

Trammell Crow Company, Segale Properties Kelso Comprehensive Plan Amendment and Rezone Request

Project Narrative

Project location

The proposal is in Sections 12 and 13, Township 7N, Range 2W, WM, immediately west of Interstate 5 and south of State highway 432 on Cowlitz County tax parcel numbers 24905, 24385, and 2439101 in Kelso, WA. See attached survey.

Owner	Applicant	Contact
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Project Description

To better meet current market demand for land in and around the City of Kelso, the applicant is requesting to rezone approximately 117 acres of Regional Commercial land to Light Industrial. With the existing site environmental constraints, approximately 82 acres are useable for development. The rezone also requires a comprehensive plan map amendment from Commercial to Industrial.

Applicable Criteria

The City of Kelso has adopted Standards for Comprehensive Plan Amendments and Rezones. Responses within this narrative address those approval criteria for the Future Land Use Map Change and Rezone. No specific development project is proposed at this time.

Application process

A preapplication meeting was held with the City on December 20, 2021. The proposal includes a Future Land Use Map amendment and rezone request. The Comprehensive Plan Amendment and Rezone are both class IV reviews. Class IV reviews are reviewed through an open record public hearing process at the City Planning Commission and the recommendations of the Planning Commission are forwarded to City Council for approval. This application is being submitted consistent with the class IV review process in 17.10.080 in the Kelso Municipal Code (KMC)

Rezone request

The proposed rezone request would rezone approximately 117 acres from Regional Commercial to Light Industrial. This rezone request is consistent with the approval criteria in KMC 17.66.020 as is discussed in more detail below.

Comprehensive Plan Future Land Use Map Amendment

To maintain consistency with the Comprehensive Plan Future Land Use Map, this proposal also requires a Comprehensive Plan Future Land Use Amendment. This amendment is consistent with the applicable approval criteria below in KMC 17.66.010 as is discussed in more detail below.

Market Need

While the site was originally zoned industrial, in 2008 the current owner, a well-known Washington-based commercial real estate developer, investor and owner, rezoned it to Regional Commercial (RC). In 2012, the owner made some limited infrastructure improvements on the site to help attract interested parties. All the while, the owner has been marketing the site to users that would fit the zoning- but has not gained enough interest to warrant development.

This is reflective of the site's limited commercial viability for users due to its isolation from the residential development in the community. The Kelso Public Needs Analysis prepared in February of 2022 by Johnson Economics indicates that the demand for retail space is declining due to the shift to online retail purchases. The analysis forecasts a declining demand for retail of about 34.8 acres over the next 20 years.

The city of Kelso has a limited supply of vacant light industrial property. Currently, the city of Kelso appears to have only 10 vacant land sites zoned light industrial and **there are no vacant Light Industrial parcels larger than 6 acres**. This severe lack of Light Industrial land provides limited opportunities for larger uses or a market choice for industrial users of all sizes. This lack of Light Industrially zoned land restricts the market choices for existing businesses to expand within the community or other users seeking to relocate to the City of Kelso. Further, there is market demand for large parcels of industrial land. By increasing that acreage significantly, businesses will have more choice in locations and properties to evaluate for business opportunities. This market availability promotes economic development and meets market demands more effectively than a limited supply. The Johnson Economics analysis also indicates an inadequate supply of industrial land in Kelso. The analysis shows there is less than a 4-year supply of industrial land in Kelso to meet market demand.

According to the Johnson Economics Analysis, demand for industrial space in Kelso over the coming 20 years will be generated by increased e-commerce as well as growth in traditional industrial use by manufacturers, wholesalers, and contractors. As e-commerce has grown in recent years, and operations have gained scale, the trend has been to build more fulfillment centers closer to the local population. Given Kelso's location along the I-5, we expect there to be demand for fulfillment centers in Kelso serving the Kelso-Longview region in coming years. This will lead to an increased demand for Light Industrial land within the city.

In addition to the local demand in the city, the regional demand for industrial land continues to grow and will increase the need for property with good freeway access and developable areas with suitable grade for large format industrial uses. Meeting this demand would have a positive impact on the region and the Kelso community.

