Lands Report findings for the AMMIC.

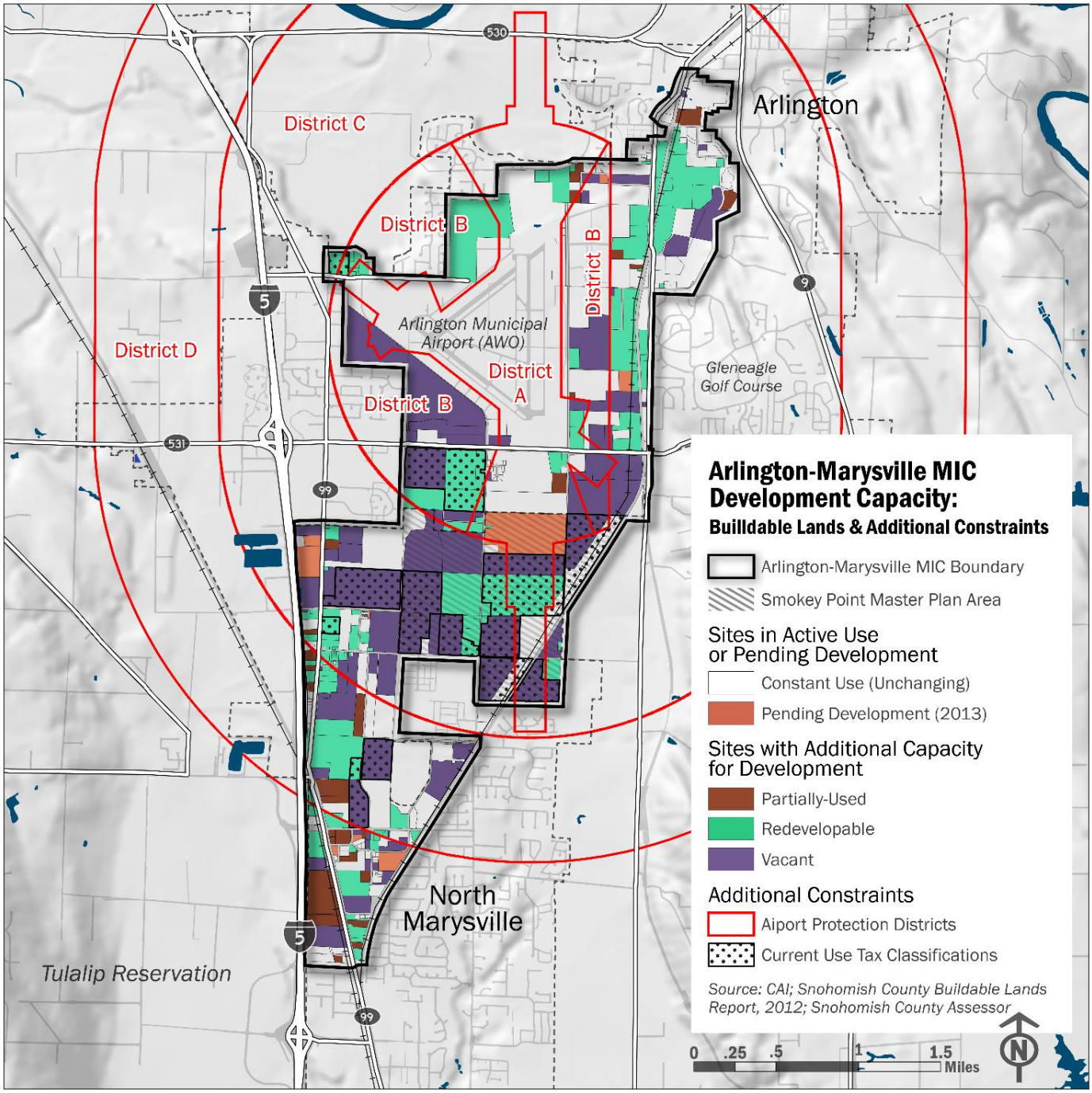
Exhibit 20
Airport Protection District Constraints to Development

	Lands w/ Capacity for Additional Development					
	Partially-Used	*Redevelopable*	*Vacant*	*Total*	*Percent of Total Acres*	*Percent of Developable Acres*
Total Acres****	131	778	1,138	2,046	54%	100%
Total Acres within APD District A Overlay	-	112	121	233	6%	**11%**
Total Acres within APD District B, C & D Overlay	-	619	967	1,586	42%	**77%**
Total Acres Less APD District Overlays	-	47	50	227	6%	**11%**

Source: CAI; Snohomish County; WSDOT

Numerous undeveloped, primarily agricultural, parcels in the AMMIC may also be encumbered by current use property tax classifications under Washington's Open Space Tax Act which would be taken into consideration when land is purchased and reflected in the purchase price. As many as 593 acres, or 29% of the MIC land area, could be impacted by the classification. **(Exhibit 20)**

Exhibit 21
Summary Map of AMMIC Development Capacity & Additional Constraints



Sources: Puget Sound Regional Council, Arlington, Marysville, Community Attributes Inc., 2016.

Exhibit 22
Airport Protection District Constraints to Development

	Lands w/ Capacity for Additional Development					
	Partially-Used	*Redevelopable*	*Vacant*	*Total*	*Percent of Total Acres*	*Percent of Developable Acres*
Total Acres****	131	778	1,138	2,046	54%	100%
Total Acres with Current Use Classification		177	416	593	16%	**29%**
Total Acres Less Current Use Classification		601	722	1,453	38%	**71%**

Source: CAI; Snohomish County Assessor

*** An addition 25% deduction above BLR's 5% as SPMP assumes a higher amount of unmapped critical areas - particularly wetlands - in the planning area, up to 30%.

**** Total Acres is used in place of Gross Buildable Acres here due to data constraints.

Regional Employment Trends and Forecasts

This section presents employment trends for geographic areas and economic sectors in which job growth in the AMMIC would be expected to participate. The section includes the following sub-sections:

- **Regional Employment Overview:** An overview of local regional employment trends including jobs in AMMIC and the cities of Arlington and Marysville, Snohomish County and the Puget Sound Region.
- **Competitive Sectors:** Identification of competitive sectors in Snohomish County including aerospace manufacturing.
- **Employment Forecasts.** An overview of regional and county employment trends as well as forecasts.

Regional Employment Overview

AMMIC, ARLINGTON, MARYSVILLE, SNOHOMISH COUNTY AND PUGET SOUND REGION

Job growth throughout the Puget Sound region has averaged 2.3% annually from 2010 to 2014. Snohomish County as a whole experienced slightly faster growth than the region with a compound annual growth rate of 2.5%. In the Arlington-Marysville MIC, job growth reached 6.2% annually from 2010 to 2014. **(Exhibit 23)**

Exhibit 23
Employment Trends by Area of Interest, 2014

	Total Jobs		Job Change, 2010 - 2014		
	2010	2014	Change	% Change	CAGR
Arlington-Marysville MIC	5,238	6,660	1,422	27.1%	6.2%
Snohomish County	247,610	273,270	25,660	10.4%	2.5%
Puget Sound Region	1,673,350	1,832,370	159,020	9.5%	2.3%

Source: Puget Sound Regional Council, 2000-14; Washington State Employment Security Department, 2000-14

The AMMIC is home to a variety of firms that employ 6,661 individuals. Industrial jobs in Manufacturing and Warehousing Transportation and Utilities, and construction and natural resources dominate employment in Arlington and Marysville, accounting for 69% and 10% of total employment, respectively.

