

Appendix

The Anchorage Industrial Land Assessment project convened an industrial land assessment advisory committee, comprising members with expert knowledge of industrial facility needs, real estate, and planning and development. (See inside front cover.) This technical advisory committee reviewed draft data and products and met four times over a year-and-a-half period. The committee provided information and feedback at four meetings regarding local industry trends and site needs; draft demand forecasts; land supply research methods, study area, and acreage estimates; and the suggested policy options, which appear in Volume I of this study. Furthermore, individual committee members attended work sessions of the Planning and Zoning Commission and the Anchorage Assembly regarding this study.

As a source of expert knowledge and a sounding board, this committee of volunteers provided essential community guidance and information, which greatly increased the quality and accuracy of this product.

This part of Volume II provides documentation of the discussions and advice of the committee in its interactions with the project team over the course of four meetings.

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Municipality of Anchorage

Anchorage Industrial Land Assessment – Project Advisory Committee

Conference Room 170
Planning and Development Center
4700 Elmore Road
Anchorage, Alaska

MEETING SUMMARY

2:00–4:00 p.m.
Tuesday, October 29, 2013

- Present: Shaun Debenham, BOMA
Eric Downey, TaskKlock, Inc.
Mark Filipenko, Bond Commercial Properties
John Johansen, Ted Stevens Anchorage International Airport
Jim Kubitz, Alaska Railroad Corporation
Tim Potter, DOWL HKM
Chris Stephens, Chris Stephens Commercial Brokerage
Phil Steyer, Chugach Electric Association
Nick Szymoniak, AIDEA
- Excused: Ernie Hall, Anchorage Assembly Chair
Greg Johnson, Jack White Commercial
Dale Morman, Anchorage Sand and Gravel Co.
- Consultants: Bill Reid, Cardno
Michael Cerbone, Cardno
- MOA Staff: Jerry Weaver, Community Development Director
Carol Wong, Long-Range Planning Supervisor
Tom Davis, Senior Planner
Jon Cecil, Senior Planner

I. Introductions

Jerry Weaver, Director of the MOA Community Development Department, welcomed each of the Anchorage Industrial Lands Assessment participants and the two members of the Cardno consulting team to the kick-off for the Project Advisory Committee of the industrial study process. *Mr. Weaver* thanked participants for their willingness to commit to the study given their busy schedules. Each participant then identified themselves to the other members of the group.

Tom Davis, project manager, briefed the committee about the study's purpose, scope, and expected outcomes. The goal is a fact-finding study to understand current industrial development and market trends and to forecast future industrial needs, as well as estimating buildable industrial land supply, through the year 2030.

This will be an informational report. It is intended to be used in the same way as two recent land assessment studies for residential and commercial lands. The industrial land assessment study will help the department prepare sound choices for policy makers to determine policies and strategies in the context of residential, commercial, and industrial land needs.

Mr. Davis explained that this study has a relatively brief structured process with a total of three meetings to gather feedback from the Project Advisory Committee. The third meeting would be a joint work session with municipal officials, including the MOA Planning and Zoning Commission and hopefully the Anchorage Assembly, by the end of December.

Mr. Davis outlined the objectives of today's meeting. Today the Committee will discuss a preliminary industrial growth and land demand forecast as a starting place for Cardno to develop a more refined draft forecast. What is learned from today will help the project team prepare for the second meeting with a revised draft demand forecast tailored to Anchorage industrial land use conditions. The Committee will also review and discuss the methods and initial findings of the work-in-progress inventory of industrial uses and buildable lands. Committee feedback will help make sure staff looks in all the right places for buildable land supply based on the industrial site criteria. The project team is looking for feedback from the committee members and will follow up on that feedback individually if that is preferred.

II. Land Demand Forecast

Bill Reid, consultant with Cardno, provided context as to the land demand forecast. *Mr. Reid* noted that his work with a prior consulting firm looked at the availability of commercial lands for the Municipality, which resulted in the 2012 Commercial Lands Assessment report. *Mr. Reid* noted several interesting findings from the 2012 commercial study. For example, the consultants found that a previous industrial lands study prepared in 2009 came in with too aggressive of a growth forecast for the MOA. Cardno examined forecasts dating back to 2000 and concluded that, in contrast to the economic forecast models used by the 2009 industrial study, ISER has prepared the best economic forecasts for long-term growth. The ISER forecasts underlay the employment and land needs forecasts for the 2012 Commercial Lands Assessment and (as proposed) the new Industrial Lands Assessment.

Mr. Reid explained that he has prepared two memos, now in front of the committee members. The first memo (in color) provides a discussion draft economic update for the Anchorage/Mat-Su area. The second memo (in black and white) provides a preliminary forecast of employment and industrial land demand for Anchorage. *Mr. Reid* disclosed that Cardno is currently working with KABATA on the Knik Arm Bridge project growth and development forecasts. The methodology to figure out industrial land need is to first figure out where the economy is going and forecast amount of employment growth by industry. That is basically Table 1 of the black and white (preliminary forecast) memo. Secondly, following from how many jobs will be created, to figure out how each industry uses space per number of employees. Each industry sector has different space demands. For example, 200 square feet of floor space per employee may be typical in an office setting; however, a warehouse will be different. That information corresponds to Table 2 in the preliminary forecast memo. Third, figure how each of those industries use land, in terms of how much land area is used for a given amount of building space. Some industries build relatively intensively in a business park setting, some need more land for truck turnaround, and others need a lot of land for storing things outside without much building. This corresponds to the land area needs in Table 3 in the preliminary forecast memo.

Mr. Reid reviewed each of the three tables identified in the preliminary forecast memo. The first table looks at where the Anchorage growth is going. The baseline forecast used in the 2012 Commercial Land Assessment was that the economy was expected to grow at an annual basis of 0.75% to 1% (probably closer to 1%). Updated information makes it reasonable to say that the baseline forecast now is about 0.8% to 0.85% annual growth rate. Some industry sectors are growing faster than that, some a bit slower. Anchorage does not presently have a high-growth economy, unlike some MSAs in the Western Lower 48. Anchorage has an

economy that is fairly stable and hasn't had economic troubles like those experienced in the Lower 48. It's a "steady-as-she-goes," nice, reasonably stable long-term growth economy. *Mr. Reid* explained, one can't necessarily drive a car by looking through the rear view mirror only, but you can count on a lot of the major industries here being somewhat stable moving forward, unless something unforeseeable happens, positive or negative. *Mr. Reid* then opened the floor to questions from the Committee.

Shaun Debenham asked about the 17% lower industrial land demand figure cited at the end of the preliminary forecast memo. *Mr. Reid* replied that at this point in its preliminary forecasting Cardno has found that the previous (2009) industrial study overestimated industrial land need by 17-20%. Cardno is being conservative and is going with 17%. That's a baseline forecast. If the economy grows slower, then growth would be even lower. However, the best approach is to plan for potentially needing more land rather than planning for less land. Having too much land is always a better problem than not having enough. Bottom line, we are looking at 17% less land for industrial uses, compared to the previous study.

Tim Potter stated that under the prior industrial study methodology in 2009 was like a "black box", and didn't take into account the kinds of businesses here that operate quite differently versus those in the Lower 48. Quite a few companies in Anchorage have built their consolidation storage outside of Alaska due to lower costs there. Anchorage has a really a different operating system than in Lower 48. *Mr. Reid* replied that it was not clear to him where the growth forecast came from that was utilized in the prior industrial study. With the budget and time that they had, the previous study probably didn't go through the same process we are going through here, and take the time to understand the unique land use nature of firms here.

Mr. Potter asked how did Cardno into account the military component in economic forecasting. *Mr. Reid* responded that in the 2012 Commercial study, the military sector was included in the growth forecasts to account for its share of growth in demand for retail and commercial services. For the industrial study, however, non-military employment is really the growth that is driving industrial type needs in this study.

Chris Stephens remarked that while the warehousing distribution system is one difference, another factor is that Anchorage supplies the Bush. Do the industrial growth forecasts take into account the economic growth of Bush Alaska, which may generate industrial demand in Anchorage? *Mr. Reid* answered that the forecast does so in the sense that it starts with the total existing Anchorage employment in 2012, which includes employment that serves the local population as well as employment that serves the rest of Alaska. And employment has grown historically like the amount it is forecasted to grow moving forward. So it is probably safe to say that the economy is going to continue to grow at least this fast moving forward. The study does not attempt to figure out what percent of that growth is due to services provided to the rest of Alaska, but it pushes forward from the existing employment base using growth rates that have occurred historically.

Mr. Debenham asked whether the analysis will take into account the amount of new industrial space in square feet coming on-line in Anchorage every year. *Mr. Reid* said that's part of it. This first meeting and the preliminary forecast was more about the economic-driven findings in comparison to the previous studies in terms of methodology. So the Committee could see where we were, and where this process is likely going to go. But, yes, Cardno will be looking at quarterly data and newsletters and growth reports. The next committee meeting will address that kind of question. *Mr. Debenham* said that it is important that these numbers be fairly accurate. If we don't get it right in the beginning, and the numbers aren't very good, then it results in policies that may not be good for us. *Mr. Reid* responded that the preliminary forecast before the Committee today is only a first take at an employment forecast, using a baseline growth scenario for the Municipality. That will be a part of the second meeting after the consultants hear from the Committee and do further work on this. The consultants will come back with a refined methodology. In addition to the baseline forecast it will include a lower growth scenario as well as a higher growth scenario. The effort here is to try to give some numbers that bracket likely range of potential growth scenarios, from low to medium to high. The Muni will then be able to take the report and consider low-, medium-, and high-growth scenarios in its planning efforts.

Mr. Debenham asked if the study will take into account the Knik Arm bridge impact on the amount of new land available. *Mr. Reid* replied that it's appropriate to discuss the bridge as a scenario for the Municipality. Potentially, the Knik Arm Bridge impact can be taken into account as a low growth scenario for the industrial lands assessment effort. Perhaps it would serve as a pressure valve and certain uses would go over to the Mat-Su. Cardno is wrestling with this issue as part of its work for KABATA—the what, where, and when of a bridge scenario so that KABATA can figure out what the toll revenue will be. A bridge could be a low-growth scenario for some industries and not for others. *Mr. Davis* said that one of the advantages in the project's growth forecasting effort is that it is using ISER data which takes into account the current Knik Arm crossing. ISER's baseline growth scenario includes a Knik Arm Crossing. *Mr. Reid* indicated that he has met with *Scott Goldsmith* of ISER as a result of other consulting work. ISER's previous forecasts are useful, but at the same time there are some very different assumptions and the industrial lands assessment report will have to be adjusted accordingly.

Mr. Potter expressed his appreciation for this level of effort to go back and take another look at the industrial lands assessment, because the 2009 industrial study was faulty. *Mr. Reid* said that the economy is now very different than is the timeframe of the previous study (2008-2009). *Mr. Potter* expressed that he looked forward to the committee discussion of what lands will be included in the industrial lands study, which were ignored by the previous study—that there are fairly significant parcels of land that are just as doable as Point MacKenzie that are more affordable than a KABATA bridge that could get access to thousands of acres of land that could be put to industrial use.

Mr. Debenham noted a concern about the policy making implications derived from the study and he wondered how that policy might be implemented. He noted that Anchorage has just come out of a contentious process redoing its land use regulations, and a lot of I-1 and I-2 property owners are worried about what will come out of this. It is important for this study to be aware that there are still some raw feelings from other planning efforts. *Mr. Potter* added that a part of the concern stems from that the lack of an updated Land Use Plan Map for the Anchorage Bowl that reflects where these new zones will actually be in place.

Mr. Reid reviewed the preliminary forecast finding on Table 3 of the memo, that indicates about 580 acres of industrial land is available; so that number came down about 20% from the prior (2009) industrial study, which he stated is a pretty sizeable drop. The new preliminary forecast also shows different industries performing differently from the previous study. Cardno wants to hear from the Committee how we should think about some of those assumptions in the preliminary forecast. It uses averages and typical land use patterns from the Lower 48. The preliminary forecast basically says, if Anchorage were like everywhere else, this is what your land needs would be based on those assumptions. For example, FARs are listed on Table 3 in the preliminary forecast memo. Floor area ratio (FAR) is the amount of building floor space divided by the total land area on the lot—it is a measure of development density. Typically industrial uses have a floor area ratio of anywhere from 0.15 FAR up to 0.35 FAR (business park with truck turnaround). Ratios listed in the memo are national ones and will need to be calibrated for Anchorage. *Mr. Reid* wants to hear from the committee members about what they think about some of those national averages being applied to Anchorage. Cardno team is willing to get information from committee members individually over time, not just today. *Michael Cerbone* elaborated that if there are factors that make FARs different here, such as snow storage needs or different equipment or laydown yard storage needs, the team definitely wants to hear from committee members.

Mr. Debenham would be interested in seeing the trends in densities of recent industrial developments. His sense is that Anchorage land use densities are higher now because some companies' lay down yards are moving north to the Mat-Su Valley. He stated that Anchorage is currently at about \$1.00 per SF for construction.

Mark Filipenko suggested the study could look at the densities of some of the old developments, too. Some of the older stuff such as warehouses was built property line to property line with very little parking. Then development patterns changed but now we may be going back in that direction. Some of the stuff built in the 1960s and 1970s had zero laydown yard space—trucks pull out right into the street right-of-way.

Mr. Filipenko asked if the study accounts for ownership. *Mr. Reid* said ownership patterns will be touched on and will consider long-term leaseholds, etc.

Mr. Debenham asked about the quality of available industrial land. Some lands have peat and will be too expensive to develop for industrial use. Only a retail use can come in and haul 20 feet of peat and lay down buildable dirt. *Mr. Reid* responded that *Mr. Davis* will address that question in more detail but the Commercial land study looked at the cost of development of sites currently zoned industrial through a prototype pro forma. Economic conclusion was that retail commercial was the only one that could afford to pay rents and leases. *Mr. Cerbone* stated that the MOA staff's land supply analysis part of the industrial study will take into account the environmental constraints of properties.

Mr. Potter asked other committee members if they knew of any new speculative warehouse development that has been built recently, and what the going leases are. *Mr. Stephens* answered "No." Going lease rate on net basis is \$0.85 per square foot, more or less—perhaps up to a dollar. *Mr. Filipenko* noted that he had just priced the building cost of a freezer warehouse building out at \$300 per square foot, which is about three times the cost of building that in the Lower 48. *Mr. Potter* said that it seemed the local market reality is that industrial warehouse space doesn't act like it should, unlike in the Lower 48. The only warehousing that has been built has been for a specific user, such as American Fast Freight. *Mr. Davis* reported the field work so far suggested only a couple of new or planned industrial buildings in the south part of town right now. One is a recent development providing for a variety of small industrial uses, located on 100th east of King Street, but it's not warehouse. The second example is that of a larger building that is a proposed future industrial site. The density of future development may be higher than it has been in the past.

Mr. Potter noted that transportation costs are becoming a much bigger consideration; site location is also a factor. Some industrial uses are less sensitive to transportation costs, such as laydown yards, are going north to the Mat-Su Valley or Chugiak-Eagle River, and properties in Bowl will then be used for something else.

