



# City Council Meeting Schedule October 2016

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October 4, 2016  
Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

October 11, 2016  
Tuesday, 6:15 p.m.  
Tuesday, 6:30 p.m.

EXECUTIVE SESSION (RCW 42.30.110(1)(g) Union  
Bargaining Contract (10 minutes)

WORKSHOP MEETING

1. 2017 Tourism Promotion Area (TPA) Budget and Marketing Plan
2. Industrial Land Analysis Final Report
3. Hearing Examiner Annual Report
4. Vehicle-Based Business Update

October 18, 2016  
Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

October 25, 2016  
Tuesday, 6:30 p.m.

WORKSHOP MEETING

1. Budget Update
2. Animal Control/Facilities
3. Vehicles for Hire

**Council Workshop  
Coversheet**



Agenda Item Number	1.	Meeting Date	10/11/2016
Agenda Item Type	Presentation		
Subject	2017 TPA Budget and Marketing Plan		
Ordinance/Reso #		Contract #	
Project #		Permit #	
Department	City Manager		

Info Only	<input type="checkbox"/>
Policy Review	<input checked="" type="checkbox"/>
Policy DevMnt	<input type="checkbox"/>
Other	<input type="checkbox"/>

**Summary**

Kris Watkins, President & CEO of Visit Tri-Cities will be at the Council workshop to review the 2017 Tourism Promotion Area (TPA) Business and Marketing Plan, which was approved by the Hotel-Motel Commission. A copy of the 2017 Budget and Marketing Plan has been placed in your Council mailbox.

Through

Terri Wright  
Oct 06, 14:10:12 GMT-0700 2016

Attachments: Presentation

Dept Head Approval

City Mgr Approval

Marie Mosley  
Oct 07, 09:24:45 GMT-0700 2016

**BRIGHTER. BOLDER.  
BETTER!**



TRI-CITY REGIONAL  
HOTEL-MOTEL COMMISSION  
**Budget and  
Marketing Plan**  
**2017**

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TRI-CITY REGIONAL  
HOTEL-MOTEL COMMISSION

# Budget and Marketing Plan 2017

*PRESENTED*

*to*

*CITY OF KENNEWICK*

October 11, 2016

# ITEMS FOR DISCUSSION

- Tourism Promotional Area Programs
- TPA Budget





# VISIT TRI-CITIES PROGRAMS

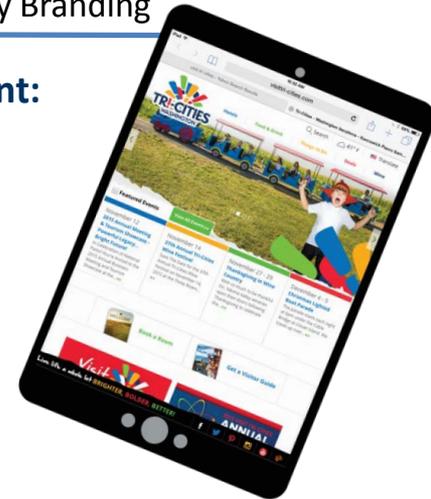


## Funded by Membership/ Hotel Motel Tax:

- Destination Advertising & Marketing
- Media Outreach
- Rivershore Enhancement
- Visitor Services
- Heritage and Ecotourism
- National Park Marketing
- Community Branding

## Funded by Tourism Promotion Assessment:

- Convention, Sports and Group Marketing
- Tourism Development
- Wine Country Advertising
- Internet Marketing and Website
- Golf Packages and Tradeshows
- Destination Advertising & Marketing
- Convention Services



# HOW THE MARKETING PLAN IS DEVELOPED

**May/June**

Hotel Surveys Completed

**July**

Commission Review of Surveys

**August**

First Draft Prepared

**September**

Commissioners Approve Plan

**October**

Delivered to City Councils for Review and Final Approval





# 2017 TRI-CITY REGIONAL HOTEL-MOTEL COMMISSIONERS

## City of Pasco

Monica Hammerberg, Hampton Inn + Suites Pasco  
Vijay Patel, A-1 Hospitality  
Dave Zabell, Ex-Officio, City of Pasco

## City of Kennewick

Kathy Moore, SpringHill Suites by Marriott  
Mark Blotz, Clover Island Inn  
Marie Mosley, Ex-Officio, City of Kennewick