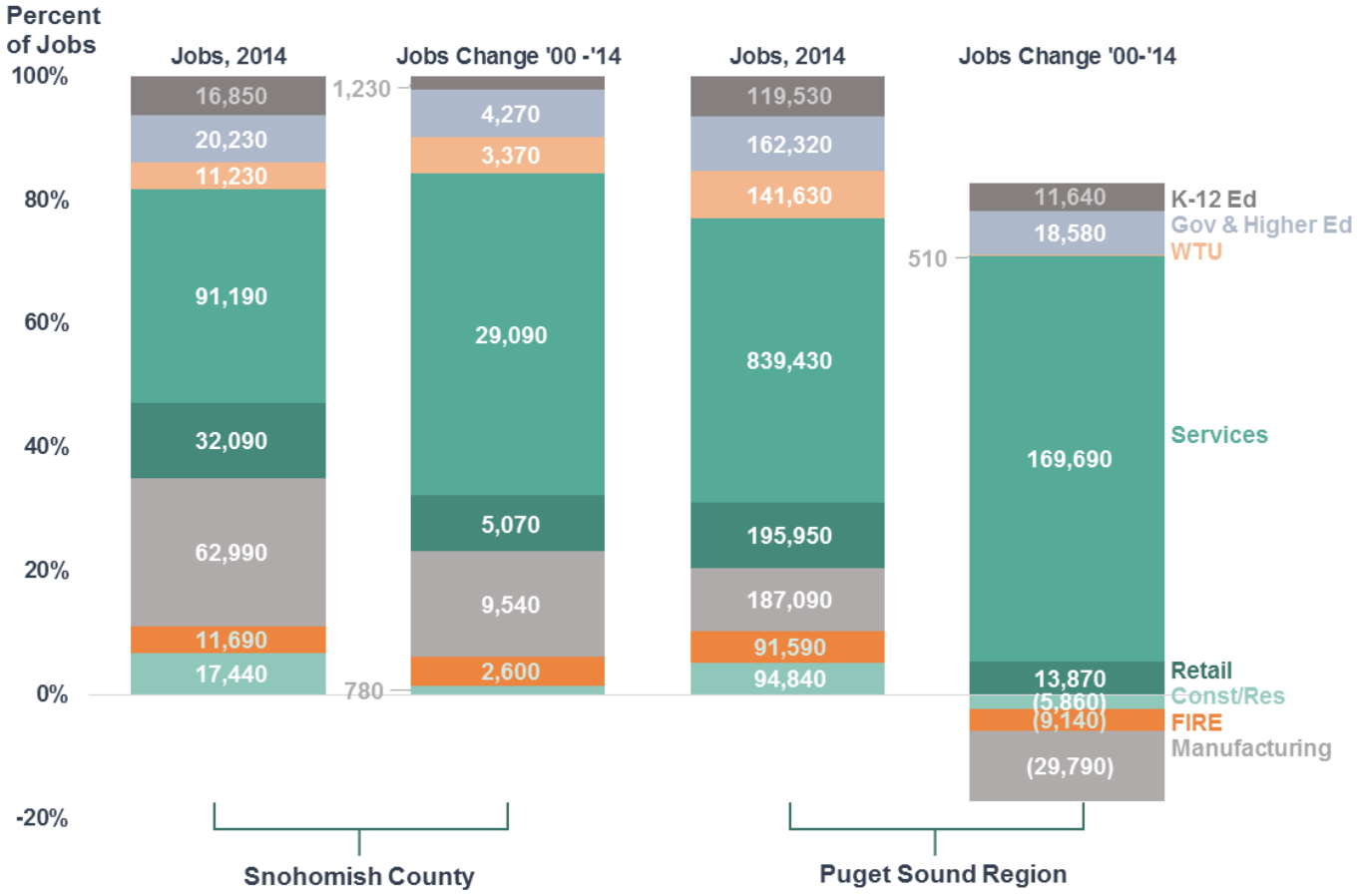
COUNTYWIDE AND REGIONAL TRENDS BY SECTOR
Jobs in Snohomish County grew 26.2% between 2000 and 2014, which was more than double the employment growth in the four-county Puget Sound Region during the same time period.

Manufacturing accounts for a significant portion (24%) of County employment, however service sectors have driven growth. **(Exhibit 24)** Countywide service jobs grew by 29,000 during the 14-year period while manufacturing jobs increased by 9,500.

Industrial sectors including Manufacturing, Warehouse, transportation and utilities (WTU) and Construction and natural resources all experienced job growth in Snohomish County. Manufacturing employment in Snohomish County increased by 9,500 jobs between 2000 and 2014 when regional manufacturing jobs decreased by 29,700. In 2014, the manufacturing sector in Snohomish County employed nearly 63,000 individuals, representing 24% of countywide employment.

WTU employment increased at a compound annual growth rate of 2.0% during the same period, reaching 4,200 jobs in 2014, while Construction and Natural Resources employment contracted slightly from 17,700 jobs to 17,500 jobs.

Exhibit 24
Snohomish County and Regional Employment and Job Change by Sector



Source: Puget Sound Regional Council, 2000-14; Washington State Employment Security Department, 2000-2014

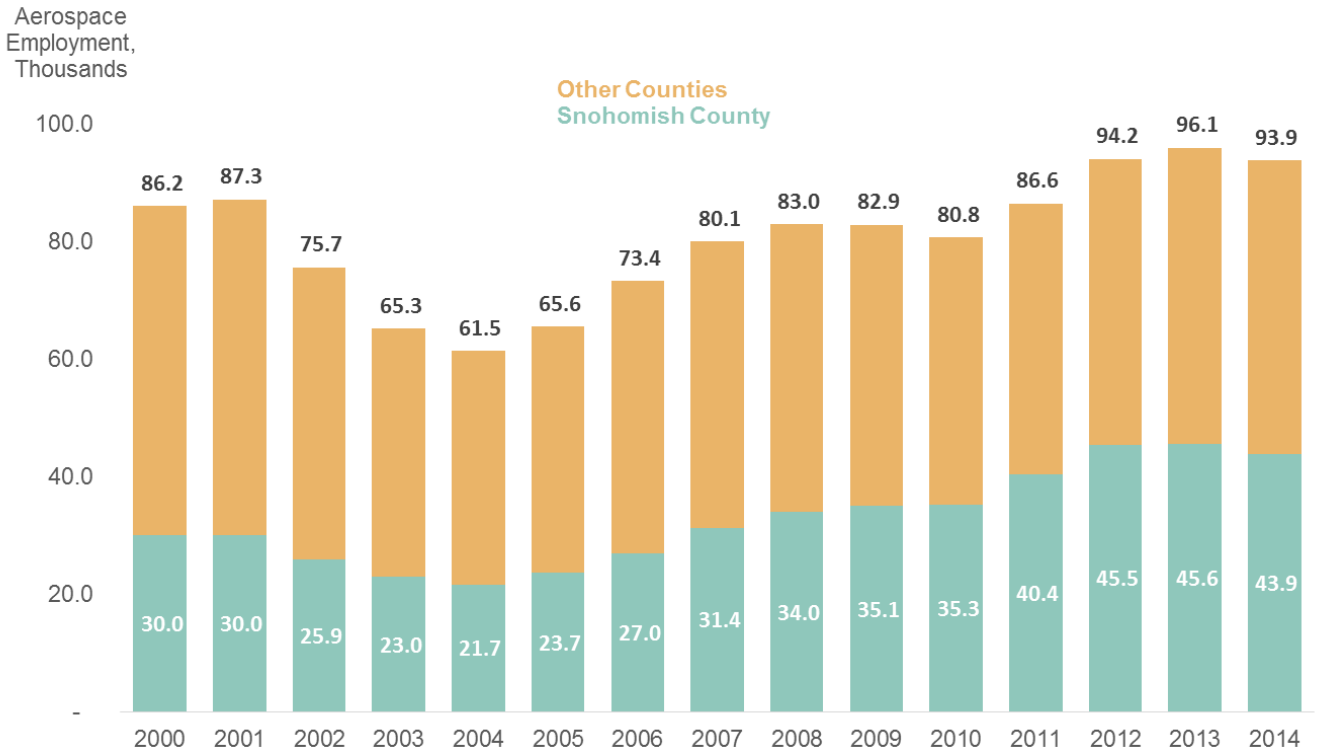
SNOHOMISH COUNTY EMPLOYMENT CENTERS

Growth in Snohomish County during the past decade has not been geographically even: some areas have grown significantly faster than the countywide average and others have grown slower or even contracted. From 2003 to 2014, the fastest-growing jurisdiction in the county was Lake Stevens, which increased from 1,174 jobs to 4,429, a compound annual growth rate of 12.8%, more than three times faster than the county in general. This is due in part to a major annexation that took place in the middle of this time period, and is not wholly due to population growth. Other fast-growing cities in the county include Woodway (6.4% CAGR), Mill Creek (5.1% CAGR), and Mukilteo (4.5% CAGR). At the same time, three cities experienced a decline in total jobs during the same period: Index (-4.0% CAGR), Darrington (-1.3 CAGR), and Sultan (-0.5% CAGR).