Mr. Reid asked about business hours driving time to Eklutna and the response was about 30-35 minutes. *Mr. Reid* noted that it was good to remember that the Puget Sound warehouse distribution corridor north of Washington State's Clark County to the Port of Tacoma is about 75 minutes driving time. So, a 30-45 minute drive time is not a big deal. *Mr. Potter* said there is a lot of give within our system to accommodate somewhat higher transportation costs in order to get to better soils and lower land costs in Eklutna, Palmer, and Wasilla. Development costs will be lower. *Mr. Stephens* observed that construction costs are so high here, one could give the land away and it would still be too expensive to build relative to rents. *Mr. Debenham* followed that Anchorage could reserve industrial land but that will not result in industrial development. There is currently no spec development in Anchorage—it's all for specific users—not just for industrial uses and is a bigger issue for Anchorage. *Mr. Potter* suggested that the more difficult thing to figure out is how to categorize different types of industrial use and analyze how it is related to proximity to town, how sensitive each is to transportation, labor, and other costs, etc. and then figure out how much land we really need for spec development versus existing operation that wants to grow or something else. In his opinion, if we didn't have a whole lot of industrial land they wouldn't dry up and go away. *Jerry Weaver* observed there is not much spec development available anywhere in Anchorage, whether commercial, residential, or industrial.

Eric Downey stated that the quality and price of labor in the Valley is another factor pushing industrial and manufacturing development to the north. It's another suite of operating expenses. There is a high-quality labor force in the Valley that is willing to work for a dollar an hour less to avoid the hour commute into Anchorage.

Jim Kubitz stated that the Alaska Railroad's rail yard is too small for the volumes they handle even though they would like to grow their operations. There is need for more railyard to store trains, but nowhere to grow. The ARRC is considering double stacking where they put two stacks on one car as a capital investment strategy. Had one train that was almost 2 miles long this summer but it's very tough to load/unload when there is not adequate yard space. *Mr. Potter* asked where ARRC may go in the future with its main rail yard operations. *Mr. Kubitz* responded the most logical place is in the Port of Anchorage (POA) where ships could be unloaded

directly onto the train. The Railroad is waiting on the Port expansion project before they can move that piece of its railyard business there. That is the Railroad's one expansion potential but it's on hold until the Port expansion project is fixed. Previously considered Birchwood for railyard operations but it's too far from where their market is. *Mr. Kubitz* said moving the entire freight yard is just not in the cards.

Mr. Potter said we need to consider location factors, and that we have real key and critical industry (rail) areas to be protected. Perhaps Ship Creek should be turned into a corridor of railroad-related operations in manner comparable to airport lands for airport-related uses. If the rail yard is where it is perhaps we need to buy out some commercial leases. *Mr. Kubitz* stated that the Railroad does have lease restrictions on sites next to railroad lines; however, there are sometimes political consideration in terms of who gets leases. *Mr. Potter* expressed that one of the important exercises for this study is asking people and get their input on what the most important industrial needs are in Anchorage. And then let non-critical industrial uses go elsewhere from Anchorage. Also consider some strategic partnerships such as with Whittier and expand the Port there.

Mr. Kubitz said that the cost of distribution of retail products brings distributors closer to the port and rail yard area. The Railroad does not have much industrially zoned land left there, perhaps five or six acres. Most people want to move their goods directly off the ship directly to their warehouse. Ship Creek is a great location because then they can get right on the Glenn/Parks Highway. Distributors don't want to be in South Anchorage. Cost of transportation to distribute goods does play a part in where distribution warehouses want to locate. *Mr. Davis* noted that so far his research reveals that some small to medium sized operators want to be where their customer base (market) is in Anchorage rather than farther outside of the core. Most of the outdoor storage observed in field work was for equipment (e.g., vehicles), not material laydown yards.

Mr. Reid asked for the perspective of the representative from the airport. *John Johansen* expressed the Airport is reviewing its existing land uses and determining if those are appropriate use of Airport properties. The Airport is also in process of updating its master plan, and identifying properties that may be suitable for non-airport uses and getting them designated and approved by the FAA. *Mr. Johansen* noted there is a lot of potential for industrial uses nearby the Airport. *Mr. Reid* asked if any technical reports from the current master planning process are available. *Mr. Johansen* replied that he would see if he could find any and forward those on to staff. The Airport has been in discussions with FAA on uses that may or may not be aeronautical related. Freight forwarders and car rental companies are examples. There are several uses that have not been charged fair market rents by the Airport which has conducted a self-audit to change lease rates to a fair market rate. A lot of the industrial warehousing type use is non-aviation but there is need for those types of uses near the Airport.

Nick Szymoniak representing the Alaska Industrial Development and Export Authority (AIDEA) said his agency is currently looking at a LNG project and several mining projects as well as oil and gas projects. Anything done in Alaska explained *Szymoniak* "is going to flow through Anchorage" creating an uptick in the local economy. Has statistics on how many jobs each project is anticipated to generate. *Mr. Potter* asked about specific industrial structures such as the former Alaska Seafood Center: there is another operator that has been growing and would be a natural tenant for that facility. They are looking to build a new facility. Did the Committee have any advice on when we have a world class building, if Anchorage wants to have that type of industry, if it is appropriate to interfere with the private marketplace and prevent the sale of such buildings to a non-industrial use? *Michael Cerbone*, planning consultant with Cardno, said zoning is not a good tool to control religious uses (i.e., RLUIPA, The Religious Land Use and Institutionalized Persons Act).

Mr. Downey asked what are the next integration steps between the economic growth forecast and the on-the-ground land inventory and assessment. There might be an opportunity to take a sampling of on-the-ground examples and arrive at an Alaska-specific ratio. Could staff do some sampling? *Mr. Davis* suggested the Committee take a short break and a look at the maps on the walls before moving on to the land inventory. The maps show the areas under consideration for the industrial land study.

MEETING BREAK

III. Industrial Land Supply and Existing Uses

Mr. Davis pointed out the maps on the wall showing the study area boundaries. He said that the team wants feedback on whether the land supply study is looking in the right places for potential industrial land supply. Not only the existing industrially zoned land, but also other lands that may potentially have industrial uses in the future up to planning horizon of 2030. Staff is looking at other publicly owned lands including airports, as well as Fire Island. *Mr. Filipenko* asked whether staff is looking at lands in JBER that might be available. He recalled that a group from D.C. had come to his firm a few years back to discuss approximately 124 acres that could potentially be available, but that nothing came of that visit. *Mr. Davis* mentioned that he is aware of the military's Enhanced Use Lease (EUL) program and intends to explore it further. *Mr. Reid* noted there have been other studies conducted across the country that have been used to identify the supply of industrial lands.

Mr. Potter noted the North Anchorage Land Agreement (NALA-which affects >100,000 acres in the north Anchorage-Eklutna area) preparatory from ANILCA that reflected that Eklutna and Municipality didn't get their original entitlements and foresaw a process for resolving those if military lands were ever deemed excess. There is a lawsuit between Eklutna and Municipality regarding use of base lands.

Mr. Davis summarized that the study is attempting to include other lands that weren't considered the last time around. Such as what lands are available near the Birchwood Airport, the Eklutna Tract 770, Powder Reserve, and even Fire Island. There has been a recent rezone of lands for industrial uses near Eklutna Village, adjacent to the new MEA power plant. It is important that the right lands north of Anchorage are included in this current industrial lands study. Staff is looking for feedback from committee members as to whether the study area boundaries are right, and will provide committee members with a map of undeveloped lands. Staff will provide maps as PDFs and would like to hear back from committee members regarding whether the study area is appropriate.

Mr. Davis described the industrial lands inventory methodology included in the Buildable Land Inventory document laid before the committee members. The inventory is intended to estimate the net supply of buildable land for future industrial development in Anchorage and Chugiak-Eagle River. *Mr. Davis* explained that staff is updating the inventory of existing land use in the industrial areas through field work. Staff is using the Land Based Classification System, or LBCS, to characterize existing industrial uses in terms of both physical activity (e.g., storage, sales, factory work) and economic function of the establishment.

Mr. Davis continued that page 2 of the Buildable Land Inventory document provides initial inventory findings from south Anchorage grouped by economic function. This information is mostly raw data so far, which has not yet gotten any significant level of quality control. *Mr. Davis* reviewed the top five industrial uses found in south Anchorage so far. The most common are construction contractors (special trades, etc.). They number greater than expected and they occur on all sizes of lots. Their storage is heavily based on outdoor storage but also indoor as well. Outdoor storage is primarily equipment / truck storage and less so lay down material storage area. Lots seem to be fully utilized even with outdoor storage. One of the weaknesses of the data collected so far is that the total acreages don't reflect there are other uses on the lot besides the primary uses. Another weakness is the frequency on which this type of use occurs doesn't correct for cases when a use is located on a group of small lots. But the data provides a general order of magnitude sense of frequency and it has corroborated staff's gut feelings on what they are seeing in the field. The second most common use was manufacturing, which was more frequent than staff had anticipated. The fabricators are scattered through the industrial areas and range in size from Unique Machine and smaller establishments on small lots.

Mr. Davis reported that another surprise was that wholesale trade and warehousing and storage services were not among the top five most common uses in the areas inventoried so far. They occupied far less than anticipated. The third most common use was vehicle and large goods (e.g., flooring) sales and service, which was a separate category from general retail. Retail sales appears on average to be one of the most common uses

of industrially zoned land but it is geographically concentrated in several commercial centers and corridors. Retail uses are few and far between in the industrial areas.

Mr. Johansen asked about whether this is an inventory of property zoned industrial or is it an inventory of all properties in the area. *Mr. Davis* replied that the inventory is starting out with industrial zoned property only, partly due to time constraints. There are a few areas zoned B-3 that have industrial uses, such as along part of Old Seward, which will be captured if time allows.

Mr. Davis anticipated that transportation and utility uses will appear more frequently as the field inventory progresses north past Dowling and to North Anchorage. Staff will work on improving categorization of existing uses, cross reference the economic function data to NAICS (North American Industrial Classification System) categories being used for the employment forecast, then forwarding the data to *Bill Reid* and *Michael Cerbone* so that they can take the local data into account when they revise the preliminary industrial growth forecast.

Jim Kubitz asked if the land inventory was making any distinctions between I-1 and I-2 zoned lands or are the districts all lumped together. Is part of the effort to find out if the industrial land need varied by type of industrial area? *Mr. Davis* responded that the districts can be broken out between heavy and light industrial.

Mr. Davis indicated that he is happy with the methodology and Land Based Classification System, or LBCS. The downside is the amount of time necessary to collect the data.

There was a question about the geometric patterns found on the draft land use inventory map describing Fire Island. *Mr. Davis* replied the land use map on Fire Island is affected by the lot configuration which doesn't reflect the developed versus undeveloped areas very well. *Mr. Potter* said ownership of the Island includes FAA, Coast Guard and CIRI Native Corporation property.

Phil Steyer representing Chugach Electric clarified that CIRI is not a utility but rather that it is a corporation selling energy back to a utility. Fire Island is an energy generator type of land use. *Mr. Potter* noted there is deep water port capability on Fire Island and that a causeway to Fire Island has been talked about for many years, with a potential cost estimate of \$90 to \$120 million to build.

Mr. Davis said the team is looking for feedback regarding the method to factor in constraints to industrial development on the vacant land supply. The black shapes on the land use inventory maps indicate there is no activity or function on a lot. So far the inventory has found 728 acres of gross acreage of potentially buildable land supply in south Anchorage. This seems like a lot of land, but the method is to apply development constraint factors on the gross buildable acres. The team will remove acreage that is constrained, to determine the net supply of actual buildable land. *Mr. Davis* urged committee members to take a look at the constraint factors proposed in the "Industrial Development Inventory" document now before the committee members (pages 7-9). Constraints include environmental factors including soils, wetlands, and streams setbacks. *Mr. Davis* stated his interest in learning from committee members who are aware of soil and peat conditions specific to individual lots that are not captured in the city's GIS.

Mr. Davis asked the Committee to review the other constraints factors, as listed on the last page of the Industrial Development Inventory memo (page 10). Constraints include lands committed for non-industrial purposes such as the Target property and the proposed outlet mall. Staff will need to apply a screening filter that removes future commercial and non-industrial development sites from the industrial buildable land acreage. The project team will need to learn where these planned non-industrial projects are for net buildable land supply purposes.

Mr. Davis said that other possible constraints include site size and location; urban service constraints. Staff is unsure about site size, or where to go with that as a constraint to development. Based on the field inventory observations a half to third acre may be the most practical minimum site size for many use. But staff doesn't have a firm feel about the site size categories for industrial land use purposes. Staff wants to think through this issue. Based on today's conversation, a location in Chugiak-Eagle River is okay for a lot of industrial uses. But if location is a factor for certain uses the team needs to know.

Mr. Filipenko responded that any establishment that is service related will want to be located in town (the Bowl). Most of the small, mom-and-pop businesses on three-quarter-acre sized lots are service related. It does not make sense for them to locate out there in Chugiak-Eagle River, have their employees drive out and back into town. For large industrial businesses it makes sense to be out there. *Mr. Stephens* followed with the example of Cinnabar Loop type development. There were a whole bunch of small warehouse-office developments that were developed in the 1980s for small and medium sized tenants, and there is still demand for that. He remembered small building that he was selling a few years ago on 100th that was similar to the Cinnabar Loop buildings. It attracted a lot of interested callers (“the phone just blew up”). The building was small with 3,000 square feet of shop area, had office space, 3,500-4,000 square feet of building on a 15,000-20,000 square foot lot. There is a lot of demand for that half-acre sized lot. That’s the kind of space small users want, but lots aren’t available.

Mr. Potter asked how the study is going to factor in the redevelopment potential of areas such as in northeast Anchorage. Most of the buildings there have outlasted their usable life. How is the study going to factor in if these lands are going to be available in the mix of buildable land base? When do we factor when these buildings will get scraped and replaced, or is the economic trend to continue to repair and maintain these existing buildings through the next 20 years? *Mr. Davis* was not sure, but the general sense of the team so far is that redevelopment of industrial won’t yield much increase in density of development over existing buildings. *Mr. Potter* responded that from a location standpoint both for existing and new small users, the area near the Airport would not seem like a bad place for industrial to be. It has some locational qualities that would suggest it ought to be in the mix of buildable lands. How much should the study get into building-to-land value ratio? *Mr. Davis* responded that the staff has had experience using the ratio of building value to land value to indicate potential redevelopable land; however, staff has some doubts that it captures all the factors that actually lead to redevelopment. Staff has also used historic rates of redevelopment as a percent of overall development as a starting place to forecast how much redevelopment may take place in the future. The housing study in 2012 took the latter approach. *Mr. Davis* acknowledged that either way takes time but the redevelopable lands factor is important to take into consideration. *Mr. Potter* said that redevelopment could be supported with some kind of tax abatement or tax deferral within a specific zone in that area. It’s only continuing in the current buildings in that area because it is so expensive to replace.

Mr. Davis asked for feedback regarding the urban service constraints listed on page 10 of the Inventory memo. It assumes industrial development will need road access and power. *Mr. Steyer* stated that there is no place in the study area where extending power would be prohibitive—it is only a matter of money. *Mr. Davis* asked for thoughts regarding lack of water and wastewater as a constraint. *Mr. Kubitz* commented that parts of Ship Creek areas are on well and septic. There is no funding source for extending water and wastewater. The Railroad has also received complaints from businesses that do not get internet access. Businesses need that.

IV. Next Steps

Mr. Davis said that the team would appreciate any follow up feedback from committee members on the Economic Update, Preliminary Forecast, and Industrial Development Inventory memos. If there is anyone else in the organizations on the Committee that *Mr. Reid* and *Mr. Cerbone* should talk to, please let the team know.

In addition, the team would appreciate any information about specific lands and parcels identified in the study, such as knowledge about site specific constraints (e.g., how deep the peat is) or upcoming projects that committee members can divulge. Staff will send out a PDF of the study area maps and the land inventory map areas completed so far to each of the committee members. A tentative schedule for the second meeting of the Project Advisory Committee is to reconvene in the first week of December.