## City of Richland

Ron Anderson, Red Lion Richland  
Jerry Beach, Courtyard by Marriott  
Cindy Reents, Ex-Officio, City of Richland

# 2017 TOURISM OUTLOOK

## NATIONAL:

- Supply and Demand growing at the same rate: +1.9%
- Revenue Growth: +3.8%

## REGIONAL:

Seattle: 81.2 % Occupancy  
+8.3 in Revenue

Spokane: 61.5 % Occupancy

Strong despite Inventory Growth



# 2017 TOURISM OUTLOOK

## TRI-CITIES:

- 2016 Occupancy = 60%
- 24.7% Increase in available hotel rooms over 2 years
- 4,183 Rooms available by early 2017



# DELIVERABLES

## Request for Proposal (RFP) Production

	2015	2016	2017*
<b>Leads Issued</b>			
<b>Qtr 1</b>	41	52	55*
<b>Qtr 2</b>	65	69	70*
<b>Qtr 3</b>	49	55	55*
<b>Qtr 4</b>	63	64*	65*
<b>Total</b>	<b>218</b>	<b>240*</b>	<b>245*</b>

\*Estimated production.

## Guest Room Productivity

Market Segments	2015 Actuals	2016 Forecasted Productivity	2017 Goals
Citywide Conventions	16,922	17,000	18,000
Single Property Meetings & Conventions	18,821	20,250	20,000
Sporting Events	23,892	25,000	28,000
<b>Total</b>	<b>59,635</b>	<b>62,250</b>	<b>66,000</b>

# RETURN ON INVESTMENT IN VISITOR SPENDING

## CONVENTIONS

38,000 Room Nights = \$13,300,000

## SPORTS

28,000 Room Nights = \$8,316,000

---

**Total Visitor Spending = \$21,616,000**

## INVESTMENT IN CONVENTION

## & SPORTS MARKETING

\$614,383

## RETURN ON EACH DOLLAR INVESTED

\$35.19



# FUNDING

## Destination Marketing Funding Comparative

The following chart provides a **total budget** comparative (including Hotel Motel Tax, Membership Investments and Tourism Promotion Assessment) in key competitive markets:

Competing City	Bureau Budget	Number of Hotel Rooms	\$ Spent per Room
Visit Seattle & Sports Council	\$22,148,000	12,308	\$1,799
Yakima Valley Tourism	\$2,656,600	2,705	\$982
Walla Walla Tourism	\$1,000,000	1,100	\$909
Visit Spokane & Sports Council	\$6,117,692	6,795*	\$900
<b>Visit Tri-Cities</b>	<b>\$2,323,185</b>	<b>3,954</b>	<b>\$588</b>
Seattle Southside Tourism Authority	\$4,500,000	7,900	\$570
Visit Vancouver USA	\$1,207,700	2,504	\$482
Bellingham Whatcom Co. Tourism	\$1,123,262	3,000	\$374
Travel Tacoma	\$2,082,666	5,797*	\$359
Snohomish County Tourism	\$1,269,891	6,235	\$204
Visit Bellevue Washington	\$763,000	4,904	\$156

The following chart provides a comparative for **Hotel Motel Tax investments** only for each destination marketing organization within key competitor markets:

Competing City	Hotel Motel Tax	Number of Hotel Rooms	\$ Spent per Room
Visit Seattle & Sports Council	\$11,000,000	12,308	\$894
Walla Walla Tourism	\$668,000	1,100	\$607
Bellingham Whatcom Co. Tourism	\$937,762	3,000	\$313
Visit Spokane & Sports Council	\$1,674,095	6,795*	\$246
Yakima Valley Tourism	\$439,100	2,705	\$162
Snohomish County Tourism	\$889,461	6,235	\$143
<b>Visit Tri-Cities</b>	<b>\$567,185</b>	<b>3,954</b>	<b>\$143</b>
Seattle Southside Tourism Authority	\$1,100,000	7,900	\$139
Visit Bellevue Washington	\$670,300	4,904	\$137
Travel Tacoma	\$434,000	5,797*	\$75
Visit Vancouver USA	\$0	2,504	\$0