COMPETITIVE SECTORS: AEROSPACE MANUFACTURING

Regionally competitive sectors that offer job creation opportunities in the AMMIC include aerospace and related sectors. The presence of the airport and proximity to Paine Field are essential assets for new aerospace or aviation-based employment.

Exhibit 25
Aerospace Employment in Washington, 2000-2014

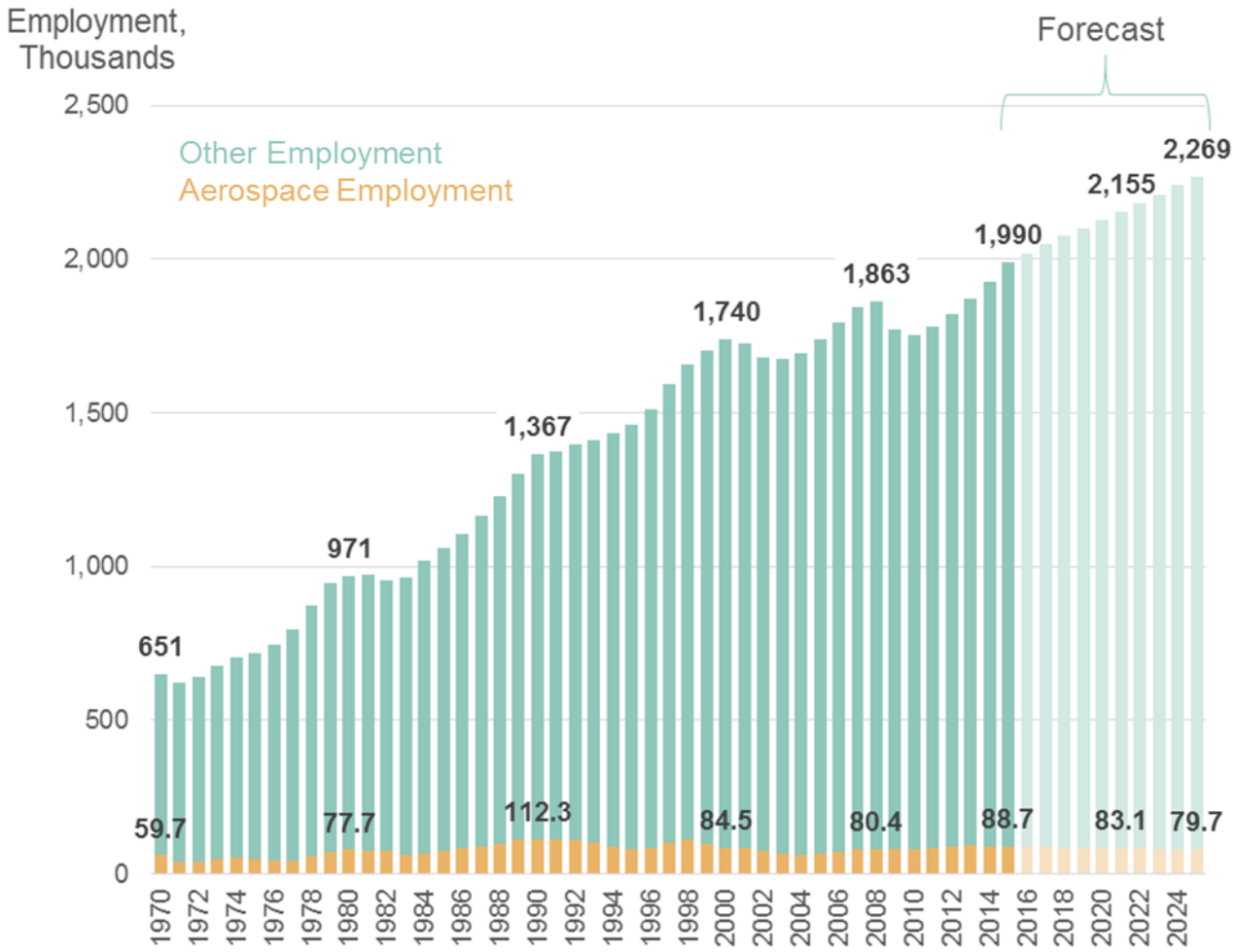


Sources: Washington State Employment Security Department, 2015; Community Attributes Inc., 2016.

Aerospace is an important subsector of manufacturing for the State and the central Puget Sound region. Snohomish County is at the epicenter of aerospace activities in Washington State: in 2014, 43,900 of the state's 93,900 aerospace workers were employed in Snohomish County. From 2000 to 2014, aerospace employment in the county grew at a compound annual growth rate of 2.8%. **(Exhibit 25)**

Within the four-county Puget Sound region, the aerospace sector has provided a stable base of employment that grew at a CAGR of 0.8% between 1970 and 2014. In 2015, the sector represented 4.5% of the region's total employment. **(Exhibit 26)**

Exhibit 26
Puget Sound Employment,
1970-2015 (Historic) and 2016-2025 (Forecasted)



Sources: Conway Pederson Economics, 2015; Community Attributes Inc., 2016.