Adjournment

The meeting adjourned at approximately 4:00 p.m.

Follow-up Tasks:

Task	Responsible Party
1 Provide any follow-up feedback regarding the baseline economic forecast (incl. Table 1) on p. 1 of “Preliminary Forecast” memo.	Committee members
2 Provide any additional feedback regarding the average space per job, floor-to-area ratio assumptions, and land demand findings in Tables 2 and 3 of the “Preliminary Forecast” memo.	Committee members
3 Use October 29 meeting discussion, additional feedback and research to prepare a revised forecast including low, medium, and high growth scenarios. Consider Knik Arm Crossing impacts.	Cardno
4 Based on October 29 meeting discussion, consider how to provide data on local trends in building density (FARs) in Anchorage.	Staff
5 Provide committee members a copy of industrial land study area boundaries and development constraints maps.	Staff
6 Provide input on industrial lands study area boundaries. Ensure study is looking at correct locations for buildable land supply.	Committee members; Cardno
7 Consider which categories of industrial use are most sensitive to transportation costs and location factors as part of forecasting future industrial land needs within the Bowl.	Cardno; Staff
8 Request for available information from Ted Stevens Anchorage International Airport regarding potential industrial uses and use areas in and around Airport.	Airport representative; Cardno; Staff
9 Complete the inventory of existing industrial uses and vacant lands, cross reference the existing uses to NAICS categories. Consider how to account for potentially redevelopable lands.	Staff
10 Ensure that Staff uses the correct constraint factors to determine what vacant lands are buildable for industrial use. Inform staff about any constraints or upcoming projects on specific lots.	Committee members

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Municipality of Anchorage

Anchorage Industrial Land Assessment – Project Advisory Committee

Conference Room 170
Planning and Development Center
4700 Elmore Road
Anchorage, Alaska

MEETING SUMMARY

2:30-4:30 p.m.
Wednesday, May 14, 2014

Present: Shaun Debenham, BOMA
Andy Donovan, Alaska Railroad Corporation
Eric Downey, TaskKlock, Inc.
Mark Filipenko, Bond Commercial Properties
Ernie Hall, Anchorage Assembly
John Johansen, Ted Stevens Anchorage International Airport
Dale Morman, Anchorage Sand and Gravel Co.
Tim Potter, DOWL HKM
Phil Steyer, Chugach Electric Association
Nick Szymoniak, Pt Capital

Excused: Greg Johnson, Jack White Commercial

Consultant: William Reid, Cardno

MOA Staff: Carol Wong, Long-Range Planning Supervisor
Tom Davis, Senior Planner
Jon Cecil, Senior Planner

I. Introductions

Tom Davis, a senior planner with the MOA Community Development Department, welcomed each of the Anchorage Industrial Land Assessment Committee participants. *Mr. Davis* acknowledged Bill Reid from the Cardno consulting team to the second meeting of the Project Advisory Committee of the Industrial Study and thanked participants for their continued willingness to commit to the study process. Each participant then identified themselves to the other members of the group.

II. Land Supply Estimate – MOA Planning

Mr. Davis, the study project manager noted that the industrial land use assessment is the third of several land use studies that the MOA has conducted in the past few years. The most recent was the *Commercial Land Assessment* completed in 2012, in which Bill Reid also participated. MOA staff is currently working on the *Industrial Land Assessment* study so that we can get the full picture. The MOA previously completed a third study for a housing market analysis in 2012.

Today's meeting is the second for the PAC Anchorage Industrial Land Assessment. The first meeting (October 29, 2013) introduced the project. At that meeting, staff laid out a pathway to estimate future land supply and presented a preliminary forecast for industrial land demand. Since that time, staff have completed a land use inventory and nailed down what is believed to be a pathway forward to estimating the buildable land supply. We now have a revised demand forecast for the Committee to review. These latest materials are influenced by what the Committee discussed and suggested on October 29. The Committee looked at the revised demand forecast in terms of groundtruthing against what staff learned on the ground from the inventory. Some committee members suggested that staff take a look at building density patterns and historic building trends. That information is included with the materials staff distributed.

As noted, this meeting is the second of three meetings. What staff and the consultant learn from this meeting will influence basically how to complete the demand forecast for industrial land in the MOA while estimating the buildable industrial land supply. There will be one more meeting at which staff will provide final draft results to the committee and discuss some of the policy implications in light of what has been found. Staff distributed materials via email including: Building Land Inventory paper, Parts 1 and 2; and Section 3. Those materials cover highlights with some key findings. Staff wants to get the Committee's thoughts on what staff found. In the latter part of the meeting staff would like to discuss the revised land demand estimate/forecast.

Staff would like to learn three specific things from today's meeting.

First, staff scoured the municipality for potential buildable land supply. Staff shared their findings particularly with respect to the major remaining land holdings in the MOA. Staff wants to get the committee's thoughts about this and whether these lands are available. For example, the Northern Eklutna Lands have long been perceived as a "Terra Incognita" comprising vast acreage of tracts. Staff went through a process of elimination of what is likely available or not for industrial development purposes. Staff wants to get the committee's thoughts on that before finishing the supply estimate.

Second, staff wants to get the Committee's thoughts on how to characterize and how to estimate the buildable lands left in the MOA. Staff have a proposal on how to characterize the under utilized, redevelopable lands available. Staff would like to get the committee's thoughts on whether to include the most likely lands that are part of the redevelopable land supply. That will also greatly influence estimates of buildable lands held by Eklutna, Inc., among other major landowners. Eklutna's capacity is influenced by urban service constraints, such as road access, sewer and water. Staff wants to get the Committee's take on how to characterize how those constraints impact the buildability of land. What impact is there based on the lack of sewer? Staff have a proposal for the Committee to think about. So, there are these major land holdings and the components of the buildable land supply, underutilized, to discuss today. At the latter part of the meeting staff have a revised industrial land demand forecast that consultant Bill Reid has been working on. This is the third objective of today's meeting. Mr. Reid has some really interesting findings to share with the Committee. He's also been working on the socioeconomic forecast for the Knik Arm Crossing (KAC). *Mr. Reid* has some initial findings about how a KAC scenario might affect industrial land demand in the MOA relative to the MOA's land supply.

There will be break midway through the meeting. Next, staff will run through the inventory, basically what's left, the big major land holdings. Staff will walk the committee through the inventory with a variety of maps.

The first map summarized the Inventory's findings from the perspective of industrial sectors, and types of commercial and industrial development. It is similar to the NAICS classification system. There are a variety of colors on the map that represents a variety of land uses; it's really a patchwork quilt, if you will. Anchorage is full of a lot of small, independent businesses that perform a wide variety of functions in the industrial zone. Staff spent eight months in the field, and have categorized various land uses described by the 12 sectors, and broken out those that are tailored to Anchorage's particular situation. The pattern is more fully described in Parts 1 and 2 of the paper.

For today's conversation, staff focused on the areas colored in Black, that are vacant, have no economic function, or are not currently in use. The large Black-colored parcels represent what some observers have speculated include areas that may or could become commercially available for future development lands, such as JBER, Eklutna, Fire Island, and so on. Staff cast a wide net and wanted to make sure they got a full picture for the MOA and Chugiak-Eagle River areas. In a nutshell, there is actually rather limited building potential on these lands. There are a lot of Black-colored areas but relatively little of it that will be available for industrial development during the 20- to 30-year planning horizon. These areas will be reviewed individually starting from south to north.

- Minnesota and South "C" Street area – Laurel Acres Subdivision is gradually being purchased by the Municipality's Heritage Land Bank (HLB) because it is mostly wetlands and unlikely to be developed for anything except wetlands mitigation banking purposes.
- Inside curve of Minnesota – a large block of currently undeveloped land, the middle tract is dedicated to becoming a park someday. The outer two tracts are owned by CIRI Native Regional Corporation; to the eastside along "C" Street is a site for a future outlet mall, and another for a future retail site. The other side of the street is currently zoned residential and may become available, CIRI, we are told, is looking at future commercial and residential development. Staff doesn't believe that the majority of these Black-colored lands on the inside corner of Minnesota are going to be available for industrial development.
- Farther up Minnesota – Collection of municipal lands; west side of Minnesota includes wetlands; some have conservation easements. There is a large vacant piece of land just south of the power plant campus owned by the Chugach Electric Association. It is unlikely to be available for industrial development, and is reserved for utility or conservation easements.
- Airport lands – There are a lot of Green-colored parcels; the airport property holdings are extensive and include most of the land shown on the map colored Black and Gray. In consultation with the International Airport staff determined that FAA regulations prioritizing aviation uses offer only a limited number of parcels of airport land that might become available for commercial and/or industrial purposes. There are several parcels south of Raspberry Road, near Sand Lake Road. The southern portion was an airport parcel recently acquired from the Federal Communications Commission (FCC) and it has been designated as parkland in the Comprehensive Plan; it is surrounded by residential zoned properties. On Sand Lake, on the SW corner, the existing National Ocean and Atmospheric Administration (NOAA) facility; the northern portion of that land is vacant, undeveloped and could potentially become available at this point in the draft study assumptions. On the SE corner of Sand Lake and Raspberry Roads is a large vacant parcel that may be limited due to its location relative to the runway.

John Johansen, Ted Stevens Anchorage International Airport Land Manager, noted that the Airport is working with the Federal Aviation Administration (FAA) to get approval for mid-term non-aeronautical lease approval and attempting to get designation for three parcels non-aeronautical with a term of 35 years.

Mr. Davis replied that his understanding is that the lengthier the lease term the more attractive it becomes for an industrial user. *Tim Potter* asked for a quick definition of airport-related uses. *Mr. Davis* replied that an aviation use is either for operation or directly supporting aircraft. Warehouse distribution of frozen foods transported by air, freight forwarding, and the USPO at Airport are considered non-aviation uses in FAA parlance. So it's a relatively restricted definition on what types of uses are prioritized around the airport. If it has direct runway access, that's where the FAA is going to designate it for very restrictive aviation uses. So that would mean the West Airpark, the North Airpark and most of the South Airpark areas are restricted. Airport has approval from the FAA for use of southern part of the former Kulis Air National Guard (ANG) base for long-term lease. *Mr. Davis* noted that at this point the study is really looking at the potential of just three parcels areas south of Raspberry Road: 1) the southern portion

of former Kulis ANG base which is topographically isolated from the runways; 2) an area north of Connors Bog area on south side of International; and 3) areas south of Raspberry Road. These are lands that could be used for industrial or commercial uses that are not strictly industrial lands.

- Merrill Field – is in a similar situation to the Airport. Merrill Field wants to expand which will result in a net reduction of industrial use acreage in that vicinity including some expansion into industrial areas along Orca Street, Fairview Avenue, and conversion of an existing Municipal snow dump to a higher income-generating, more intensive use. FAA requires airports to generate income on their lands and they are thinking of a more intensive use relating to a nearby hospital.
- The Alaska Railroad Corporation (ARRC) owns the majority of lands within the Terminal Reserve area of the Ship Creek basin. *Mr. Davis* visited officials with the Railroad about the potential for additional lands becoming available for industrial use in the Terminal Reserve. Essentially the Railroad is constrained operationally and it's not in the Railroad's best interest to convert more lands away from railroad use towards industrial leases in the Terminal Reserve. If anything there is a need for expanding the space available for strictly railroad operations. The Railroad wants to provide a second railroad spur in the Port area to take some pressure off the existing operations area and reduce transportation costs. The Railroad is also looking into the possibility of converting the industrial lease lot parcels north of Post Road and the east end of Ship Creek to a railroad operations area thereby creating a minor reduction in the industrial lease lands available. Generally, in this area, and taking into consideration lands affected by the proposed Highway to Highway (H2H) project, and the proposed Knik Arm Crossing project, staff is seeing something of a net reduction of industrial land available over what is currently in use for this area.
- The Chugiak-Eagle River (C-ER) area has a lot of land designated in Black that could become available. An area on Joint Base Elmendorf-Richardson (JBER) is designated for expansion of the existing Anchorage regional landfill. JBER is approximately 75,000 acres in size. Some committee members speculated that JBER might perhaps make some, or could make a significant amount of land available, for industrial use through the Military's Enhanced Use Lease (EUL) program. The Military could designate some areas as unneeded for a certain length of time and make those lands available for lease by non-military uses. These uses could complement military functions for such things as hotels or other functions. Staff visited JBER and researched this question. Staff believes it's very unlikely that the EUL process will be available in the 20-year planning horizon for several reasons. First, JBER has what it needs to operate; although it does get some help from local utilities. Second, there is no need for JBER to provide lands for non-military uses in order to support its function. When JBER was created (former Fort Richardson and Elmendorf AFB) during WWII these bases were Military lands that fell under the jurisdiction of the Department of the Interior (Bureau of Land Management). Under that structure any lease revenues generated by a EUL would go to BLM, not to JBER so there is little incentive for the Base to give up land for non-military purposes for an extended period of time.

Third, and significantly and unique to the municipality's situation, the Native regional and village corporations have top filed claims to military lands. If the federal government declared these lands in excess of its needs Eklutna Village Corporation (and CIRI) would essentially ask for their lands back. In fact that is what happened to 150 acres of base land north of the Glenn Highway on the east side of Boniface Parkway that is vacant. The military looked into for a EUL but Eklutna, Inc. claimed the land. There is a potential for a three-way land trade. Staff doesn't know if that is going to happen but it was discussed by JBER, and that portion could become available for low intensity industrial development such as mini-storage, and lands in the Powder Reserve in Eagle River could be potentially transferred to the military. However, that is not a certainty. So, of all the JBER lands there is the possibility of perhaps only about 150 acres of low intensity use underneath the adjacent flight path. *Mr. Potter* asked for a clarification about the North Anchorage Land Agreement (NALA) which specifies other entities such as the Municipality who could get access to former military lands at JBER. Staff is also looking at a large

military parcel that includes uplands that sit in between an existing industrial area along Artillery Road and the Eagle River Wastewater Treatment Plant. MOA Street Maintenance is interested in using that parcel for a snow dump but there is no certainty of that parcel becoming available anytime soon. So, JBER is basically out of consideration as far as industrial development goes.

- There is a large amount of land farther north of JBER. Eklutna has established a large conservation easement (Fire Creek area on the east side of Beech Lake Park). Farther north the conservation easement continues along the coastline. Eklutna intends to use the area for hunting and as a recreation area, to remain that way into the distant future. Everything north of the Railroad area is not in the mix for industrial development. Eklutna village is also establishing an overlay district for traditional lifestyle, multigenerational housing, etc. This area is designated in such a way as not being conducive or prioritized for industrial uses. Beyond the Eklutna power plant area these other lands will not be available because of the lack of transportation access and wetland issues. What are left are several lands that vary between available and maybe available. These lands are commercial around the Hiland Road area. These lands have no access north of the Glenn Highway and are affected by wetlands.

The Birchwood Industrial Park area has about 300 acres of developable industrial land. About 160 acres are being jointly marketed by Eklutna, Inc. and the Alaska Railroad to attract industrial customers. It has good railway access, is near the Birchwood Airport with road access, power and utilities, and the land has been cleared, and is ready for development. It's probably the largest new industrial property that staff knows is available, and it includes 150-acre area south of the airport. However, some of these lands will not be available. For example, there is a site for a future Municipal Police Department shooting range near the Izaak Walton shooting range. There is another recently rezoned industrial area anchored to the east by the new Eklutna power generation plant: about 100-150 acres of newly rezoned industrial land, primarily vacant, some industrial. This is an area that has some potential.