Kelso Municipal Code Approval Criteria

17.66.010 Comprehensive plan and development regulation amendments.

The purpose of this chapter is to establish the criteria for evaluating proposed amendments to the city of Kelso comprehensive plan and development regulations. Amendments to the comprehensive plan may involve changes to the goals, policies, and objectives, the future land use map, the written text, or to supporting documents, including capital facilities plans. Amendments to the development regulations may include changes to the table of permitted uses, processing procedures, and development standards. Amendments will be reviewed in accordance with the provisions of this chapter, state law, the goals, and policies of the city of Kelso comprehensive plan, and interlocal agreements. Nothing in this chapter shall be construed to limit the legislative authority of the city council to consider and adopt amendments and revisions to the city of Kelso comprehensive plan or development regulations.

Response: This proposal includes a request to amend the future Land Use Map for approximately 117 acres of property currently zoned as Regional Commercial, with a Commercial Future Land Use designation. The proposal would change this to an Industrial Future Land Use designation with a Light Industrial zoning. Responses within this project narrative address criteria for approval of both the Comprehensive Plan Amendment and Zone Change.

A. The city staff and planning commission shall consider the following criteria when making a recommendation to the city council on whether or not to approve an amendment to the comprehensive plan or development regulations:

1. Conditions in the community or in the vicinity of the proposed amendment have markedly changed, and under those changed conditions, a plan amendment is within the public interest.

Response: The demand for large scale regional shopping and services continues to decline as more consumers turn to the internet for convenient shopping for goods and services. This change in consumer behavior has been occurring since the late 1990s. the Johnson Economics analysis indicates:

The commercial real estate market has undergone dramatic changes over the past decade, most of which are a function of the shift to online shopping. This has reduced the overall need for brick-and-mortar space, especially from retailers selling physical goods. Pre-COVID, online retailing accounted for around 10% of all retail spending – after gaining roughly one percentage point per year over the last few years. During COVID, the online market share jumped to 15%.

The analysis also indicates a change in demand for Light Industrial Land:

The market for industrial space has also undergone major changes in recent years, reflecting technological advances and shifts in the economy. Demand for warehouse and distribution space has been boosted by e-commerce, which has moved storage needs from retail stores to warehouses. At the same time, the growth of high-tech supply chain management systems that require investments and expertise have caused a consolidation within the warehousing and distribution industry, with increasing reliance on larger third-party operators. Newer and larger buildings that can more efficiently accommodate modern operations have therefore been in high demand. In the most recent years, increasing e-commerce competition has led to a growing emphasis on rapid delivery, which has increased the demand for modern space close to population centers. With distribution rather than manufacturing driving much of the new demand, there has been a particular need for sites with good freeway access.

By responding to a growing need for industrial land with a declining need for regional commercial centers, this proposal addresses a change in conditions and promotes the public interest.

2. The proposal corrects an inconsistency within the comprehensive plan, clarifies the plan, and is consistent with other provisions of the plan.

Response: This change promotes the efficient use of existing transportation and utility infrastructure by providing land planned for industrial development. The demand for industrial land in the I-5 corridor has been documented in numerous sources, including an article in The Daily News by Claire Tyrell titled “Supply squeeze hits industrial land” published October 12, 2021. By providing land designated for industrial development that is already served with utilities and transportation infrastructure that are otherwise unused, this proposal is consistent with the Comprehensive Plan.

3. The proposal is necessary to preserve, protect, or enhance the public health, safety, and welfare.

Response: The proposed change to the Future Land Use Map from Commercial to Industrial is necessary to enhance public safety and welfare. By changing the designation to Industrial, it will allow the rezoning of the property to Light industrial as proposed. These changes are in direct response to market changes and the demand for large lot industrial property in Kelso. Appropriately designated and zoned large tracts of land in proximity to a regional transportation base directly support the public welfare by allowing for private development opportunities where none exist under the current zoning. The development of this land will support an increased tax base opportunities for the region, providing for enhanced public welfare. Additionally, the development of a vacant property will also support public safety by providing more access for employees and other support services to the future uses. Increased activity on a site, compared to vacant land, often reduces crime.