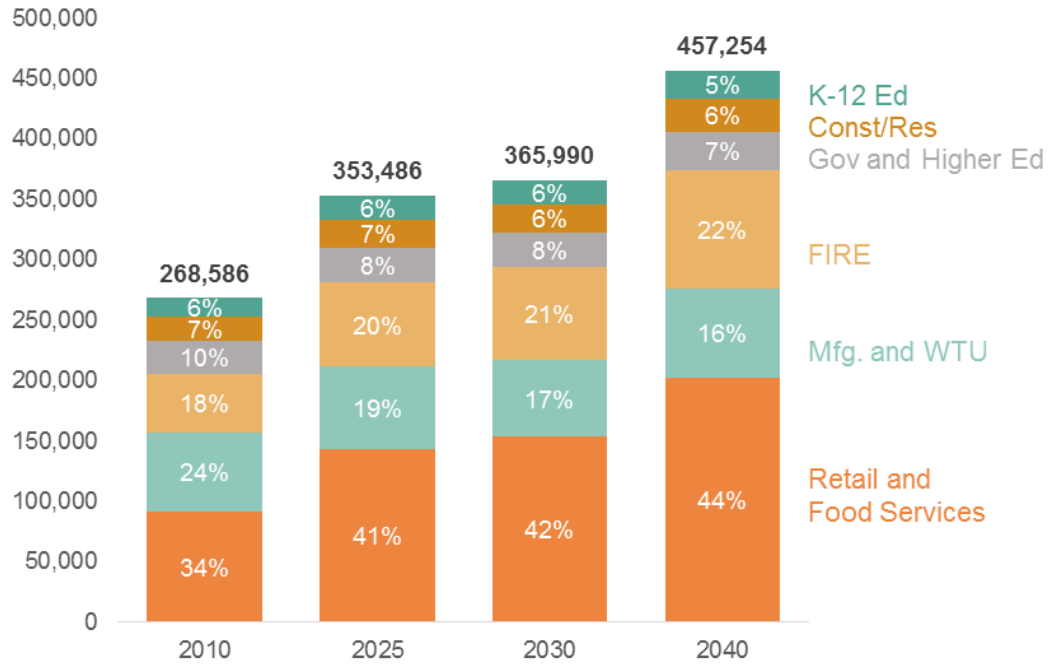
Employment Forecasts

SNOHOMISH COUNTY

Overall, the county's employment is forecasted to grow at a CAGR of 1.8% from 2010 to 2040. The fastest growth is forecasted to occur in the decade between 2030 and 2040, with rapid expansion in Retail and Food Services as well as Finance, Insurance, and Real Estate. Government and Higher Education, historically a stable base of 8-10% of county employment, is projected to represent 7% of total employment in 2025. Construction and Natural Resources employment is projected to grow at a compound annual growth rate of 0.7% from 2010 to 2025, but is forecasted to represent a smaller share of total employment due to rapid forecasted growth in other sectors. Manufacturing and WTU is forecasted

to add just under 10,000 jobs from 2010 to 2040, but will represent a smaller portion of total employment due to growth in other sectors. **(Exhibit 27)**

Exhibit 27
Snohomish County Employment
Historic 2010 and Forecasted 2025-2040



Sources: Puget Sound Regional Council, Community Attributes Inc., 2016.

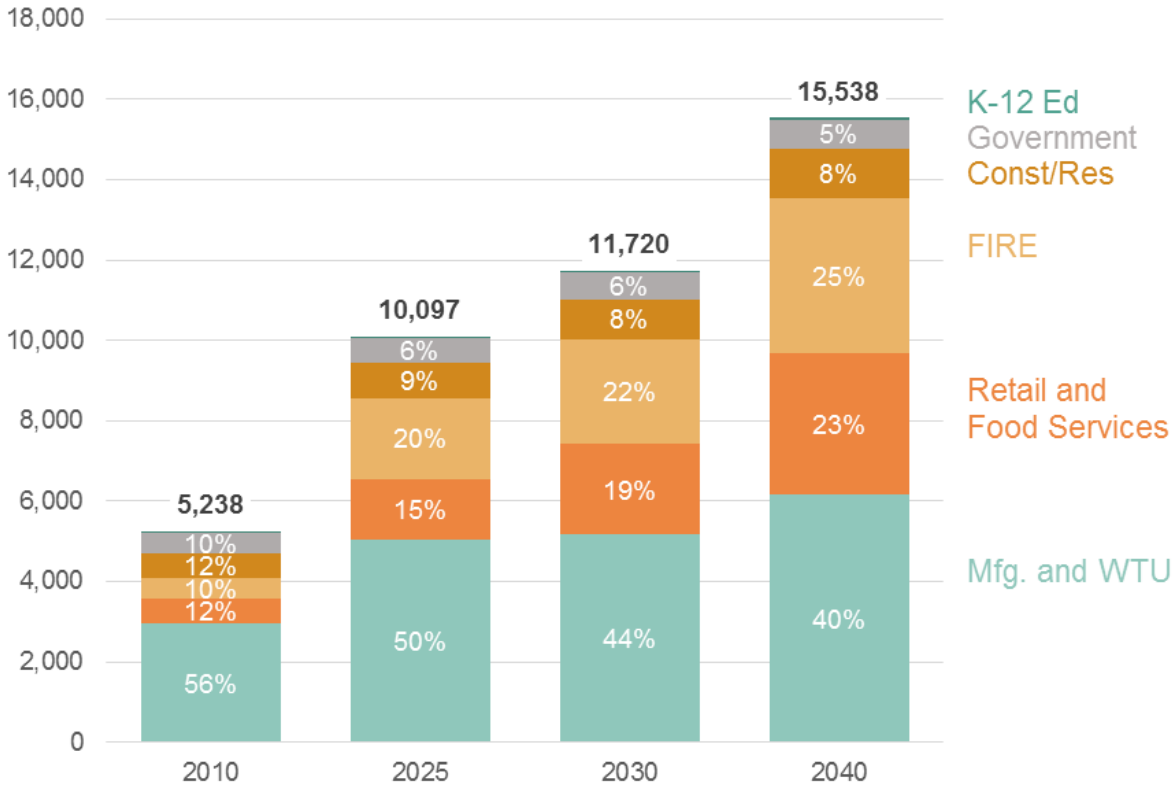
AMMIC

Similar growth is forecasted in the AMMIC. **(Exhibit 28)** From 2010 to 2040, total employment is slated to increase at a compound annual growth rate of 3.7%, more than twice as fast as the county's rate of 2.8%. Manufacturing, warehousing, transportation, and utilities are expected to remain a stable base of area employment, with growth forecasted at 2.5% per year. Finance, insurance, and real estate services are forecasted to increase the fastest at 6.9% annually, while government employment is expected to increase at 1.0% per year. Rapid growth, 6.0% per year, is also expected in retail and food services employment. Anticipated growth in the region is expected to result in a rapid increase in service jobs around the area's manufacturing core.

According to the forecast, the AMMIC is expected to represent a significantly higher concentration in manufacturing than in the county as a whole in 2040, with 40.0% of employment in manufacturing, warehousing, transportation, and utilities employment in the area compared to 16.2% in the county as a whole. **(Exhibit 28)** Closely

examining the forecasts for the Arlington-Marysville MIC, it becomes clear that the countywide trend of industrial jobs—those in manufacturing, WTU, construction, and natural resources—declining as a share of total employment is present in the area. From 2010 to 2040, the share of industrial employment is slated to drop by just under 30%, matching the regional trend almost exactly. At the same time, industrial jobs are expected to more than double from 2010 to 2040; this trend does not indicate a contraction of industrial jobs, but rather indicates that non-industrial jobs are being added at a faster rate. This is a sub-regional forecast of employment demand and land use that represents one scenario that may occur under existing conditions, assuming that important conditions like local land use, market trends, and transportation trends remain constant.

Exhibit 28
Arlington-Marysville MIC Employment
Historic 2010 and Forecasted 2025-2040



Sources: Puget Sound Regional Council, Community Attributes Inc., 2016.
Note: K-12 Education represents less than 1% of total employment during selected years.

Note: The forecast above represents PSRC's Land Use Vision Forecast. Land Use Vision is a policy-directed forecast, representing the future the region is planning for by using local and regional adopted policy to disaggregate PSRC's macroeconomic regional forecast. The Land Use Vision is what PSRC uses in its modeling work.

Workforce Trends and Opportunities

The Arlington-Marysville area draws workers primarily from the cities of Marysville (14.0%) and Arlington (12.0%). A total of 0.3% of workers in the AMMIC live and work within the AMMIC, showing that, while it is a primary employment center in the region, it is not a significant residential center. A further 5.4% of employees come from Everett, followed by Camano (3.1%), Mount Vernon (3.0%), and Lake Stevens (2.3%). Workers commute from more than two dozen Washington cities to work in the AMMIC.