Committee members may have heard in the news about the monofill landfill for inert materials being proposed for the very north end of the Eklutna Tract between the Old and New Glenn Highways known as the Eklutna 770 area. Eklutna 770 is currently designated primarily for residential development with a long-term horizon and may not be fully developed within the 20-year time horizon. Although designated for residential use site plans make room for an undetermined minority amount being utilized for commercial and industrial uses. Parts of 770 are realistically a "maybe" for some industrial development.

The Powder Reserve – staff suggests the industrial land study should not consider this area as being available for industrial development. There are three tracts. Tract A is currently under development and includes the Power Ridge development. The Powder Reserve Access Road extends into Tract C, which is owned by the Alaska Railroad as a terminal reserve, and Tract B is owned by Eklutna. The individual staff talked to do not see this area currently as a likely candidate for industrial use but rather would see it as a continuation of mixed-use residential with some commercial type of development.

The Railroad reaches its closest point to the populated area of Eagle River in the Powder Reserve. The Long-Range Planning Section sees it as a potential commuter rail site and it could be a primary area along the railroad serving Chugiak-Eagle River. One question is do we consider it a "maybe" or a "no" for the purposes of this study? Under current trends we'll probably consider Powder River probably as a "no" for purposes of industrial development. *Mr. Potter*, while not speaking for the Railroad, said that a portion of the westernmost piece – the materials area – like the South "C" Street area is probably an interim industrial transitional use over the 20-year planning horizon with some of the 400 acres being used for transitional industrial. One participant asked for an explanation about why the area would be taken off the table. *Mr. Davis* explained that the current trend scenario is that it gradually builds out as a residential mixed-use area with some commercial. Powder Reserve eventually is expected to have 1,500 households with about 7,000+ people. Powder Reserve is one of the last major urban development areas for the municipality. *Mr. Potter* said the railroad parcel which is in the middle, is again about another 300

to 400 acres, it was always looked at as a pretty significant property that the railroad got in the 1980s. There is a significant amount of peat in the wetland area and is going to be a tough piece of property to develop. *Mr. Davis* doesn't feel we can hang our hat on it for industrial purposes. One participant asked if these lands are currently unzoned. *Mr. Davis* replied that the Powder Reserve and 770 are zoned Planned Community (PC) which requires master planning. The PC Zone allows for flexibility in use type. One participant asked if residential land is about \$3.50 SF versus \$12.00 SF for industrial then isn't it very likely the landowner, based strictly on the economics, will want industrial as opposed to something else (notwithstanding land use approach). *Mr. Davis* replied that it's very possible as master planning allows for revisions in use. Trends could change.

One questioner asked if the trend is towards residential and mixed-use on the Powder Reserve and wondered what Eklutna's intent is. *Mr. Potter* responded that it is trending toward residential but the property is topographically challenged. *Mr. Davis* said it's unlikely to be served by sewer or water. So that leaves just a few tracts. There is a large area just north of Mirror Lake but it has limited freeway interchange access. A study is called for in the Metropolitan Transportation Plan (2035 MTP), but there is no timeframe for that study. Staff is not sure how to treat this parcel as there is no suitable access for industrial development. This may be a "distant maybe." It's a fair amount of acreage but is a matter of when it may be phased and may be beyond the planning horizon. *Mr. Potter* said that regarding 770 there is opposition from the locals to truck traffic on the Old Glenn Highway. Opposition to truck traffic is possible within the 770. Long-Range Planning staff is not sure whether to hang our hats on the availability of these lands.

- Available Supply: 300 acres are available near the Birchwood Airport; 100-200 acres near the Eklutna power plant; potential lands on the south and west end of Airport; with some smaller tracts in the Anchorage Bowl. While there are a lot of areas designated in Black there are about 9,000 acres of vacant lands. The constraints analysis will reduce this number to a much lower amount.

Question about Port-related development: *Mr. Davis* replied that the port will likely remain solely for port operations. There are existing industrial uses on the north side of Ship Creek and Long-Range Planning Section doesn't see those going away anytime soon. Further comment that this is an industrial use. *Mr. Davis* said staff will take another look at this area. The study area includes the major transportation studies. *Mr. Potter* indicated that there might be 100 acres available within the port.

- Fire Island – almost as far away from Anchorage as is the Mat-Su Valley. Approximately 4,200 acres are partially developed with wind turbines for electric power generation. Long-Range Planning Section believes the lack of urban services (road access, sewer and water) knocks the island out for consideration of land supply for industrial uses within the 20-year planning horizon.
- Long-Range Planning Section staff will pass the constraints analysis through an environmental screen, urban service screen, and other committed land screen. For example, lands that have been committed to other uses such as the Outlet Mall site. 64th / distribution warehouses in an industrial area / two vacant lots are being converted to a dojo and an athletic gym are vacant, but are now committed to another commercial use.
- Constraints due to lack of urban services – power, sewer and water. Lack of power is not considered a major constraint. The lack of sewer and water are considered primary constraints although the lack of these services might not knock a site out for potential industrial use. However, when staff looked at the overall city land supply, and the average intensity of development, staff would apply a percentage reduction of development capacity. On the supply side staff factored in land that isn't expected to get sewer service (i.e., Chugiak-Eagle River area) and thereby knocked down the potential development capacity. It's a simple, broad brush approach to analyzing constraints.

Question about model assumptions: *Mr. Davis* replied that the assumption is that an area would develop but without sewer or water it would develop at a much lower capacity. The draft materials discuss the lack of water services at the Birchwood Park and calculated that as a 25% reduction, and lack of sewer is a 50% reduction. These percentages are a starting point for discussion and are not cast in stone. Staff is open to feedback from the PAC on this factor reduction calculation. Question about location of industrial to residential uses, and impacts that put restraints on manufacturing operations, etc. One example is the Alaska Sand and Gravel operation. Some of the areas may not be available for manufacturing or industrial given their proximity to residential zoned properties. *Mr. Potter* asked what types of industrial uses are trying to accommodate in the Anchorage Bowl. Some industrial users might be more suitable for the Mat-Su Valley. Discussion about Fire Island: For example, if 1,000 acres were available for industrial with a land value of \$42.0 million [(\$10 per SF x 4,200 acres)] then it might be considered an economically viable site. [Cost of a causeway is estimated to be about \$92-100 million if it could get permitted.]

Mr. Davis replied that staff looked at this issue, examined current trends, but there are no plans for the causeway in existing MOA transportation plans. Subject to a change in policy it's something that might happen some day. Question about how staff accounted for the highest and best use. The industrial land assessment is being done in a similar context to the commercial land assessment. In certain parts of the Bowl there is greater demand for commercial development particularly in the Dimond area. One participant suggested taking a pro rata share of those lands that are part of the FIRE category (say 30%) and take 30% of these industrial lands that are not going to be industrial to be used as basis for modeling. *Mr. Davis* replied that is certainly staff's observation about commercial uses going up on a vacant industrial lot. Second suggestion was to take arterial classifications. For example, "C" Street properties might be excluded. *Mr. Davis* replied that this could be helpful approach; a percentage factor could be applied. *Mr. Davis* indicated there are pockets in the Bowl that don't have sewer or water services. Staff is working with AWWU to identify those pockets that lack services and whether they will remain as such during the 20-year planning horizon. *Mr. Davis* asked the PAC for their thoughts on the pockets of industrial areas that are currently without access to sewer and/or water service.

SHORT BREAK

Mr. Davis explained about the various levels of land supply. Consideration of certain sites like Quality Asphalt and if that will be around in 20 years. It's a very active current use but for market reasons they might relocate. Potential additional land supply (770). Staff believe nearly all of Anchorage is redevelopable due to its relative low density. We are considering analyzing redevelopment potential from a supply standpoint for the standpoint of the rate of redevelopment. In other words what percentage of development in the industrial zones is redevelopment of previously utilized land? This is a method we used in the housing analysis. It is a type of baseline. It looks at redevelopment potential from a demand standpoint. It's called a refill rate. *Mr. Davis* asked for comments from the PAC and these would be really helpful for staff.

III. Land Demand Forecast – Bill Reid

Bill Reid introduced some numbers for different industries in terms of a 20-year demand for industrial land—municipality wide—and drew attention to the Memo (final page, 2nd table). Table 1 is a detailed employment forecast for the municipality. The second table is a translation of estimates for industrial acreage demand for the next 20 years. *Mr. Reid* responded to *Mr. Potter*'s earlier question about taking a look at likely employment growth in the municipality. Next step will be to implement some of the land use characteristics that have been found by all the work from the inventory, FAR calculations, typical industrial usage patterns over the next 20-years and all industries combined, assuming there is enough land to accommodate them. Different sectors use land differently as they have historically although there is a need/demand for about 500 acres of industrial land in the MOA over the next 20-years. Again, it's a number that assumes that amount of land can be provided. To the extent it can't the acreage amount would be lower. It's a baseline, average trended forecast for the economy if

you take out things such as retail trade, financial activities, leisure and hospitality, and some of the typical services that use industrial land in the Bowl. But if taken out and you ask how much industrial land demand is there for key industrial sectors its down to about 350 to 360 acres of industrial land. So it's about 100- to about 150 acres of the total being non-traditional industrial uses using past industrial trends. Transportation and warehousing using the Airport and the Port is about 150 acres. Most everything considered at the Airport is industrial and is transportation-related industrial activity. This land may not be necessarily used for traditional industries in Anchorage but it is still a need. Retail category is 63 acres which raises a policy question. How does the Municipality want to think about retail use on industrial land?

From an economic point of view Cardno established in the *Commercial Land* study that for the most part, in many places, retail economically is going to pay more for land and it is far easier to drive redevelopment than does industrial. Retail and to a lesser extent residential growth puts a lot of pressure on industrial land. Economically speaking the use outcome is different for economic reasons. 63 acres for retail are third largest. Second largest amount is professional business services. (It's a catch-all term for engineering services, waste disposal, business management and headquarters; its largely white collar; business park or office development on industrial land; Native Regional and Village corporations are included in that sector as well.) Transportation, warehousing, utilities, education, and health services – some are traditional industrial uses – companies that do off-site clinical services and that sort of thing. By and large, the big demand is for transportation and then warehousing and to a lesser extent utilities, and then professional business services. That's the baseline forecast that generally assumes a bridge across Knik Arm is not happening. However, in 2013 legislative session the probability of the bridge went up significantly. The draft results of the Knik Arm Bridge study are not yet available and are still being tweaked regarding some of the forecasting.

Findings of the socioeconomic study/update for the bridge and what those findings might likely mean to industrial lands analysis—the results are not yet out but will be available in about two weeks. By and large the study accomplished two things: 1) review merit of past forecasts, need for any revised expectations; and, 2) revise accordingly/new forecasting.

The first part of the Study basically identified that the most recent round of forecasted economic growth affected by the bridge was too aggressive. The previous two studies for the Bridge concluded that there would be some really aggressive economic growth in Anchorage and Point MacKenzie in the Mat-Su Valley directly because of the bridge. Cardno went back and looked at the numbers and talked with significant stakeholders. The weight of the evidence indicates that the bridge—the highly probable scenario—by and large will act as a residential pressure valve for the Municipality of Anchorage. The thing to keep in mind about Anchorage is that the Average Household Income is a little over \$110,000 right now. In the Mat-Su Valley, the AHI is about \$85,000 to \$86,000. So we are talking about a 30 percent lower income level for the population who manage to live or move there; people are clearly moving to the Mat-Su for affordability reasons.

Anchorage is unique in that it is a major central city with one suburb (Eagle River) with no other choices for quite a distance and then a couple of exurbs that are growing remarkably. That's very conducive to an incredibly constrained, serious pent up demand for various housing product types that the Bridge will allow to access quick transportation to the other side. That kind of development is likely the fastest development and the single major effect on the Municipality that Cardno could estimate. The consultants didn't find a lot of evidence on the industrial land side of things that the Bridge would have major impacts for the municipality, positive or negative. The Bridge doesn't do anything except shorten drive times to potentially large amounts of land that are appealing to some industries but are less appealing for other industries. What the consultants found is that until the Knik-Goose Bay Road is improved to the Parks Highway, then the Glenn Highway is still the locally preferred North-South route. The bridge would open up a lot of vacant land.

Regarding Eklutna lands, there appears to be a strong preference for long-term leasing of land but selling parcels for a profit is not a high likelihood. *Mr. Potter* replied that the preference by Eklutna is for some residential land that may be sold but the preference is long-term leasing for industrial parcels. *Mr. Reid* noted that for some

industries that want to own fee simple lands on the industrial side, the Bridge allows an inventory of land that will be easier to buy and own for those firms that find that preferable. For those who are okay with long-term leases, which is a different component of industrial users—then longer term the Glenn Highway and areas on the north are going to be just as compelling. By and large, the weight of the evidence is that it doesn't create any major negative impact on growth for industrial sectors in the municipality. Eklutna is going to be a very competitive location for some firms in the long term if they need to expand or relocate. Generally speaking that's the main finding that affects this study. The major implication is that a lot of the economics of land use in the area is driven by large residential development pressure and pricing pressure on land and the Bridge is going to pop that to a certain extent. *Mr. Reid* doesn't expect that to cause a loss in land value for residential or any other type but its going to create slower growth in market values and its going to take some of the extraordinary inflationary, some of the bubble-like pressure, off of some of the pricing particularly residential.

Ultimately what that means is that land that is on the fence toward residential use in some areas is going to be less likely, and will probably from a market perspective is more likely to go non-residential use more so if that was an economic issue. So, by and large, lower residential use demand pressure on areas where that was a potential conflict for industrial land supply in the region on the Anchorage side. *Cardno* doesn't see a lot of effect on commercial land uses; Anchorage is still remarkably under supplied. It's still going to be the center of commerce, government, and the main commercial area for other folks coming in from other parts of the state spending money; for tourism certainly. The majority of the population is going to be here for quite a while. Businesses, for the amount of retail spending in Anchorage has an extraordinarily large amount of sales per square foot even compared to some of the most affluent places in Seattle, Washington, as a point of comparison. Ultimately what that means is that coming down from extraordinarily high per square foot to very high spending per square foot given the Bridge.

On the industrial land side it's hard to say. Basically what is going to end up happening is that firms that are here in Anchorage who would consider expanding on-site or consider relocating to Eklutna or that would prefer to own land, or very low intensity users who need a lot of very cheap land (for construction storage, parking, etc) the Bridge enables far more inventory land choice for them. It doesn't create a lot of growth unlike under previous forecasts. On the flip side of things, therefore, it doesn't dramatically affect the economic landscape for the municipality either. It just opens up options and choices that are more compelling for some than others.

Cardno will have some official draft numbers that will further inform this process. *Mr. Reid* will meet with AMATS staff to talk about their findings which will then be folded into the findings so that it helps some of the inventory analysis. *Mr. Potter* asked what will the tolls pay based on the growth scenarios. *Mr. Reid* replied the KAC transportation study has not been released yet. *Cardno* has the land use growth numbers and they are working on the truck trips within the peninsula, and school trips, etc. *Mr. Reid* indicated that the financing mechanism for the bridge has changed considerably and that there is far more public sector involvement rather than a public-private partnership financing model. Some of the financial risks are being mitigated that way.