4. The proposal will result in long-term benefits to the community as a whole and is in the public interest.

Response: This proposal will provide for the utilization of infrastructure that exists to the site. The current zoning is not targeted to the current market demands for this property and does not promote economic activity on this property. The proposed Industrial designation will allow for the property to be rezoned to Light Industrial, which will directly address the market demand for this site and for industrial properties in Kelso, adjacent to the I-5 corridor. These changes will result in the development of this site for private businesses which would substantially increase property taxes and employment on this site. Because this proposal meets the public need for industrial designated property in this location and should also result in the development of the site for employment uses and provide for an increased tax base, the proposal will result in a long-term benefit for the community as a whole. See section VIII in the Kelso Public Needs Analysis prepared by Johnson Economics for additional information on the long-term benefit of approving this rezone request.

5. The proposed amendment is consistent with the findings and recommendations of subarea plans, special studies, or reports conducted, accepted, or approved by the city.

Response: This proposal is not a part of a subarea plan or special study area. The proposed change is adjacent to the Anchor Pointe Subarea plan, which has been adopted by the City at their regular September 19, 2017 meeting by resolution number 17-1187.

6. The amendment is necessary to comply with the provisions of state or federal laws.

Response: This Comprehensive Plan amendment review will comply with City Codes applicable to a Comprehensive Plan Change and Rezone. Those codes were adopted to implement State and federal laws governing cities. Because this proposal is reviewed through the adopted City process, it is therefore consistent with State and Federal laws.

7. The proposed amendment is consistent with approved capital facilities plans, including water and sewer plans, and will not adversely affect the ability to provide city services in a cost-effective manner.

Response: City services are already extended to the site vicinity and are currently unused. This proposed amendment will utilize the existing infrastructure. That infrastructure was constructed under the existing capital facilities plans in anticipation of a major regional commercial center. Utilization of this infrastructure for future development would add to the user base in the system and will utilize the services provided. Utilization of the existing unused infrastructure is a cost-effective action. The existing utilities and transportation infrastructure were constructed to support a regional center with 30,117 average daily trips¹

¹ Madison Development Kelso Site, Final Traffic Impact Analysis Report, Revised September 15, 2008, Skillings Connolly Inc

and 905,720 gallons/ day of Sanitary Sewer Flow². The Utility Service and Transportation Impact table included in this application shows some possible transportation trip generation and water/ sewer use for uses allowed in the Light Industrial Zone that are not permitted in the existing zone. In all cases, the impacts to utilities and transportation infrastructure would not substantially increase the need beyond what was constructed for the previous land use approval.

8. The proposed amendment will not have an adverse financial impact on the city or unduly interfere with the ability to provide city services.

Response: This rezone will have no direct, adverse financial impact to the city or city services. Future development of this property would have a positive impact to city finances by increasing the tax base which should also provide the city with added tax to provide city services

17.66.020 Rezones.

The purpose of this section is to establish the criteria for the review and approval of proposed revisions to the official zoning map or a rezone request.

Response: This narrative addresses the approval criteria for Comprehensive Plan Amendment and Rezone. Responses to the Rezone approval criteria are within this section.

A. The city staff and planning commission shall consider the following criteria when making a recommendation to the city council on whether or not to approve a revision to the official zoning map or a rezone request:

1. Suitability of the property in question for uses permitted under the proposed zoning;

Response: The site proposed for Light Industrial zoning is appropriate for the uses identified in that zone. Light Industrial property in the I-5 corridor is in demand, and currently there are no vacant parcels within the City of Kelso that have as direct of access to I-5 as this property. By rezoning this site to Light Industrial use, the existing utilities to the site will be utilized to provide for development of the site and will utilize otherwise unused utility and transportation infrastructure. The property's topography, access, utilities, and the lack of significant environmental constraints all make this site suitable for Light Industrial zoning.