Trends in Snohomish County and Regional Occupations

Snohomish County workforce trends demonstrate local competitive advantages, as shown in Exhibit 29. Each circle represents a Snohomish County occupation, sized based on the number of jobs. Occupational employment growth from 2012 to 2015 is illustrated the x-axis. The "location quotient" or the concentration of occupations in Snohomish County is shown on the y-axis. Occupations located with a location quotient above 1.0 show that occupations are more concentrated in Snohomish County than the rest of the region, and indicate a specialization of the workforce. **(Exhibit 29)**

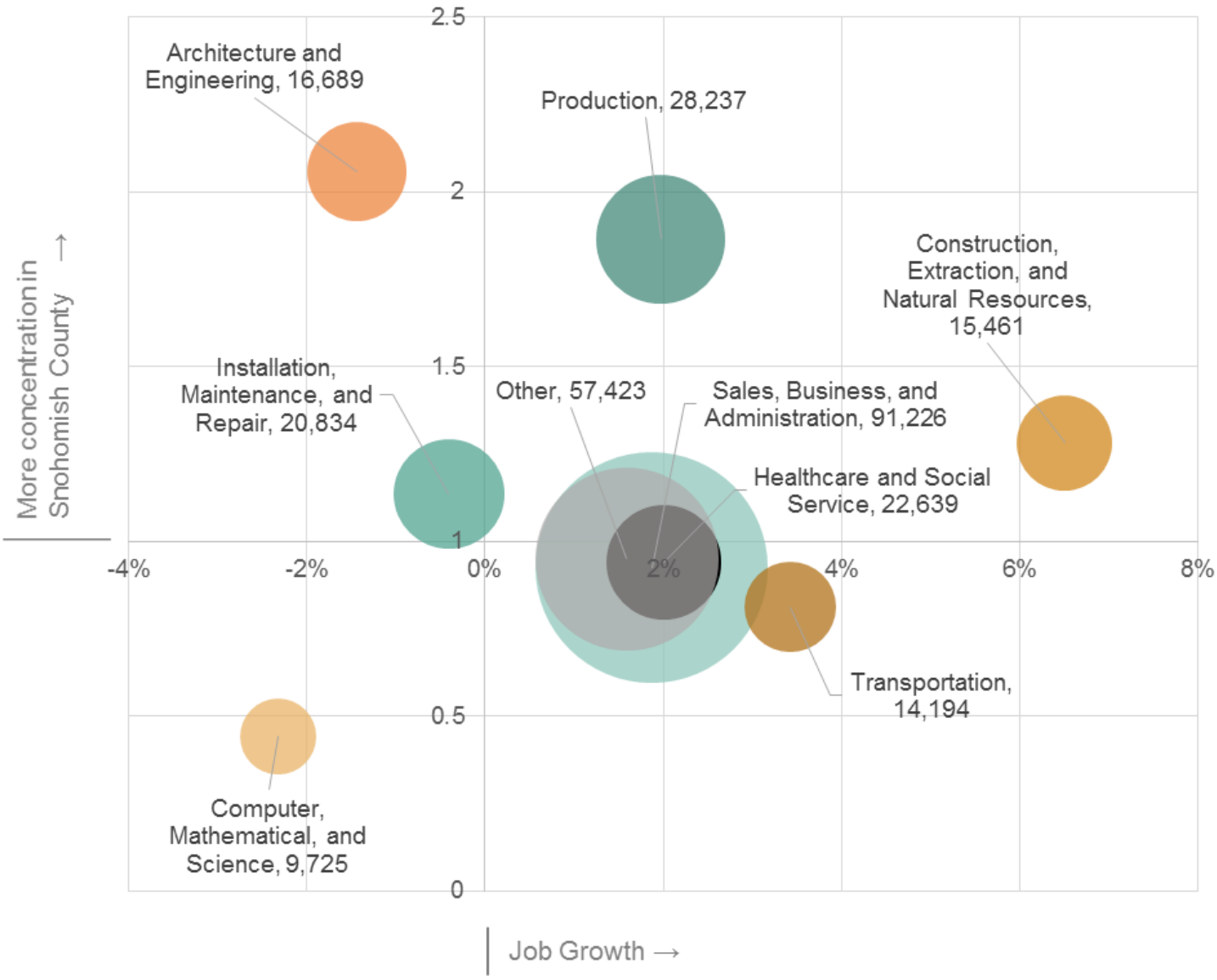
COMPETITIVE OCCUPATIONS

Snohomish County has a concentration of occupations well suited for AMMIC, including Production, Installation, Maintenance and Repair, Construction, Extraction and Natural Resources. These occupations all earn wages above the County average, and all but one category, Installation, maintenance and Repair occupations, experienced job growth between 2012 and 2015. Production jobs grew by 2.0%, and Construction, Extraction and Natural Resources grew by 7% (2,600 new jobs). Installation, Maintenance, and Repair occupations experienced a decline of 250 jobs.

OCCUPATIONS WITH GROWTH POTENTIAL

Other occupational sectors well suited for the AMMIC include transportation and science and research occupations. Snohomish County has below average concentrations of transportation (0.81 LQ), computer, mathematical and science occupations (0.44 LQ) and could capture a greater share of these regional occupations.

Exhibit 29
Snohomish County Competitive Occupations
(2012-2015 CAGRs, 2015 LQs, and 2015 Employment)



Sources: Washington State Employment Security Department, 2015; Community Attributes Inc., 2016.

Industrial Trends and Opportunities

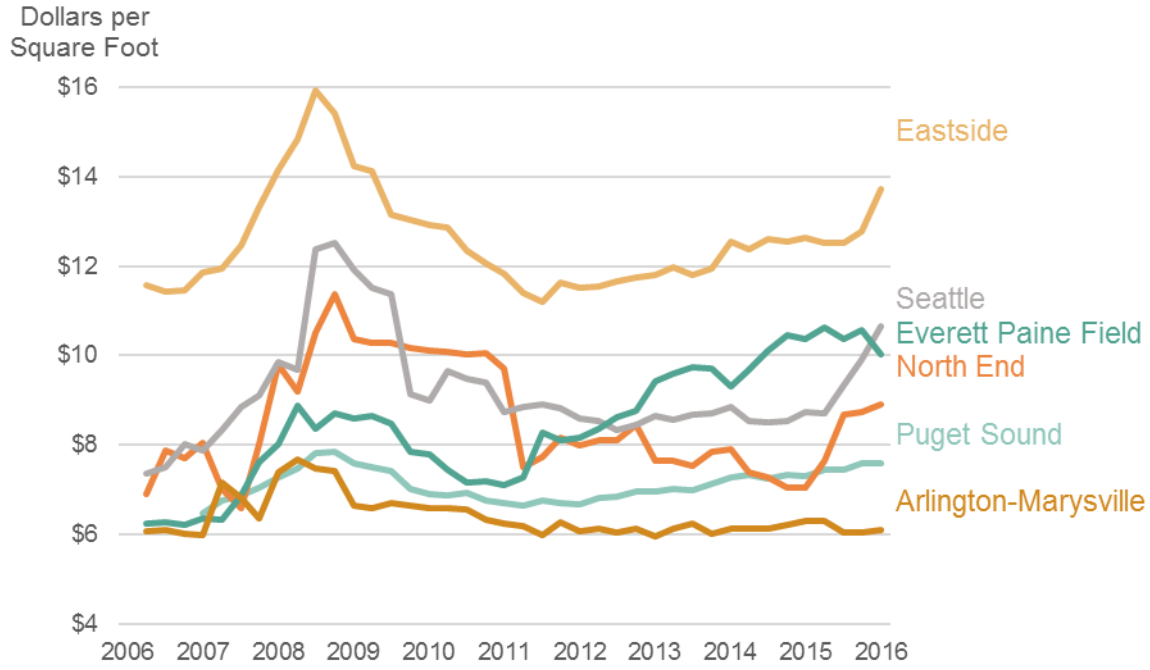
Real Estate Market Data

REGIONAL LEASE RATES

Taken together, the six selected market areas of Eastside, Seattle, Everett Paine Field, North End, Puget Sound region, and Arlington-Marysville show largely similar overall trends. The Puget Sound region covers King,

Pierce, Snohomish, and Kitsap Counties. These market areas experienced an increase in lease rates from 2006 through 2008 before experiencing a precipitous decline at the start of the Great Recession. From there, markets slowly recovered over the following 6-8 years. Flex space refers to space that is designed to be versatile, and can be used for retail, industrial, office, medical, warehousing, or research and development purposes. **(Exhibit 30)**