Another question asked about converting square footage per employee. *Mr. Reid* indicated that there are a number of assumptions that go into that calculation. The square foot per employee is based on past studies and national averages. Typically assuming for construction a .2 FAR (historically the FAR in Anchorage has been .17 on average). *Cardno* assumed that future FARs will be slightly higher than what we are seeing right now just from the perspective of getting the most yield on the land. *Mr. Reid* offered to provide numbers for the committee. Comment about the industrial share percentage: total of 29% for industrial seems like a reasonable number for industrial.

A number of categories struck one committee member as low and suggested that several should be higher (e.g., construction, transportation and trade). *Mr. Davis* clarified that the share of industrial doesn't mean that share is going into industrial zones but rather the industrial share of total retail growth would be percentage of retail growth utilizing industrial space. *Mr. Reid* responded affirmatively to this point. What gets counted in terms of employment for each sector is the percentage of that sector that ends up likely doing that activity on some sort of

industrial use. The idea is that the industrial share numbers in the first table is what's going on. Essentially it's a hybrid model. The issue moving forward, policy discussion, is what happens from a policy perspective? That's what King County (WA) and Multnomah County (OR) have decided in terms of protecting certain areas. Development of a local policy preference with the acknowledgement that as you get denser in the central city area the more difficult it is for industrial land to not be out priced, and out bought by retail, commercial and residential. There is not much you can do about the economics of the situation. Some jurisdictions have gotten aggressive about using public financial tools, while others don't. Over time, residential and commercial redevelopment always make industrial preservation difficult.

Another question about how far employment numbers go back. *Mr. Reid* replied not terribly far, maybe to 2005 or 2000. Another question asked in terms of redevelopment, how far back are the consultants looking at? *Mr. Davis* said about 10 years but given the recent major economic recession staff could go back farther. Some historic information from the 2009 Industrial Land Study might be helpful. By and large, if you look at the share of industrial employment growth here, relatively speaking, it is meager.

Mr. Potter asked about cycles of redevelopment. *Mr. Reid* replied that one of the factors contributing to the stair stepping effect is the extraordinarily high rate of local property ownership of local businesses. There are a lot of properties that are long-time family-owned, some of which are way past their economic usefulness, but the owners hold on to their property with no interest in selling or redeveloping. It's not going to be a smooth process. Industrial is different from other uses in that industrial users' costs are in facilities, equipment and labor; however cheaply they can get the land and the building. The price sensitivity is with the land and building. Retail is price per square foot and is far less price sensitive generally speaking.

Mr. Potter asked about warehouse replacement? One commenter indicated about giving land away and that's still true. *Mr. Reid* replied that subarea site assembly and site size further complicates the issue. *Mr. Reid* said one of the ideas of the KAC Bridge is that warehousing uses in Point MacKenzie wouldn't be feasible without a bridge. There are millions of square feet of warehousing capacity in the Kent Valley of Washington State. The big issue there is high labor costs. For the foreseeable future the Kent Valley / I-5 corridor serves all of the ports in Puget Sound. *Mr. Reid* responded that there is no reason to believe that building a bridge changes the pattern of Puget Sound being a major player in the goods transportation for Anchorage. The weight of the evidence is that it's not likely to be dramatically changed. It's going to be a portion of the municipal population that will be attracted based on life style factors.

Mr. Potter asked about prior industrial land study total acreage demand. *Mr. Davis* replied that it was 600 acres. Base scenario of 720 acres total land demand with a high growth scenario of 1,000 acres. It's broken down by sector. Question: What is the category labeled as "information?" *Mr. Reid* indicated it's comprised of telecommunications, software farms, movie studios, video recording, and media, etc.

IV. Next Steps

Mr. Davis thanked the committee members for their time and comments. A third meeting will be selected for mid to late June. *Mr. Davis* asked for additional comments or follow-up to be sent to him or Bill Reid.

Adjournment

The meeting adjourned at approximately 4:30 p.m.

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Municipality of Anchorage
Advisory Committee – Anchorage Industrial Land Assessment

2nd Floor Conference Room
William Jack Hernandez Fish Hatchery
941 N. Reeve Boulevard
Anchorage, Alaska

MEETING SUMMARY

2:00–4:45 p.m.
Monday, December 15, 2014

Present: Shaun Debenham, BOMA
Andy Donovan, Alaska Railroad Corporation
Eric Downey, Alaska Packaging
Mark Filipenko, Bond Commercial Properties
Ernie Hall, Anchorage Assembly
Tim Jacques, Udelhoven Oilfield Services
John Johansen, Ted Stevens Anchorage International Airport
Will Kyzer, AEDC
Teri Lindseth, Ted Stevens Anchorage International Airport
Tim Potter, DOWL HKM
Phil Steyer, Chugach Electric Association

Excused: Per E. Bjorn-Roli, Reliant LLC
Greg Johnson, Jack White Commercial
Dale Morman, Anchorage Sand and Gravel Co.
Chris Stephens, Chris Stephens Commercial Brokerage
Nick Szymoniak, AIDEA

Consultant: Bill Reid, Cardno

MOA Staff: Carol Wong, Long-Range Planning Supervisor
Tom Davis, Senior Planner
Jon Cecil, Senior Planner
Terry Lamberson, Public Works-Land Records Section-GIS

I. Introductions

Tom Davis welcomed members to the third Committee meeting and facilitated introductions. He explained the two draft documents laid before the Committee: the draft industrial lands supply estimate prepared by staff; and the draft industrial land demand-supply reconciliation report with policy suggestions, prepared by industrial lands consultant Bill Reid. These two documents comprise the working draft Industrial Lands Assessment report and findings for Committee review and discussion.

Staff reviewed the Industrial Land Assessment study objectives to determine the amount of land available for future industrial development and reconcile that with the most likely three or four scenarios for future land

demand over a 20-year planning time horizon. The study has benefited from many face-to-face interactions with business people during the field inventory, from consultations with agencies and land owners, and the expertise and discussions of the Advisory Committee.

Staff briefly reviewed the previous two Committee meetings. In October 2013, the project team and Committee reviewed the basic methodology of the industrial land assessment study. In May 2014, the Committee reviewed a revised working draft demand forecast and provided further information on the impacts of commercial utilization on the estimate of supply and on what potential industrial lands staff needed to look at more closely. Staff has since been working to incorporate, analyze, and map the land information data in the Municipality's geographic information system (GIS). The inventory has yielded a better understanding of the current usage of industrial lands and the makeup of Anchorage's industrial production, distribution and repair (PDR) sectors.

The purpose of the third meeting is to review these land supply estimates and determine any needed adjustments. Then, after looking at the revised demand forecast, to discuss whether there is an industrial land problem? After the break staff and the committee members will discuss possible strategies the Municipality can take.

II. Land Supply Estimate

Mr. Davis described the buildable land supply as including vacant lands, partially vacant lands, and marginally used lands. The analysis identified these lands and ran a constraints analysis including wetlands and floodplains, steep slopes, seismic, areas w/o anticipated road access, areas w/o anticipated sewer or water infrastructure, and/or commitments to other uses. During the previous discussion by the Committee in May 2014, staff was asked to consider a commercial utilization rate on industrial lands. In response, *Staff* was able to estimate a commercial utilization rate for the Bowl and Chugiak-Eagle River, based on the inventory. Non-industrial uses account for 36.5% of the utilization of the currently developed industrial lands in the Bowl. In Chugiak-Eagle River the non-industrial utilization rate is a lot lower, at around 5.5%. The draft industrial land supply estimate takes these rates into consideration.

Staff reported the land supply estimate. If all of the parcels are available (and buildable) then there is about up to 230.6 acres of buildable industrially zoned land in the Anchorage Bowl. There are some other non-industrial lands that could also be available including four parcels at the Airport and parcel in JBER at Boniface Parkway and Glenn Highway, which could add 173 acres that could be available, for a grand total of about 400 acres in the Anchorage Bowl.

Staff indicated that 230.6 acres is a high-range estimate of Industrial zoned supply. It includes industrially zoned sites that may or may not become available, such as a former Wal-Mart site. *Staff* pointed the committee to a table on page 100 of the December 15 draft Industrial Lands Inventory document, and identified individual large lots whose availability is in question, and asked for input.

Mr. Johansen asked for clarification regarding the reported acreage sizes of the parcels on page 100. Tom Davis explained that their acreages reflect a 36.5% non-industrial utilization factor that was applied to all industrial parcels in the Bowl. The non-industrial utilization rate is an average applied to all of the industrially zoned parcels in the Anchorage Bowl.

Further discussion and questions ensued about several airport parcels south of Raspberry Road. *Mr. Johansen* explained that non-aeronautical use areas on Airport property are likely to be available for long-term commercial or industrial leases. He suggested that the inventory of potential industrial lands include the former FCC site recently acquired by the Airport.

A question arose regarding the zoning on the former Native hospital site. *Staff* clarified that it is zoned PLI, and has seismic issues. This site is included in the inventory as being of questionable value for industrial use purposes.

Tim Potter advised reconsidering the availability of the QAP property on C Street, or consulting with the owners of QAP. *Mr. Potter* said it is unlikely that QAP would move from this location in next 20-year planning horizon given the significant investment it made to the site. There was also discussion about the former Granite property.

Shaun Debenham asked if the study considered the status of HLB lands. *Jon Cecil* explained HLB lands were researched and discussed on pages 145 to 148 of the draft Inventory report.

Phil Steyer asked about Transition (T) zoned lands. *Mr. Davis* replied that T and PLI lots provide about 173-acres in the inventory.

Some confusion was expressed about how the 36.5% non-industrial utilization factor was determined and used. *Mr. Potter* explained he understood from the report that about 36.5% of currently used industrial parcels are being used for something other than industrial (e.g., Cabela's and Target properties include big box commercial stores in an industrial zone). The Municipality's industrial zoning allows these other uses.

Staff explained that the inventory found there are a lot of acres in the study area which are limited by prohibitive constraints that will likely preclude their inclusion in the 20-year planning horizon. These include Fire Island, JBER, and Powder Reserve, etc.

There was a question about the zoning of Laurel Acres Subdivision in South Anchorage. *Staff* replied that Laurel Acres is zoned R-1 and that the study assumes it is not likely to be ever developed for I-use except for four large parcels that could be rezoned from R-1 to Industrial.

Tim Jacques, president of Udelhoven, described their industrial site in South Anchorage, and their experience with growing commercialization of the C Street corridor. The area is zoned I-2. Udelhoven has purchased 10 acres in the Eklutna area because they cannot expand in South Anchorage, where they have been located for a long time.

Staff described lands in the T, PLI and PC zoning districts in Chugiak-Eagle River. This study has provided an opportunity to document the status of many large land holdings in Chugiak-Eagle River, JBER, and Fire Island for the first time. Most of the industrial lands supply in Chugiak-Eagle River is comprised of lands in Eklutna 770 tract, the Eklutna power plant generation area, and Birchwood Industrial Park (Northern Areas). There are 200 acres zoned industrial in Chugiak-Eagle River. The biggest hit to the land supply estimate from the constraints criteria occurred on lands that are unlikely to receive wastewater services in the next 20 years. The application of this constraint factor resulted in a 50 percent reduction in the estimate of available acreage on such lands. The analytical approach treats lands as significantly constrained and not as desirable for certain manufacturing purposes. *Staff* explained that the Committee had reviewed this assumption in previous meetings. *Staff* asked, now that the resulting acreages were available, did the 50 percent reduction factor for lack of wastewater service still seem accurate or reasonable.

Mr. Potter responded he does not argue with the 50 percentage. The lower level of intensity of non-wastewater users is the key reason. There may some industrial uses that are non-intensive but could provide options for firms that need more space that may not need sewer and/or water services with a low employee count, such as storage. The Eklutna 770 area may be developed with 40-acre "pods" for yard space. It is possible to do things such as distribution without sewer service. A part of this is appropriately locating different kinds of industrial uses: moving lower intensity uses out of the Bowl and making more space available in the Bowl for more intensive users.

Staff asked if the study should include a more detailed analysis of industrial potential in non-sewer service areas. *Tim* responded that he wasn't sure this study should get into a parcel-by-parcel analysis. Unless you want to get more complicated, in general the 50 percent reduction did not seem unreasonable, applied as an average applied across the study area. A potential user is now looking at 20 acres at Birchwood Airport, for example, and they will have on-site septic.

Staff asked for further comments about the 50 percent reduction factor affecting Chugiak-Eagle River supply. *Eric Downey* found that it seemed to be a reasonable assumption. There will need to be significant investment in improvements on parcels. The market will also shift some of its investment in higher intensity industrial development outside of Anchorage in response.

Mr. Potter asked whether the lands inventory considered potentially redevelopable lands, such as land in Mountain View with a low value of improvements. *Staff* replied that they did estimate redevelopment potential. The draft inventory report includes an estimate of redevelopable lands based on the ratio of building improvements and floor area on each lot (p. 102). This is a typical approach for land supply analyses that planners use. However, the assumptions behind such redevelopable land supply estimates are more challenging for industrial uses than other use types because industrial users typically need more space on the lot to store their equipment. *Staff* showed local examples as to why a redevelopable land supply analysis based on ratio of building improvements to lot value/size may not be very accurate for industrial lands. Expert advice on this topic is to take the approach that some communities have used, to determine the historical rate of redevelopment over a certain period of time, say the past 10 years. Based on local trends in the redevelopment rate, a scenario for the likely amount of future redevelopment could be forecasted. Moving forward, *Staff* believed Anchorage planning studies need to develop that capability.

Mr. Debenham asked about policy changes and ideas for remedying the potential shortage of industrial lands. Such as policies addressing lands not zoned correctly for industrial use. He suggested considering allowing a few more industrial uses in the B-3 zone. He observed the new Title 21 does allow a few more light industrial uses in the B-3, but more should be considered. *Mr. Potter* asked, given we are short on residential and to some extent commercial land as well, which type of land use should take a higher priority: residential, commercial, or industrial?

Staff acknowledged this land use planning challenge, and suggested a short break of 10 to 15 minutes, before moving on to the demand-supply reconciliation and policy discussion.

III. Land Demand Forecast and Policy Discussion

Bill Reid provided some background on the previous industrial land demand study completed in 2009. He explained that the new lands assessment updates where the economy has been, where it is likely going to go (or best guess), and translate that information into industrial land demand findings. His draft report reconciles that with the Municipality's new industrial land inventory. The 2009 industrial study was controversial and included findings that a lot of people didn't agree with. *Mr. Reid's* numbers are different from what the previous study found although the basic conclusions are similar over the new 20-year period.

Mr. Reid explained that his firm has also been involved in preparing the Knik Arm Crossing socioeconomic impacts assessment update for the area from the Port of Anchorage vicinity to Point MacKenzie near the port. A report has been recently released after a year-long study. What was found and was projected about the bridge and its impact on industrial lands was that the bridge doesn't really have a major impact on industrial land demand, or negatively impact the Municipality. The consultants took a look at other regions and impacts from other major infrastructure projects. The long-term, permanent impact is that a new bridge can open up new areas that create new economic opportunity and new efficiencies for different sectors; but it doesn't draw a lot of growth away, and there is no evidence that it will negatively impact property values in the long run. The Point MacKenzie area—from an industrial perspective assuming infrastructure can be acquired—should be viewed along with the Chugiak-Eagle River-Eklutna area as one of two competitive industrial areas.

There are a number of different factors for land that will impact decision making on whether a business wants to stay in Anchorage or move elsewhere in the region. It depends in part on whether a firm wants to own land to expand or have a long-term lease. Probably not a lot of land sales by Native corporations should be expected. Chances are more likely that utility infrastructure will be more challenging on the Matanuska-Susitna Borough (MSB) side of the bridge. On the other hand, land is probably going to be much cheaper on the other side of the

bridge, even less expensive than in Chugiak-Eagle River. But that only attracts users that, economically speaking, need a large amount of cheap land.