² Sewer Flow Projections, Kelso Village land use application

2. The extent to which the proposed amendment(s) is in compliance with the goals and policies and the future land use map in the comprehensive plan;

Response: The proposal includes a modification to the Future Land Use Map for this property to redesignate it to the Industrial Future Land Use. With a future industrial land use designation, this Light Industrial zoning will be consistent with the zones allowed in the Industrial Future Land Use designation.

3. The adequacy of public facilities, such as sewer, water and other required public services;

Response: Public sewer, water, and transportation facilities have all been constructed to serve the commercial development of this site. The proposed Light Industrial zoning is not likely to increase the use of these services beyond the existing design. The existing utilities and transportation infrastructure were constructed to support a regional center with 30,117 average daily trips³ and 905,720 gallons/ day of Sanitary Sewer Flow⁴. The Utility Service and Transportation Impact table included in this application shows some possible transportation trip generation and water/ sewer use for uses allowed in the Light Industrial Zone that are not permitted in the existing zone. In all cases, the impacts to utilities and transportation infrastructure would not substantially increase the need beyond what was constructed for the previous land use approval. This will be further confirmed when specific development is proposed through a city land use development review.

4. The compatibility of the proposed map amendment change and associated use with neighboring land uses; and

Response: Currently the site is bordered by rail lines, state and interstate highways, and vacant land. There are no incompatibility issues that would need to be addressed with this requested change. Future site-specific development would be reviewed for compatibility again through Site Plan zoning review when a specific development is proposed.

5. The public need or benefit of the proposed change.

Response: The City of Kelso currently has no available vacant light industrial land with convenient / direct access to major transportation infrastructure. The proposed Future Land Use Map Amendment and rezone to Light Industrial zoning will provide for 117 vacant acres of light industrially zoned land with immediate access to SR 432 and I-5. The rezone will help to meet market demand for industrial property in Kelso and in the I-5 corridor and will utilize existing utility infrastructure to the site. The Kelso Public Needs Analysis prepared by Johnson Economics shows a lack of Industrially designated property within the city of Kelso. That analysis also shows there is currently a forecasted deficit of

³ Madison Development Kelso Site, Final Traffic Impact Analysis Report, Revised September 15, 2008, Skillings Connolly Inc

⁴ Sewer Flow Projections, Kelso Village land use application

Industrial land to serve the 20-year planning period and less than a 4-year inventory of land currently designated in the City of Kelso.

B. The following shall be used to determine if a proposed rezone is consistent with the provisions of the future land use map and the comprehensive plan:

1. Higher density residential future land use designation: residential multifamily (RMF), residential mixed density (RMD), or neighborhood commercial (NC) zones;
2. Low density residential future land use designation: residential single-family 5 (RSF-5), residential single-family 10 (RSF-10) or neighborhood commercial (NC) zones;
3. Commercial future land use designation: general commercial (GC) or regional commercial (RC) zones;
4. Industrial future land use designation: light industrial (LI) or general industrial (GI) zones; and
5. Open space future land use designation: open space zone.

Response: The proposal includes a Future Land use Map change from Commercial to Industrial. The Industrial future land use designation is consistent with the proposed rezone to light industrial per #5. above.

SEPA

A SEPA Checklist, including the non-project responses, has been completed and is included with this application. This proposal therefore complies with the SEPA procedural requirements for a Comprehensive Plan Amendment and Rezone.

Conclusion

The demand for Light Industrial land in the I-5 corridor is growing while the demand for commercial land is abating. The City of Kelso's lack of industrially zoned land is restricting market choices for available industrial property and should be addressed. There is less than a 4-year supply of industrial land in the city, and an insufficient inventory to meet demand over the 20-year planning period. In addition to the demand in Kelso, the regional demand for industrial land continues to be unmet with an adequate supply. This proposed amendment to the Comprehensive Plan, Future Land Use Map, and rezone to Light Industrial addresses all the approval criteria and better addresses the demand for land in this location and in the region. The infrastructure needed to support Light Industrial Use is likely already in place at this location and has been unutilized. By providing for a zone that meets the market demand, economic development and utilization of existing built infrastructure will efficiently support the growth of the community through an increase in tax base. The request for the Comprehensive Plan Amendment and Rezone should be approved.