Exhibit 30
Historical Industrial and
Flex Lease Rates by Selected Area 2006 Q2-2016 Q1

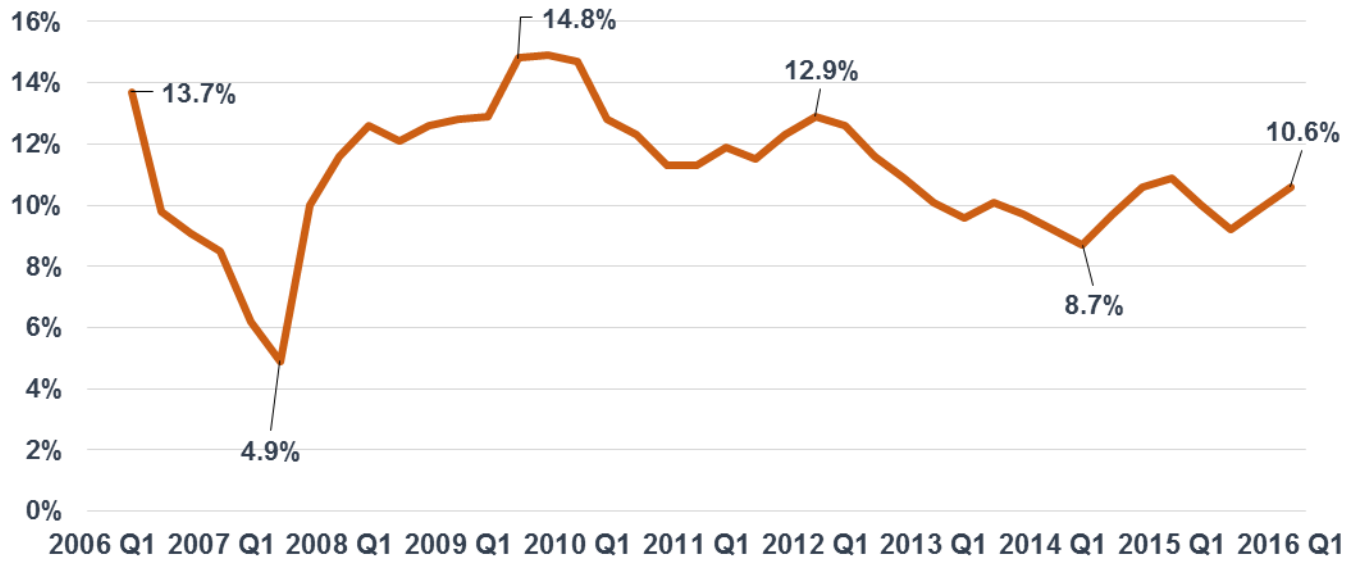


Source: CoStar Group, 2006-2016.

VACANCY

The AMMIC experienced a drop in its vacancy rate in late 2007, occurring at the same time as a local peak in industrial and flex lease rates, before increasing from 2008 through 2010. In the following six years, the area experienced a gradual decline with a brief increase in early 2012. Vacancy rates have evened out to around 10.0% in recent years. **(Exhibit 31)**

Exhibit 31
AMMIC Historical Industrial and Flex Vacancy Rates, 2006 Q2-2016 Q1



Source: CoStar Group, 2006-2016.

AMMIC LEASE RATES

In the AMMIC industrial and flex properties combined include total of 3.6 million square feet of space. Industrial properties outnumber flex properties; flex spaces account for only 3% (103,000 SF) of the total space.

Historical industrial and flex lease rates for these properties in the AMMIC show some volatility over time. The area experienced a sharp uptick in late 2007 and 2008, peaking at $7.74/square foot in 2008 Q2. Lease rates dropped gradually in tandem with recovery from the Great Recession, with only slight variance from $6.00/square foot from late 2011 through 2016 Q1. **(Exhibit 32)**

Exhibit 32
AMMIC Historical Industrial and Flex Lease Rates, 2006 Q2-2016 Q1

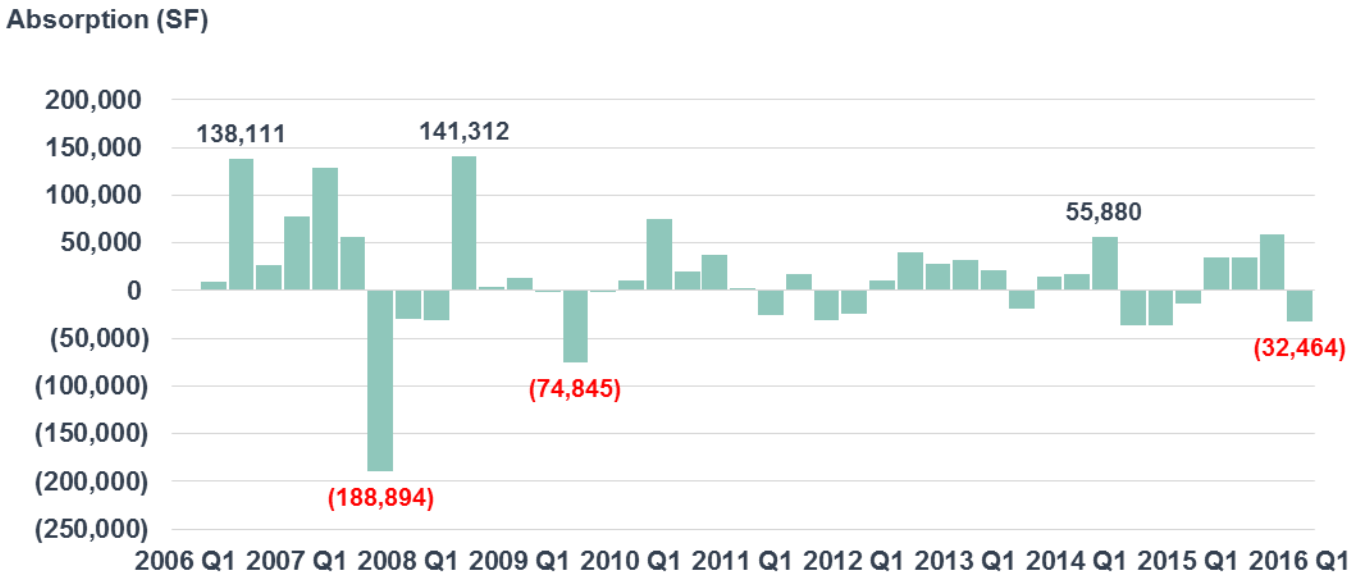
Source: CoStar Group, 2006-2016.