The Municipality will continue to remain the regional economic center with good access for the trucking industry to the Port and Airport, etc. So there is really no reason that the MSB side of the bridge would be more any more compelling of a location than except for a couple of different factors. Number one, long-term if the primary objective of the business is to be close to Anchorage, then by looking for cheap land Point MacKenzie is going to be a compelling business location. But if businesses are looking to expand to serve both the Mat-Su area as well as Anchorage then the Chugiak-Eagle River and Eklutna areas will be the superior location because of superior transportation network connections. The other long-term benefit is that the Point MacKenzie location will have access to the ports and railroad, but it's a mixed bag. There is no evidence, according to Mr. Reid, that there will be negative impacts on Anchorage from the KAC.

Mr. Reid presented his reconciliation of staff's estimated land supply with the updated economic growth forecasting and industrial land demand estimates. Municipal-wide there is currently about 420 acres of industrially zoned land. The total for all districts (including PC, PLI and T zoned land) is a little less than 700 acres.

If we do not take into account non-industrial utilization rate on industrial lands, the absolute gross amount of land is about 570 acres of land zoned industrial, and roughly 900 acres of land including all districts that could theoretically become industrial.

In the analysis, the Municipality has taken a look for the first time at industrial usage by Production, Distribution and Repair (PDR) sectors, which comprise the core industrial uses. Projections for those uses are included as well as three economic forecast scenarios. The Baseline growth scenario is if the Municipality grows without any significant fluctuations. The low-growth scenario would be two-thirds of what would be expected of existing industrial demand based on about 1% economic growth rate. Two baseline scenarios include an assumption the KAC isn't built, and one if KAC is built by 2020. Again, what was found from the demand numbers is that there is no substantial difference in projected industrial demand between whether or not KAC is built or not. The KAC does provide an opportunity for some businesses to relocate. A lot of businesses could move at the present time if they really wanted to. So, it's not a dramatic difference really.

The demand total is approximately 360 to 380 acres: this is core industrial demand. Demand by other, non-core industrial uses would demand 240 to 260 acres. Based on the analysis, existing inventory of industrially zoned land is significantly insufficient over the next 20-year planning horizon.

But, if additional land in the T, PLI and PC zones is rezoned, the land supply will marginally meet demand for industrial land through the 20-year planning horizon. The low-growth scenario indicates that if the economy hits a significant downturn that affects the 20-year growth rate, then there is enough industrial land to meet expected demand.

Bottom Line: Overall the numbers are slightly optimistic. The land reconciliation uses staff's high-range estimate of land supply. The main thing is that unless other lands are added to the industrial land use category then Municipality is barely sufficient. Unless some policies are changed to prevent commercial usage of industrial land – given healthy normal growth (about 1%) there is likely a need for some new land use policies and strategies.

A committee member asked how Anchorage's industrial acreage numbers compares to other cities. *Mr. Reid* replied that Anchorage is doing slightly better because of its unique attributes. Anchorage has a slow but steady growth rate. By comparison, Portland will be out of industrial land in five years so they are looking at Brownfield redevelopment. Anchorage has an inventory of land in Chugiak-Eagle River that can be developed over time, given investments. It's hard to find another central city without immediate suburbs unlike most other similar sized metro areas. The issue is to recognize that Chugiak-Eagle River has to be a priority for Anchorage.

An observation made by an advisory committee member is that the faster vacant land gets developed they are put on the tax rolls. Need to find the sweet spot. Not sure what the “right” duration is for filling up the land. Filling up the land with active, revenue generating uses is not all bad.

Mr. Reid explained that the challenge is doing the analysis of land demand based on site size and quality (if the Municipality can find the resources) as a next step. The land inventory is at a point at which he recommends clarifying the estimate of land supply by size ranges of lots and where they are located. That will enable comparing demand by site size and quality to available supply.

Mr. Reid encouraged that, when thinking about industrial land supply, there be consideration that most other use types in Anchorage depend on core industrial activities, because industrial development is a core part of the local economy. A lot of retail uses and household uses and some office uses all serve or depend on the core industrial uses. There are some office uses that are, like industrial, core economic drivers, but industrial users are at the core center of the Anchorage economy. So to the extent that industrial land for expansion of industrial business uses is sacrificed or not properly maintained, all other uses weaken.

Mr. Reid said a second factor to consider is that industrial is the most price sensitive use of land and therefore most vulnerable to land prices. While retail spends more dollars on the right location, industrial users invest more in facilities, labor and equipment, and then solve for that in how little they pay for the industrial site. Residential and commercial uses, depending on how much residential or commercial space can be built on a parcel, can by definition pay a lot more for land than can industrial uses. So to the extent that you can factor policies in that can deal with that problem, that is critical to the industrial supply.

Mr. Potter asked about how JBER population and uses factor into the forecasted growth rates. There was an observation that the Base serves as a form of a suburb for Anchorage.

There was an observation by a Committee member about size of various industrial parcels. Some of the vacant half acre and smaller lots that are included in the land supply estimate have not been used for a reason having to do with their small size. *Mr. Reid* replied that a next step in the supply-demand analysis will be looking at the availability of parcels by size and quality. (Portland, Oregon, for example, has 700 acres of industrially zoned land but it is divided into very small acreages that are distributed all over the place.) So, having a better idea of the size and distribution issue might generate new municipal policies.

There was a question about constraints on land supply and annual absorption. *Mr. Reid* replied that the annual absorption rate is very variable and is difficult to be precise based on available data. Baseline estimates about 490,000(?-recording not clear) square feet per year average over a 20-year period.

Mr. Potter commented that for jobs and future economic development, should industrial sectors be categorized as to which are the most important core industrial uses, as a basis if we go forward with any policies, regulations, or guidelines. *Mr. Reid* responded that, for the Anchorage economy, the transportation sector (Airport, Port, and Railroad) is overwhelmingly important for the economy. It comprises about two-thirds of the core industrial land in Anchorage. So, one would start by looking at that sector. On the other hand, if you are looking at diversifying the local economy, you want to make sure you have an industrial land inventory that allows for different types of industrial development—such as expanding manufacturing. You want to avoid overly relying on one or the other.

Mr. Potter responded that, if you take the I-1 and I-2 zones and strip out the commercial uses from being allowed in those districts and just make sure these districts are for industrial usage and possibly some office use, you would basically be taking that 36.5% non-industrial usage factor off and add that space back into the industrial land inventory. That is kind of where the Title 21 Rewrite was going, with the changes to the I-1 and I-2 industrial districts. *Mr. Potter* explained he would not necessarily have a problem with that kind of approach if only the industrial districts were located in the right places. Does the industrial assessment go to that level and make some suggestions about where the industrial areas should be from a locational standpoint? For example,

right now we have some lands zoned industrial in locations that would be more beneficial to the community if they were commercial.

Mr. Reid responded that some rezoning may be needed but there are not any strong locational recommendations in the report. The report spends more time explaining why an industrial land policy discussion needs to happen, and why industrial land is important generally. The report suggests possible policy directions the Municipality could take along with a discussion of what could be preserved, and looking at prioritization. The Municipality is going to have to use a prioritization process about what industrial sectors or lands are important. Industry sectors that are likely to do more net exporting and bring more dollars back into the economy, such as manufacturers or transportation service providers, should get probably get a higher priority for keeping those industrial lands for longer term. And then going about a process of reaching out to those businesses and sectors and getting an idea from them, Is Chugiak–Eagle River a viable option for them long term, or do they need to stay in Anchorage? Really get to an understanding as to what sectors contribute to the local community on the land side. So you are a bit more targeted about your users. Other communities have also taken a look at industry clusters rather than just trade sectors. Industry clusters are key businesses that bring money into the economy and anchor aggregations of industries in unusual concentrations that should be preserved. So, again, prioritize between low-intensity users of land that may or may not have long-term growth plans versus businesses that support the distinct regional business sector.

Mr. Reid suggested use of a business case model for preserving industrial land. A lot of places go through the exercise of saying site “X” is industrial land and should be preserved in a somewhat rigid manner. A reasonable economic argument can be made that a transportation project is a major public investment by the Municipality and the State. As a result of that investment, it’s really the industrial users that will make a major business investment decision and location decision based on that public investment. That’s really a key issue to them. So it points to a process of saying: Where there are concentrations of major investments in transportation then those are the areas of investment that might deserve identifying as industrial districts that merit special enhancement and protection in the long term. That’s a public transportation investment argument from a fiscal standpoint. The other end of that is taking a look at industrial areas and protection of industrial lands based on the idea that future transportation investments are a better return on (public) investment if they lead to investment in certain industrial business sectors than in retail jobs and wages or certain residential uses. So again, there are ways different jurisdictions have looked at it from more of a business case for keeping an industrial economy rather than just a regulatory case.

Mr. Potter asked about future access to the Eklutna 770 area and how best to impress local policy makers and officials that that investing in transportation infrastructure can address some of these land problems. *Mr. Reid* agreed that there is a lot of evidence out there that investing in new transportation access can help the industrial development of undeveloped property.

Mr. Potter also asked for Bill Reid’s thoughts on the approach of the Title 21 Rewrite toward higher intensity residential and commercial office developments. He explained it places height limits on developments and described other restrictions. *Mr. Reid* responded that he is not completely familiar with the new code’s residential and commercial standards. Generally speaking, it is important to get efficient use of land. The key difference for industrial uses is that industrial users can’t solve for a small land supply by going up, whereas multifamily and commercial can go up. His view is that whatever can be done to help the process of evolving to higher density is good, and avoid anything on regulatory side that would make that difficult to achieve.

Mr. Hall followed on Tim Potter’s comments by pointing out how communities in the Lower 48, such as Seattle, have far outgrown what those communities looked like or even envisioned 50 years ago. In 50 years, Anchorage will also be a lot bigger than today and also bigger than this 20-year industrial land assessment report envisions. It will be more like flying into Seattle. Anchorage’s biggest challenge is that it is historically late in the timing of its development. Federal regulations are vastly different than they were 50 years ago when Seattle was becoming

a larger city. For example, permitting is different today. The average time to obtain a bridge permit is three to five years, but under a dire emergency a bridge can be replaced in four months.

Mr. Hall explained that we do not have a shortage of land in Anchorage but rather a shortage of people; there is very low density population. Anchorage has a lot of land in comparison to larger cities. Work by Housing Anchorage group shows that the most desirable place to live today is in Downtown. Downtown has no residential population to speak of and there is a need to revitalize downtown, and a need for taller buildings. Anchorage needs to grow upwards if it is going to accommodate the incoming generation of residents and employees. But there are impediments. Alaska's current fiscal structure is such that new jobs are not assets to the State of Alaska—nothing comes from these jobs into the state treasury. The Municipality meanwhile needs to become pro-development and assist multifamily developers. This will take some revisions to local zoning regulations. When these approaches shift, there will be less reluctance on the part of business investors to come up to Anchorage, Alaska. Then there will be much more growth in the long run. However, under the current growth scenario, which is status quo, this draft industrial study seems to adequately take us where we need to go at least for the short term. But in the longer term, we should envision much higher growth.

Mr. Reid has prepared a list of major policy directions and wants to hear from Committee members about how much tolerance there might be take a look at different policies to protect industrial uses. This will be distributed to the Committee for comment. *Mr. Debenham* suggested that having this information as soon as possible will be helpful to the committee.

IV. Next Steps

Committee members raised questions about the future role of the Advisory Committee. What happens at the Assembly work session regarding this study on December 18? What is the Committee's contribution to the policy discussion from here?

Staff responded that they will solicit feedback from the committee members on the policy suggestions. The information distributed at today's meeting is still a draft document. Committee members are welcome to attend the Assembly work session on December 18.

Mr. Potter suggested the Advisory Committee needs a little more time to absorb the information about the policy suggestions before making their final recommendations. It is important for the Committee to have an active role in providing input on the recommendations of the study, to carry out the purpose of the Committee. *Mr. Hall* suggested that the Committee be given time to finish its review, and that staff ask the Assembly Chair to extend the work session meeting. It's important that the Advisory Committee support the recommendations of the report and be there to defend its findings.

Mr. Davis asked that additional comments and feedback should be emailed to staff, and asked for suggestions as to what would be the best means to get Committee feedback from here.

There was a suggestion that the Advisory Committee should reconvene sometime in January 2015 to discuss the policy issues as a group. *Mr. Hall* suggested scheduling a work session for the Assembly in January for policy. *Staff* committed to working on arranging an additional Committee meeting and Assembly work session in January. *Staff* expressed that, for the project team, the Committee's input so far has already been extremely valuable in determining the land supply and demand characteristics. *Mr. Potter* added that the new report is transparent and is very comfortable with what has been presented.

A question was asked regarding what action the Assembly takes on this report. *Staff* replied that the report is informational only and does not require any formal action by the Assembly or the Planning and Zoning Commission.

Mr. Davis requested that Committee members send any individual comments they may have about the two report documents, including the draft policy suggestions, pending the scheduling of a 2015 Committee work session.

Adjournment

The Advisory Committee meeting concluded at approximately 4:45 p.m.

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Municipality of Anchorage

Anchorage Industrial Land Assessment – Project Advisory Committee

BP Energy Center
900 East Benson Boulevard
Anchorage, Alaska

MEETING SUMMARY

3:00–4:45 p.m.
Monday, February 2, 2015

Present: Per E. Bjorn-Roli, Reliant LLC
Stacey Dean, Planning and Zoning Commission
Andy Donovan, Alaska Railroad Corporation
Eric Downey, Alaska Packaging
Mark Filipenko, Bond Commercial Properties
Ernie Hall, Anchorage Assembly
John Johansen, Ted Stevens Anchorage International Airport
Will Kyzer, AEDC
Tim Potter, DOWL
Phil Steyer, Chugach Electric Association

Excused: Shaun Debenham, BOMA
Tim Jacques, Udelhoven Oilfield Services
Greg Johnson, Jack White Commercial
Dale Morman, Anchorage Sand and Gravel Co.
Nick Szymoniak, AIDEA

Consultant Bill Reid, Cardno

MOA Staff: Jerry Weaver, Community Development Director
Carol Wong, Long-Range Planning Supervisor
Tom Davis, Senior Planner
Jon Cecil, Senior Planner

I. Introductions and Recent New Information

Tom Davis welcomed members to the final Committee meeting and facilitated introductions. He explained three new documents laid before the Committee: (1) a department memo reporting recent adjustments to the draft land supply numbers based on new land information received since December 2014 advisory committee meeting; (2) a flow chart provided by Bill Reid framing industrial land policy choices based on the suitability of the Chugiak-Eagle River land supply; and a January 30, 2015 revised draft Industrial Land Assessment Report by Bill Reid which incorporates technical edits and corrections made to the December 2014 draft's land demand reconciliation analysis (but no changes yet to Section 5 Policy Discussion).

Referring to the departmental memo, staff indicated a new low-range estimate of land supply, which consists of "Tier 1" lands. Tier 1 lands are the highest quality and most likely to be available lands: being environmental

unconstrained, zoned industrial, and one acre or larger in size. A more precise and final low-range land supply estimate is under development by MOA GIS. Secondly, the memorandum reports that Eklutna, Inc., recently indicated that part of Powder Reserve Tract B will potentially be available to light industrial development in the future. This results in an adjustment to the acreage count, increasing the supply acreage by approximately 128 acres. Another acreage adjustment removes the QAP site on 64th Avenue and C Street from the land supply estimate, in response to a comment from a Committee member in December that the QAP site is not likely to redevelop in the 20-year horizon.