ABSORPTION

Absorption is the amount of space or units leased within a market or submarket over a given period of time (usually one year). Absorption considers both construction of new space and demolition or removal from the market of existing space. It represents the demand over a specified period, contrasted with supply. When supply is less than demand, vacancy decreases and absorption is positive. When supply is greater than demand, vacancy increases and absorption is negative. A negative absorption can reflect changes in the marketplace, such as a sudden lack of jobs due to a company closing. (*Source: Institute of Real Estate Management)*

In the AMMIC, consistent gains made in 2006 and early 2007 were largely offset by a drop of 188,894 square feet at the onset of the Great Recession. After a correction in late 2008, AMMIC's industrial and flex net absorption remained fairly steady. In recent years, changes in total net absorption have remained fairly stable compared to pre-recession years. **(Exhibit 33)**

Exhibit 33
AMMIC Industrial and
Flex Total Net Absorption, 2006 Q2-2016 Q1

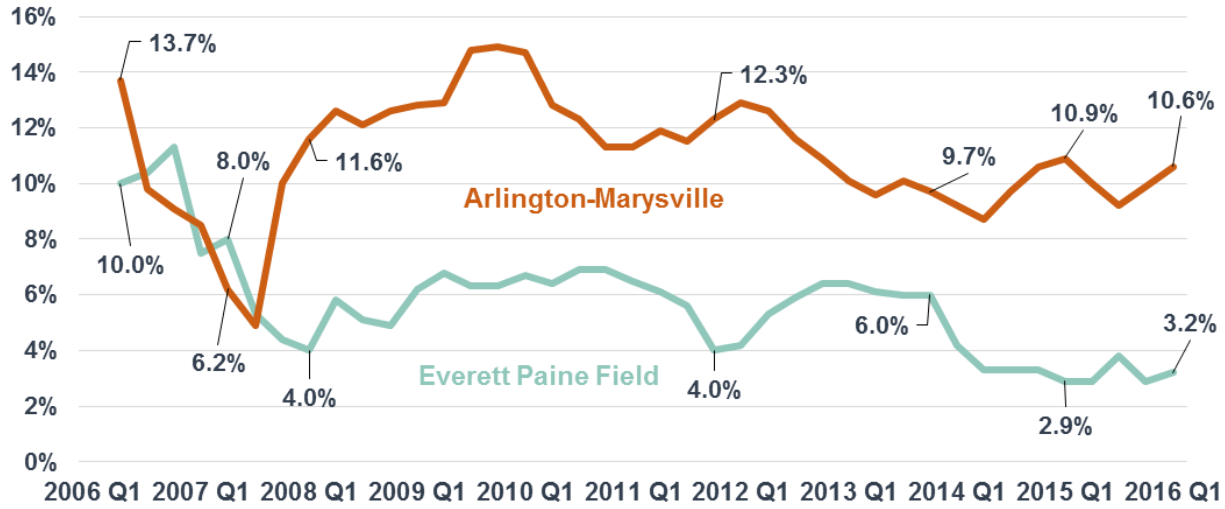


Source: CoStar Group, 2006-2016.

COMPARISONS WITH EVERETT PAINE FIELD MIC

In terms of vacancy, the Arlington-Marysville and Everett Paine Field MICs have experienced some similar trends in recent years. From 2006 through 2007, both MICs experienced declines in their respective vacancy rates. Everett Paine Field's vacancy rate remained around 6.0% from 2008 through 2014 while Arlington-Marysville experienced more change, increasing to a peak of just under 15% in 2010 before gradually declining. **(Exhibit 34)** Low vacancy in the region overall, and in Everett Paine Field specifically, and robust demand, may accelerate construction in alternative locations in the north end such as the AMMIC.

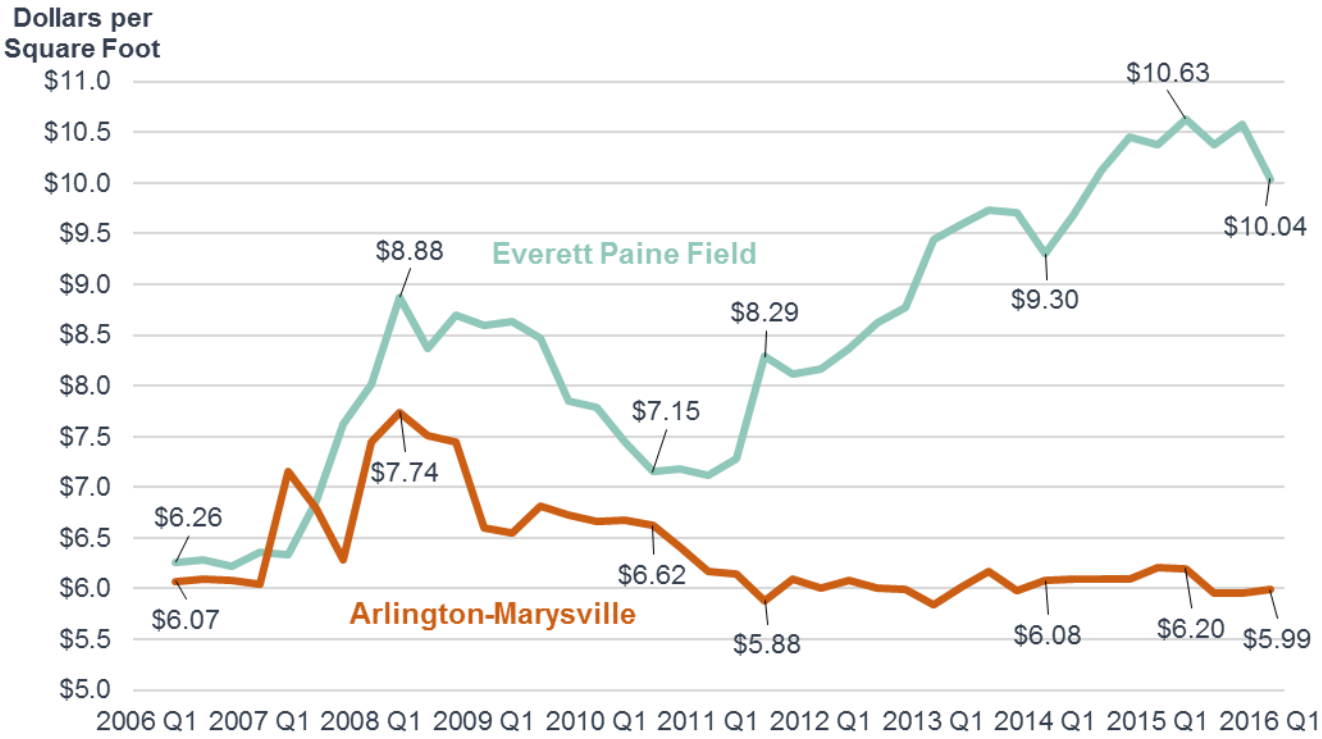
Exhibit 34
Arlington-Marysville and Everett Paine Field MIC
Historical Industrial and Flex Vacancy Rates
2006 Q2-2016 Q1



Source: CoStar Group, 2006-2016.

The two MICs experienced similar short-term increases in industrial and flex lease rates at the onset of the Great Recession but diverged in late 2011: Everett Paine Field lease rates began to increase while Arlington-Marysville rates remained stable. Rising rents in the Everett Paine Field MIC is a driver of market demand for the relatively affordable spaces in the nearby AMMIC.

Exhibit 35
Arlington-Marysville and Everett Paine Field MIC
Historical Industrial and Flex Lease Rates 2006 Q2-2016 Q1



Source: CoStar Group, 2006-2016.

Absorption Scenarios

This section examines supply and demand factors that will influence growth and development in the AMMIC over the next twenty-five years. The following three hypothetical absorption scenarios present a range of jobs, employment densities, and land consumption levels in order to test the implications of alternative trajectories for the area, as follows:

- **Scenario 1. Continued Existing Growth Trajectory.** This status quo scenario projects growth based on AMMIC's share of Snohomish County employment growth for the period 2003-2013, and, with similar results, based on historic compound annual growth rates for the same period.
- **Scenario 2. Capacity-Based Growth.** This more aggressive scenario projects growth implications in the MIC based on PSRC's Urban Sim forecasting model which takes into account development capacity based on adopted land use policy for the study area.
- **Scenario 3. Redefined MIC [In-Progress].** The AMMIC belongs to a unique class of MIC in which great development potential exists due to the presence of large areas of developable property, and the proximity of key

assets such as the airport. The AMMIC actually has significant industrial activity presently. Employment density may not be the right metric to capture this activity because emerging trends within industrial uses attracted to the area reflect relatively lower employment densities. The AMMIC is a high-potential industrial area that will benefit from regional designation and the associated support for infrastructure (mainly transportation) improvement.