Staff reported on the December Assembly industrial lands worksession. The project team presentation to the Assembly focused on the supply and demand estimate and comparison of supply and demand. It deferred a policy response discussion to a future Assembly worksession. An Assembly member asked about the potential impact of legalized marijuana production on industrial land demand. A Planning and Zoning Commission member asked if the study had taken into account the lack of existing 3-phase power supply to certain industrial properties as a potential constraint to future industrial development. The project team is following up on responding to these questions. Bill Reid is adding an analysis on the potential demand for industrial space from a marijuana industry to the final report. Chugach Electric (Phil Steyer) is providing information on the 3-phase power issue.

Bill Reid reported on two adjustments to the land demand estimate in the new revised draft report. The previous draft demand analysis assumed that 20% of industrial development sites would be taken up by roads, setbacks, and other code requirements. The new draft utilizes only a 10% “gross up” factor, and so results in a somewhat lower 20-year land demand forecast. The second adjustment was that the industrial land demand forecast no longer counts the acreage of land demand for Airport, Port, and Railroad operations in its comparison to industrial land supply. Demand for these uses is likely to be satisfied in areas already set aside for these uses, which is not included in the land supply estimate. So the major transportation operations land demand was removed to provide an “apples-to-apples” comparison of largely private industry land demand and to its industrial land supply.

Mr. Reid explained that, with the new adjustments, the result of the land demand and supply is basically the same as in December: that the Anchorage Bowl is compromised in how much industrial land capacity it will have for the next 20 years. Under the normal growth scenario the Bowl will run out of industrial land. Including the other lands not zoned for industrial uses, including PLI and T zoned land in the industrial study area that could potentially be available for industrial use, helps but does not resolve the deficit in the long term. Including Chugiak–Eagle River lands make the land supply marginally sufficient over a 20-year period.

II. Policy Discussion

Mr. Reid pointed out the flow chart handout that frames industrial land policy choices based on the suitability of the Chugiak-Eagle River land supply. A big question for leading into the policy discussion is: What is the Committee’s perspective on how suitable of a substitute location or future location for expansion is Chugiak-Eagle River in the long term – as a receiving site for uses that want to stay in MOA, or move, or expand – i.e., as a receiving site for long-term industrial growth? (Recognizing that there are different site needs from industry to industry.)

Mr. Reid continued: Because, the policy ideas in the flow chart have to do with the fact that, if Chugiak-Eagle River is suitable, then you do not necessarily have to be as stringent in policies for industrial land use in the Anchorage Bowl, because there would be flexibility to locate industrial growth to Chugiak-Eagle River. You can approach the issues of different uses competing for sites and the conflict over commercial and industrial differently if Chugiak-Eagle River is a suitable place for the different industrial businesses to expand. However, if in the Committee’s perspective, the Anchorage Bowl will in the long term be strongly preferred by industry, then that makes the case for more stringent policies in the Bowl, to at least protect those “traded sectors” (i.e., economic driver industries) that really need to be in the Bowl. So the nature of the policy ideas and priorities to

a certain extent follow from: How suitable is it for a move to the northern communities to occur for a lot of industrial sectors?

Tim Potter requested if *Mr. Reid* could first talk some more about the “PDR” (production, distribution, repair) industrial uses that are fairly critical for the city to have, that are the basis for other jobs. A list of those critical PDR uses would be helpful to understanding what Anchorage should really have.

In answer, *Mr. Reid* said that from an industrial land use perspective, PDR describes the classic industrial users: manufacturing, contracting, warehousing, wholesale, transportation, and repair firms using industrial space. However, the interaction between the industrial uses and other uses in the economy is also important: certain industrial sectors drive the other industrial uses and the office uses. The way to think about that is, there are some PDR uses which are “traded” industry sectors. Traded sectors are those that do business outside the local Anchorage economy and bring dollars back into the economy. Examples may include certain manufacturers of different goods, seafood processing, agricultural products, oil resource extraction, gravel... all sorts of products that get sold in great measure outside of Anchorage, and represent dollars brought back to the local economy. From a land use perspective those are the PDR industry sectors to consider in thinking about how much land to protect or how to ensure supply. “Traded sectors” in the Anchorage economy would include, for example, transportation sectors, most manufacturers, various services related directly to the transportation industry, and industries that bring dollars back to the local and state economy. That is not to say that other industries should be a lower priority, but if we are thinking about the kinds of businesses that need, long term, assurance that there is room for expansion, the “traded sectors” are where you start.

Per Bjorn-Roli recommended that in the final version of the report, Section 3 should explain what “PDR” uses are, or include a reference to other parts of the report that provide such explanation, just prior to its tables that break out demand for industrial land by the industrial “PDR” uses versus non-“PDR” uses.

Mr. Potter discussed how the distribution sector operates differently in Anchorage from other regions of the U.S., especially for groceries and products going to retail stores here. Shipping of goods into Anchorage does not use a network of warehousing like in Pacific Northwest—it often goes directly from Port to storage at the retail store. For example, a Home Depot store here does not get its products from wholesale or distribution warehouse for Anchorage region. So warehousing is a bit different in Anchorage. Another example is construction material laydown yards for contractors. Are laydown yards really an industrial use that is driven by being in Anchorage—that could go out to Chugiak-Eagle River or the Mat-Su? Which industrial uses and how much of the existing industrial use in Anchorage should really stay here?

Mr. Davis clarified that the land use inventory team found very few laydown yards. Material laydown yards are rare and already seem no longer representative of the industrial land demand that is occurring in Anchorage. The field inventory found that construction contractors are using their storage space primarily for parking and storing vehicles and work equipment. The land inventory provides the actual current demand by type of industrial use in Anchorage.

Stacey Dean suggested investigating current demand for land from fabrication facilities, and how suitable are sites in Chugiak-Eagle River for those facilities. For example, how does the truss plant in Birchwood work for SBS? Is transportation out to its site an issue?

Ernie Hall stated that road connectivity is important. Travel times within the Bowl are in some places becoming comparable to that between the Bowl and the Mat-Su Valley. The local road system is improving, and the Raspberry Road extension will help, but there is still the Highway-to-Highway project to complete. It is not so much the distance but rather the travel time between destinations that makes a difference in locational decisions whether to move north of the Bowl. If we address road infrastructure to the north such that users are able to travel there quickly, then why wouldn't the industrial users move north?

Eric Downey stated that road system is a good point. His company Alaska Packaging makes pallets and moving boxes for relocation companies. It used to be located on Old Seward where the Toyota dealership is now, but its

customers made them move because the traffic was so bad. They could not get their transportation trucks in and out fast enough—adding an extra hour or more of travel time to their day. Alaska Packaging moved north to Commercial Drive and since then further north into Ship Creek, to be close to its primary customers in that area. Relocation is an example where an industry really can't move out of town. A lot of the fabrication we've already seen move out is like the SBS truss plant or the pocket of industrial fabrication in Palmer or industrial fabrication which has gone to Fairbanks or to Kenai to support the oil industry. So what we are seeing is that the site dependency is the connection to the consumer market rather than the resource market. So that may be helpful in looking at the "traded sectors": you can look at the consumer market for those sectors. Some of the engineering and fabrication has seen a reluctance to leave Anchorage because we have the space now and they need a pool of trained labor. High-skilled labor seems to be able to demand proximity to better services, schools and amenities. So some machining and fabrication such as Unique Machine and some others may stay here in the Bowl.

Mr. Downey recalled a comment from a person at SteelFab that the only work that SteelFab gets is what its customers forgot, broke, or did not have enough time to order from Outside. As shipping from Outside improves, that Outside supplier relationship will continue to grow. Wal-Mart doesn't have its "traded" facilities here, they have them down in Seattle. So the general national models for industrial sectors won't be as specific for Anchorage because Seattle will continue to be our trading hub. So, in summary, resource extraction is moving out of Anchorage, and customer or consumer specific industries are concentrating into Anchorage.

Mr. Downey continued that construction is another sector that hasn't yet been discussed. The construction sector is pretty fragmented, with a lot of independent contractors in relatively small facilities. These contractors are also dependent on the consumer market. So they have a greater reliance on proximity to the local residential and commercial market.

Ms. Dean agreed that in her experience time on the road is money for contractors—having staff drive a truck from Anchorage to Eagle River is a lot of money, and even more if there is a delay on the Glenn Highway such as a wreck. Contractors strongly prefer Anchorage.

Mr. Potter asked how *Ms. Dean's* business's demand for warehouse and shop space has trended.

Ms. Dean responded that it has fallen, as they are fabricating less onsite and shipping more from Outside, in part because the supply chain is getting better. Their yard has grown and their indoor space has reduced to 3,000 square feet on their acre site.

Mr. Hall, in response to a question by *Mr. Potter*, said he does not seem room for growth in the local cabinet manufacturing industry.

Mr. Potter said that his firm has been involved in several projects to consolidate firms with multiple facilities in town to a single, larger site where they could consolidate and have room to grow. In a recent case it was difficult to find a large enough site for a new warehouse distribution center in proximity to main roads. The firm wanted to stay in Anchorage, and is paying a development premium to do so. Another (or the same?) firm needed more cold storage space, and to be located close to the highway, close to the International Airport, and close to end users.

Mr. Reid summarized what he was hearing as a result of the conversation so far, is that for a number of different sectors, at least the ones represented in the conversation so far, that there still is long-term preference for the Anchorage Bowl. *Mr. Reid* asked for more perspectives from Committee members present, including real estate brokers and the Alaska Railroad, the Airport, and the AEDC.

Mark Filipenko responded that predominantly industrial users want to be in the Anchorage Bowl because their consumers are here, it's easier to operate here, and because of proximity to the Port and the Airport. A lot of Anchorage businesses are smaller, "mom and pop" businesses that employ perhaps 5 to 10 people. It is harder to uproot a small business out of Anchorage if its long-term employees live on Hillside or West Anchorage.

Larger users can afford to move out, because they can replace an employee such as a truck driver in their fleet. For his brokerage, 70 percent of the time his brokerage is working with the smaller businesses and 30 percent of the time with the larger businesses. He has heard of a few of the smaller businesses that are taking a look again out to the Valley, mostly because they just can't find a space in town—such as a developable 5-acre site—it's arguable there is not even an affordable 5-acre site available on the market right now.

Mr. Reid asked if the limiting factor in town is primarily land availability or is it land cost.

Mr. Potter responded it is that both factors, plus the high development / improvements cost. A lot of the land that is zoned industrial and still available has poor site conditions, such as eight to 12 feet of peat. The land development cost is increased by the amount of peat removal and gravel that has to be brought in to replace the peat. This cost and the cost of placing utilities make development costs much higher in the Bowl than in Birchwood or Wasilla. And there are just not very many large 5- to 10-acre sites left at all in Anchorage.

Mr. Bjorn-Roli stated that the biggest issue is not land price, rather it is land development costs. So in terms of policy decisions, if there are opportunities to review and streamline Anchorage's construction building code, that could make a big difference. *Mr. Bjorn-Roli* continued that, since most everything zoned I-1 allows for and is used by retail and office. He agrees with the report's conclusion that Anchorage has a shortage of land available for industrial uses. But you could expand that conclusion to state that there is a shortage of land generally. Everybody in Anchorage, whether they are looking to site a church or an industrial business or low income housing, is struggling to find good land. So in terms of developing policy responses to the shortage of industrial land, restricting industrial land to industrial use could have damaging unintended consequences for the local economy. A lot of the remaining industrial zoned land in Anchorage will never be developed industrially, whether the zoning restricts it to industrial or not, because its site constraints (e.g., peat) make it too expensive for industrial users to develop. Such lands could be considered to have almost literally a negative net present value for industrial use. The only way to develop such lands is to find some viable commercial use. Under commercial use, if the land value can be increased from, say \$11 to \$20 per foot, it becomes viable for development. An example is the undeveloped lands along C Street, including the proposed Outlet Mall site. That property could be a mall, or a car dealership, and perhaps a snow storage site, but it's not going to be developed as an industrial subdivision. The cost to develop is too high because of the soils, wetlands, and utility issues.

In response, *Mr. Reid* requested MOA staff to clarify that there is intended to be a planning process to identify which lands currently zoned industrial should remain industrially zoned or be reclassified for non-industrial use—so that not all lands currently zoned industrial will necessarily remain zoned that way.

Mr. Davis responded that there are two industrial zones, the I-1 and I-2. The I-2 is restrictive in the new Title 21 zoning code, but the I-1 district still allows commercial uses in the new code. The new I-1 allows most commercial uses except certain kinds of large retail uses such as grocery stores. Staff is interested in finding out if there are key industrial sanctuaries within Anchorage Bowl that should be reserved for industrial use. Even if there are, the I-1 district is not the appropriate district for such places. Not all lands currently zoned industrial will necessarily remain designated for industrial, and among the remaining industrial zoning districts the I-1 zone is recommended to continue to allow commercial uses. The field inventory indicates how intermixed many of the industrial and commercial uses are. So that leaves the question of, where are these industrial sanctuaries, or clusters of traded sectors, that merit protection. Currently the I-2 district, which would be the tool to protect industrial sanctuaries, is not necessarily located in the right places. Staff referred to a comment at an earlier meeting by Committee member that, protecting industrial uses in the I-2 may not be such a bad idea, if only the I-2 were located correctly: If, for example, south C Street Outlet Mall and Target store were not zoned I-2. And the Carrs grocery store on Abbott was no longer zoned I-2.

Staff continued that, one possibility is to re-designate these kinds of areas from industrial to the more appropriate commercial use as part of the upcoming update to the city's Land Use Plan Map. The city's Land Use Plan is part of the Comprehensive Plan. Before inappropriate I-2 areas are rezoned, the Land Use Plan Map lays out the

guidance for making future rezones. A process to update the Land Use Plan Map is coming soon. This is an opportunity to identify places where current land use designations on the old plan are inappropriate and to re-designate them. For example, the updated Land Use Plan should probably re-designate the Abbott Carrs store according to what has actually become: not an industrial area but rather a commercial center.

In response to a question from Mr. Bjorn-Roli, *Mr. Potter* further clarified that through the Title 21 code rewrite the city updated what types of uses should be allowed in the industrial zoning districts, but it has yet to update its Land Use Plan Map for where those uses and districts should go. *Mr. Reid* explained that other jurisdictions have gone through this process of land use planning to determine where its industrial uses should go or be protected.

Mr. Potter asked Bill Reid if the cost of developing industrial land come into play in other communities as it does in Anchorage. *Mr. Reid* responded that cost of development is a much bigger issue for industrial use here.

Mr. Potter suggested areas for creating industrial enclaves. The area between King Street and the Old Seward Highway in South Anchorage is purely industrial and is probably a decent place to ensure it stays industrial. There is a hodge-podge of uses in the Mt. View area that is a candidate for redevelopment as many of the structures are beyond their useful life, and it has utilities and great soils, and should continue to be an enclave of industrial. Then the areas [in the industrial study area] zoned PLI or T which Bill Reid pointed out are places where we could create some future industrial enclaves.

Bill Reid pointed out that cities such as Seattle have also identified industrial sanctuaries, and included areas at or near their Port facilities as industrial sanctuaries, while not including other areas that are more marginal and may be more likely to become commercial, similar to the Anchorage south C Street Outlet Mall site.

Jerry Weaver requested Bill Reid to discuss his research so far on the issue of the legalized marijuana industry's potential long term impacts on demand for industrial space, and on the value of industrial lands. The value of industrial land in other communities increased substantially.

Mr. Reid responded that he is still analyzing that, however it is clear that there will be a definite bump in demand for industrial buildings suited for production of marijuana. He is contacting brokers in Colorado and is working to figure out the share of industrial demand that is occurring in Denver as opposed to its outlying communities where space costs may be lower. There is also evidence that a lot more speculative investment is occurring in the Denver area because of its transportation access to markets in surrounding states in the West and Midwest. In contrast, demand for marijuana production here will be Alaska's internal market and the Alaska visitor/tourist market. So demand will be much different here, but it will definitely be noticeable. Bill Reid intends to have some draft numbers soon.

Mr. Filipenko did not believe marijuana industry would have much impact on industrial space demand. Land is cheaper in the Valley, and the product is light and easy to transport to market. The resident market on the road system is limited to several hundred thousand people. A back-of-napkin comparison of the limited market and space needs to grow marijuana suggests there would not be demand for much space.

Mr. Reid suggested that the biggest question about the market size is how much bigger will the market be for products such as chocolates or other value added products which have marijuana as an ingredient, among people who would not necessarily smoke marijuana. So there is also that line of manufacturing to consider. His demand forecast will be a rough guess estimate.

Mr. Davis said that, for estimating the impacts of industrial land demand in Anchorage, Planning staff is also interested in whether the marijuana growing industry locational preferences are affected by the lower electricity rates in Anchorage Bowl as compared to the rest of the Railbelt. Marijuana production is electricity intensive and apparently electrical power is a primary cost factor for that industry. What will drive where these growers want to be?

Phil Steyer said that his research for CEA of the power needs of the marijuana industry suggests that electricity is the largest single production cost. It is electricity intensive not only because of the lighting but the air exchanges, which must be 60 times the air exchange rate of the average residence. One pound of product costs \$280 in electricity at 14 cents per kW hour at ML&P or CEA prices, but \$380 to \$400 in electricity elsewhere in the Railbelt. *Mr. Steyer* believes that the growers will want to be where the electricity costs are lowest, and that is in ML&P and CEA service territory—i.e., in Anchorage. Therefore, it is prudent for Anchorage to plan for it. Historically, production has been out in the Mat-Su, but that has had to do with it being illegal. When marijuana becomes a business, the producers will begin to make business decisions based upon cost of production. This industry sector might benefit from an “industrial park” approach where we develop an industrial area with water, wastewater, and electricity on a more planned fashion. This would be preferable to having the utilities chase around various high electricity demand hot spots depending on where various growers locate. *Mr. Steyer* believes it is highly likely there will be an impact to industrial land demand in Anchorage.

Mr. Reid asked about costs of electricity in Anchorage relative to other areas in Southcentral. *Mr. Steyer* responded that, using current reported prices in February, One hundred dollars worth of electricity in Anchorage will cost \$150 on the Kenai, \$140 in Fairbanks, and \$135 in the Valley, where he expects prices to increase.

Ms. Dean asked if marijuana growers would need 3-phase power supply. *Mr. Steyer* answered affirmative. *Ms. Dean* said that may limit the production potential of the Mat-Su Valley as 3-phase is not as widely available there. The cost of lengthy line extensions is a factor.

Ms. Dean asked how much time in months does it take, for a user to go from land purchase to construction of an industrial structure in Anchorage as opposed to other communities. *Mr. Reid* answered that, for example, in places in the Pacific Northwest it takes 6 months to a year. One of the draft recommendations in his report is for Anchorage to identify sites for industrial development and ensuring for those sites that, from potential buyer inquiry to moving the dirt it takes no more than 6 to 8 months. *Mr. Reid* said that 6 months is a fairly decent process time. That is what, for example, Portland metro area is aspiring to. *Ms. Dean* said that it feels like it takes a long time here in Anchorage. *Mr. Potter* responded that time varies here but, depending on whether a rezoning is needed, the time between from when the property changes hands to moving dirt is at least 6 to 9 months in Anchorage, and that building season is a factor here.

Mr. Potter asked *Mr. Reid* what was the approach of making land shovel ready for development faster in other regions. *Mr. Potter* stated that in areas like Mt. View where new development will be in form of redevelopment replacing older existing buildings are not ready for development. *Mr. Reid* responded that it is often a partnership approach, that the public sector must assist the market [difficult to hear].

Will Kyzer reiterated some of the earlier comments about costs, that the biggest cost factor is not so much the cost of land but rather the development costs and the time to develop. Part of that is the seasonality. But seasonality is a known factor. Finding ways to expedite the process of development from time of sale to time of moving dirt is very important.

Mr. Kyzer discussed that, in terms of where businesses are locating, locational choices depend on having an efficient location for reaching the customer. That includes both the cost and time of transportation to market. So, for example, the SBS truss fabrication operation in Birchwood serving customers in the Mat-Su and Fairbanks may not be especially efficient from a transportation time standpoint but it is efficient from a transportation cost aspect. So those are the two biggest factors that he has seen. One point that the discussion has not touched on is the long term impact of the rate of growth in the Mat-Su, as a greater proportion of the regional population becomes located out there. That could make that a more competitive site for manufacturing, and make Chugiak-Eagle River more competitive as well.

Mr. Kyzer made another point that, with respect to vacant industrially zoned lands with poor soils which are unlikely to be developed as in industrial in the near future, it would not be very effective to keep that land for industrial development only. That would be locking up land which is not yet being used for a commercial

purpose. However, industrial land that is currently in industrial use is worth protecting at least for continued industrial uses in the future, because there will always be those cost pressures from other, non-industrial uses.

Mr. Kyzer followed up on the earlier conversation about “traded sectors”, stating that not all businesses and jobs in the economy are necessarily created equal, and not all businesses bring money into a community in the same way. Industrial uses are important as traded sectors in that regard.

Mr. Reid summarized what he is hearing from the Committee conversation. Anchorage long term is probably the strongly preferred location for a number of different sectors, particularly the key industrial sectors and probably as we have been talking about it the “traded” industry sectors. If there is general agreement that Anchorage is the long term favored location for most industries, for reasons such as being tied to customers, then there is probably a need to consider a general policy disposition for stronger rather than weaker policies for industrial land use in the Anchorage Bowl—in some measure and scale.

Mr. Reid asked if there is any disagreement that, given Anchorage continuing to be the preferred location industrial uses, which are running into competition from a number of different uses that all have shortages of land, at some level, there is need for some sort of assurance of available industrial land and sites, and a refreshment of the land inventory, through municipal policies with stronger power in them—understanding that the amount and location of lands still need to be determined. Is there disagreement about that?

Mr. Bjorn-Roli commented that, currently, the difference in land values between Anchorage and Chugiak-Eagle River are not yet substantial enough to motivate users to move north. However, over time, that will happen. For comparison, Seattle industrial land values are \$50 to \$90 per square foot, while Kent Valley has land values at about half that cost. Kent Valley has millions of square feet of distribution warehouse space even though it is in a poor location in terms of traffic and lost person hours in travel time. The industrial users locate in Kent Valley because they have to do it. Anchorage is not there yet but eventually lands in Chugiak-Eagle River will be developed for more industrial uses.

Mr. Bjorn-Roli continued, saying that therefore, preserving existing industrial land use makes sense. However, talking about preserving vacant land for future industrial use is concerning. A general recommendation like that is too open-ended. It should be more specific, and clarify that we are not talking about making vacant lands whose highest and best use of commercial uses be for future industrial use. However, in terms of existing uses he is in agreement with *Mr. Reid*.

Mr. Potter concurred with *Mr. Bjorn-Roli*. He suggested discussing with Eklutna the need to make available another 200 or 300 acres, or whatever the appropriate amount, of industrial land in Chugiak-Eagle River. There are opportunities for large new chunks of industrial land there.

Mr. Kyzer added that, while Anchorage may not have brownfield sites like other regions, it does have sites with peat soils that are expensive to develop. To increase the capacity to develop industrial, perhaps there should be some sort of incentives for developing industrial on those lands. There are industrial properties that will not otherwise be developed.

Mr. Reid asked what should be the highest priority policy ideas or suggestions, from the Committee members’ perspective.

Mr. Steyer asked if all of the T (Transition) zoned lands could or should be reclassified as I-zoned lands. It would seem to increase the inventory of industrial land. Tom Davis responded that while some T and PLI zoned lands are in the industrial study area, there are lands zoned T and PLI elsewhere in the Bowl for which a rezoning to industrial use would be a questionable move. The industrial study has certainly identified specific tracts of T land that have potential for future industrial use. Most of the T zoned lands with potential in the Bowl are comprised of the JBER Boniface tract (77 potential buildable acres as estimated by Planning) and the International Airport tract on International Airport Road. The Airport lands south of Raspberry [zoned PLI] are also a possibility.

Mr. Weaver explained that zoning cannot change administratively, but that the process to identify which T or PLI lands to reclassify for industrial use would first occur in the coming Anchorage Bowl Land Use Plan Map update project.

Mr. Steyer asked *Mr. Weaver* if the property owners would then still have to pay the fees for the process to rezone to industrial zoning districts. *Mr. Weaver* responded that one strategy could be for the Municipality to initiate area-wide rezonings that implement the updated Land Use Plan Map, where the Municipality which would not have a fee.

Mr. Potter followed up and asked if the Municipality would do areawide rezonings for just the T to industrial rezonings or for all areas of change on the Land Use Plan Map. *Mr. Weaver* responded that areawide rezonings would most likely be just for certain kinds of changes recommended by the Land Use Plan, not everything.

Mr. Davis explained that in addition to the PLI and T lands, the inventory found lands in other zoning districts that may have potential for industrial use. An example is the R-6 zoned lands located just south of Birchwood Airport. These lands are not as well positioned to be residential because of their location south of the runway and distance from existing residential areas and services. Maybe there are a few more opportunities like that to look into with the community.

Mr. Potter stated that designation of new lands to industrial use should be coordinated with road transportation improvements. AMATS planning should identify public investments in road infrastructure to serve the new industrial areas.

Mr. Bjorn-Roli doubted if all PLI and T lands have industrial as the highest and best use. These are lands set aside for some future use such as a community use, and there should be flexibility to allow non-industrial highest and best use. For example, the U-MED PLI lands should not be industrial. There was agreement to clarify that the industrial lands study is really only looking at certain PLI and T lands in the industrial study area, not all PLI lands in the community.

Mr. Bjorn-Roli continued that the policy recommendations should be more specific about which PLI and T areas are appropriate, and should suggest incentivizing the conversion to industrial through installing the roads and public infrastructure to compensate the owner and make developing industrial worthwhile. This will be more attractive to owners that are looking at waiting 15 to 20 years to develop the parcel otherwise. The designation must be attached to incentives rather than just forcing the property owner to develop only industrial.

Mr. Potter posed the question that if the Municipality were to have a property owner such as Eklutna, Inc., set aside several hundred acres as a land bank for industrial use, what would be the off-setting value that the community should provide to the owner. Can the Municipality use tools to compensate or incentivize such as reducing property taxes?

Mr. Reid summarized that he is hearing that existing industrial uses in the right locations rather than vacant land areas should be protected, in addition to Anchorage Bowl being preferred as a location. He asked the Committee members to send any further comments about policy priorities, and any comments on the draft policy suggestions so far in the report. Are there any needing changing or clarifying or elaborating on?

Mr. Downey suggested that each member could pick their top three or so policy priorities, and identify the two or so policy suggestions to avoid.

Mr. Potter asked *Bill Reid* if it would be helpful for future planning efforts if the report could include a recommendation to reevaluate the industrial lands every five to ten years or so. The Municipality should program its budget to update this information, because redoing these studies is critical to the operation and future planning of the city. *Mr. Reid* responded that the typical reevaluation cycle should be every four to five years and that this would be a good policy recommendation to add to the report.

Mr. Reid added that, based on his experience with the challenges of gathering of existing land use data for both the Anchorage Commercial Lands Assessment (2012) and this industrial assessment, it would be very useful if the community were to maintain a land database of existing uses and vacant lands. Better data about industrial sites will assist industrial development.

Mr. Bjorn-Roli asked for elaboration: Is this current lands information in a GIS (Geographic Information System)? *Mr. Reid* responded affirmatively. Currently the municipal assessor data is not available in a format that can interface with a geo-spatial database in GIS. *Staff* added that MOA Planning built an entire new GIS database of existing uses for this study, which connects to the NAICS sectors. The intent is to make that data available online, to replace the old land use data (from the 1990s) that MOA Planning has online.

Mr. Bjorn-Roli supported maintaining a new land inventory database. Brokerages spend a lot of person hours just collecting and maintaining current market information that such an inventory could provide, if maintained. Currently the effort is all manually done, using what information resources are available.

Mr. Downey suggested that a well-maintained land information database would allow the properties and individuals to go to the highest and best use.

Mr. Bjorn-Roli added that, in addition to the private market benefits, a database would pay for itself by reducing the costs of studies like the Industrial Lands Assessment. The MOA can go into the study already having the information—it can focus on analyzing the information, not on creating it from scratch.

Mr. Potter asked if there are communities that maintain a database of existing uses that is public and usable. *Mr. Reid* responded that, in Portland for example, he can go to www.portlandmaps.com, which is a coordinated effort among the major jurisdictions in the Portland metro area, and can look up all kinds of information including local assessment information on most any property in the region. So when a client asks for Bill to conduct due diligence on a site under consideration for potential development, he can do a site analysis very quickly. *Mr. Filipenko* pointed out that Kenai provides parcel plots online. *Mr. Bjorn-Roli* pointed out Mat-Su warrantee deed (?) information is online.

Mr. Potter explained that the Municipality also once had a demographer, and the AEDC has been trying to pick up some of that function. It does not make sense for a town the size of Anchorage to not have a demographer. It is harder for the Municipality or others to make good decisions because we don't have the land inventory data. It is also costlier for firms to do business. Firms would probably be happy to pay a user fee to help pay for the upkeep of the data.

Mr. Kyzer asked if any Committee members had used www.anchorageprospector.com/ or had any experience with it. It provides property listings and GIS information, and what businesses by NAICS classification are available in any given community.

Mr. Reid made a final point in conclusion, that Anchorage should avoid a mistake he sees other communities make in these studies. Regardless of whether everyone likes the specific acreage numbers or demand forecast numbers in the final report, the main thing is that the numbers should show that at the end of the 20-year planning horizon the community still has a sustainable land inventory. The point is not to be on a path to where there is nothing or close to nothing left at the end of 20 years. Rather, at the end of the 20-years' time, have assurance there is an inventory of land provides for a sustained economy. In some communities that go through this land assessment process they target having just enough supply for 20 years and no more. This probably risks undersupply even in that 20 years if something comes along that reduces the land inventory. Instead, the planning process should ensure there is enough land beyond 20 years.

Mr. Potter agreed and added that 20-year planning horizons for matching the land capacity to the demand for just that 20-year period, as if there will never be anything needed after that 20 years, doesn't make sense.

III. Next Steps

Mr. Davis explained that the next step is to take this policy discussion to the Assembly in a 90-minute worksession scheduled for Friday at City Hall.

Mr. Reid requested the Committee members to provide any follow up comments about what should be highest priority policies in the next few days prior to the Assembly worksession.

Mr. Davis estimated that the project team will complete and release the final Industrial Land Assessment report in March. *Mr. Potter* asked how that relates to the timing of the draft updated Anchorage Bowl Land Use Plan Map. *Mr. Davis* responded that work to prepare and release the Land Use Plan Map will closely follow completion of the industrial report.

The project team expressed its appreciation for the time and participation of the Industrial Advisory Committee members in the Industrial Lands Assessment.

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