Scenario 1: Continued Existing Growth Trajectory (Status Quo)

During the period 2003 - 2013, Snohomish County added 53,975 jobs, while the AMMIC added 601. The MIC's growth during this period represented a 1.11% share of Snohomish County's overall employment growth. This growth scenario envisions that the MIC will continue along this trajectory in terms of its share of overall Snohomish County employment growth through 2040.

Forecasts for Snohomish suggest that County employment will grow by approximately 183,984 jobs by 2040. If the AMMIC maintains its current share of county employment, the resulting growth would total 2,049 new jobs added to the AMMIC between 2014 and 2040. **(Exhibit 36)** While likely a conservative estimate due to the Great Recession impacting both County and AMMIC growth rates for the sample period, this scenario represents a "do-nothing" option against which other growth scenarios can be measured.

Exhibit 36. AMMIC Job Growth at Current Share of Snohomish County Employment, 2014-2040

Snohomish County			Arlington-Marysville MIC		
	Estimated *& Forecast Employment*	*Jobs Added*	*AMMIC Share of County Growth (2003-2013)*	***Estimated*** *& Projected Employment*	*Jobs Added*
2014	**273,270**			**6,660**	
2025	353,486	80,216	1.1%	7,553	893
2030	365,990	12,504	1.1%	7,692	139
2040	457,254	91,264	1.1%	8,709	1,016
Total		183,984			2,049

Source: CAI, Puget Sound Regional Council.

Another way to envision a status quo growth trajectory for the MIC is to apply a historic growth rate forward to project future growth. It is again likely that this method underestimates future growth given that the period of the Great Recession from 2008-2010 was marked by abnormally negative growth rates from which the MIC and region at large are only now recovering. The compound annual growth rate (CAGR) for the period straddling the Great Recession (2003-2013) was .97%. If this growth rate is projected forward

through 2040, the MIC would gain an additional 1,900 total jobs by 2040. **(Exhibit 37)**

Exhibit 37. AMMIC Projected Historic Growth Rate, 2014-2040

2003-2013 Compound Annual Growth Rate (CAGR)	Current AMMIC Employment (2014)	Projected AMMIC Employment (2040)	Jobs Added
0.97%	6,660	8,560	1,900

Source: CAI, Puget Sound Regional Council.

Scenario 2: Capacity-Based Forecast Growth

Specific small-area forecasts for employment in the AMMIC were generated by a model developed by the Puget Sound Regional Council that is based upon development capacity in a given area as expressed by adopted land use policy.

This capacity-based forecast indicates that 3,099 new industrial jobs could be added by 2040, primarily in the manufacturing and warehousing, transportation and utilities sectors. The industrial job growth could require between 213 and 285 acres of land (if developed at typical densities ranging from 750 s.f. to 1,000 s.f., per employee, reflecting the types of uses in the area). **(Exhibit 38)**

The AMMIC is also forecast to attract 5853 jobs in the FIRE, retail and food service, government and education sectors. Accommodating this job growth at more modest densities (500 s.f. per job, FARs of .25) would require an additional 270 acres of land. The more modest density reflects lower-density development patterns in the area and its relatively more remote location. The 1007 vacant acres along with potential redevelopment of 755 acres represent enough land to accommodate both the growth in industrial sector jobs as well as overall growth in jobs, even at the modest densities assumed for the area.

Exhibit 38. Employment Forecasts and Land Area, Arlington-Marysville MIC, 2012-2040

	2015	2040	Change
Manufacturing and WTU	3,623	6,164	2,541
FIRE	902	3,859	2,957
Retail and Food Services	768	3,503	2,735
Construction and Natural Resources	691	1,249	558
Government	585	719	134
Education	17	44	27
Total	6,586	15,538	8,952
Vacant	1,007		
Redevelopable	717		
Partially Used	38		
Total Capacity	1,762		
Total Acres	3,795		

Source: CAI, Puget Sound Regional Council.

Scenario 3: Redefined MIC

The region's MICs range in size from 961 acres to 5,160 acres and from 876 to 58,771 jobs. Across all MICs, the average job density per acre was 6.6 in 2010. Four MICs in 2010 had lower than average job density and six MICs had higher than average job density. The high density MICs are a mix of large MICs with high employment and smaller MICs with high employment. Interestingly, MICs with moderate acreages tended to have lower job density than the largest and smallest MICs in 2010. The Arlington-Marysville area fits in among the low density MICs, showing the fourth-highest total acreage of all MICs. **(Exhibit 39)**

Exhibit 39
MIC Acreage, Jobs, and Job Density, 2010

Center	Acres	Jobs 2010	Jobs/Acre 2010
High Density MICs			
Ballard-Interbay	971	14,237	14.7
North Tukwila	961	13,499	14.0
Duwamish	5,062	58,771	11.6
Paine Field	4,241	42,413	10.0
Kent	1,970	15,046	7.6
High Density MICs	13,205	143,966	10.9
Low Density MICs			
Port of Tacoma	5,160	9,250	1.8
Arlington-Marysville	4,019	5,238	1.3
Frederickson	2,837	3,330	1.2
SKIA	3,565	876	0.2
Low Density MICs	15,581	18,694	1.2
All MICs	24,767	162,660	6.6

Sources: Puget Sound Regional Council, 2016; Community Attributes Inc., 2016.

Employment density within designated MICs thus vary greatly. Our work on industrial lands in the region revealed the following reasons for this diversity.

- **Variety of Uses. Industrial zoning is essentially a "miscellaneous" category in the region.** The designation accommodates uses that cannot be accommodated by residential and commercial zones, which includes anything that requires noise, smells and other impacts. Ancillary support services are included, too. As a result, the vast array of uses challenges uniform absorption assumptions, such as s.f. of built space per job, floor area ratios (FARs) and other metrics otherwise useful for analyses.
- **Range of densities within the same use.** Within the industrial definitions, some uses are naturally higher density than others (small scale manufacturing versus warehousing, for example). The scale of the operations matters in most cases, and jobs densities are not uniform among similar activities of different sizes (often due to storage needs, for example).
- **Construction headquarters accommodate equipment, but not many workers.** Construction jobs are included as industrial jobs, but many construction workers do not report to the main office. Rather they work at the construction site. In addition, construction jobs are not permanent. Therefore, employment forecasts of construction jobs do not serve as a good driver of industrial land use patterns.
- **Non-industrial jobs are present to varying degrees on industrial lands.** As non-industrial jobs increase in areas zoned for industrial uses, they bring more demand for restaurants, convenience shopping and more. These uses may have higher densities than typical industrial uses.
- **In Arlington, industrial space is being used for marijuana processing and production.** There are 14 marijuana companies with over a 1,000 employees which have located there since the passage of I-502 in 2012. This is a new expanding use which was not foreseen in past projections. Marysville does not allow marijuana uses.

Technological advances are also restructuring several industrial sub-sectors (for example, aerospace manufacturing and warehousing) and creating lower employment densities in some MICs. For example, an aerospace company recently purchased a building within the AMMIC which included 35,000 SF of building space for 35 employees. The use of the space will be engineering and aerospace manufacturing. There is also a warehouse/office building being built with 94,735 square feet of warehouse space and 7,905 square feet of office/design space for a total of 110,785 square feet with an initial 45 employees. Lower employment numbers therefore do not capture the extent of industrial activity occurring in areas such as the AMMIC. These areas have great

development potential for industrial uses due to the presence of large amounts of developable property, and the proximity of key assets such as the airport and rail spurs.

In this context, a third possible scenario is that the AMMIC captures an assertive share of the industrial jobs that go into MICs in the region, and outperforms both historic trends and the current forecast. There is anecdotal evidence of growing demand for the area from established firms as well as the potential for firms engaged in emerging manufacturing sub-sectors such as advanced composites.

This may however be reflected more as an increase in the revenues generated by activities in the area and less by higher employment numbers.