The following chart provides a comparative for **Tourism Promotion Assessments** only for each destination marketing organization within key competitor markets:

Competing City	TPA Collection	Number of Hotel Rooms	\$ Spent per Room
Visit Seattle & Sports Council	\$8,200,000	12,308	\$666
Visit Vancouver USA	\$1,200,000	2,504	\$479
Seattle Southside Tourism Authority	\$3,500,000	7,900	\$443
<b>Visit Tri-Cities</b>	<b>\$1,350,000</b>	<b>3,954</b>	<b>\$341</b>
Visit Spokane & Sports Council	\$1,958,102	6,008*	\$326
Yakima Valley Tourism	\$650,000	2,705	\$240
Walla Walla Tourism	\$240,000	1,100	\$218
Travel Tacoma	\$802,000	5,370*	\$149
Snohomish County Tourism	\$212,582	6,235	\$34

\*Not all hotels contribute to the Tourism Promotion Assessment.

# BUDGET SUMMARY

## Budget Summary

Revenues	2016 Budget		Proposed 2017 Budget	
<b>Kennewick</b>	<b>\$517,000</b>	<b>44%</b>	<b>\$594,000</b>	<b>44%</b>
<b>Pasco</b>	<b>\$270,250</b>	<b>23%</b>	<b>\$310,500</b>	<b>23%</b>
<b>Richland</b>	<b>\$387,750</b>	<b>33%</b>	<b>\$445,500</b>	<b>33%</b>
<b>Total:</b>	<b>\$1,175,000</b>	<b>100%</b>	<b>\$1,350,000</b>	<b>100%</b>
<b>Expenditures</b>				
<b>Group Markets</b>	<b>\$521,498</b>	<b>44.4%</b>	<b>\$614,383</b>	<b>45.5%</b>
City Wide Conventions Associations Corporate & Government SMERF (social, military, education, religious, fraternal) Sports				
<b>Housing &amp; Groups Services</b>	<b>\$63,051</b>	<b>5.4%</b>	<b>\$65,476</b>	<b>4.9%</b>
<b>Tourism Development</b>	<b>\$284,826</b>	<b>24.4%</b>	<b>\$358,926</b>	<b>26.6%</b>
<b>Administration</b> (administrative staff, office supplies, rent, telephone postage, equipment maintenance, etc.)	<b>\$190,625</b>	<b>16%</b>	<b>\$194,895</b>	<b>14.4%</b>
<b>Opportunity Fund</b>	<b>\$90,000</b>	<b>7.7%</b>	<b>\$90,000</b>	<b>6.7%</b>
<b>Accounting/Professional</b>	<b>\$22,000</b>	<b>1.9%</b>	<b>\$23,320</b>	<b>1.7%</b>
<b>Capital Expenditures</b>	<b>\$3,000</b>	<b>.2%</b>	<b>\$3,000</b>	<b>.2%</b>
<b>Total:</b>	<b>\$1,175,000</b>	<b>100%</b>	<b>\$1,350,000</b>	<b>100%</b>



**TR!-CITIES**  
**WASHINGTON**

**THANK YOU!**

**Council Workshop  
Coversheet**



Agenda Item Number	2.	Meeting Date	10/11/2016
Agenda Item Type	Presentation		
Subject	Industrial Land Analysis		
Ordinance/Reso #		Contract #	
Project #		Permit #	
Department	Planning		

Info Only	<input type="checkbox"/>
Policy Review	<input checked="" type="checkbox"/>
Policy DevMnt	<input type="checkbox"/>
Other	<input type="checkbox"/>

**Summary**

The City has engaged the services of ECONorthwest to conduct an analysis of Industrially zoned land within the Tri-Cities region and more specifically within the City of Kennewick. At the Council's July 26, 2016 workshop ECONorthwest provided Council an orientation to the study and a brief update on progress that had been made to date. ECO has now completed the analysis and will be presenting an overview of the results to Council. Also included in Council's packet is a draft of the Industrial Land Analysis Report.

Through

Attachments:

Presentation  
Draft Industrial Land Assessment

Dept Head Approval

Gregory McCormick  
Oct 05, 10:59:17 GMT-0700 2016

City Mgr Approval

Marie Mosley  
Oct 07, 11:03:11 GMT-0700 2016

# City of Kennewick

INDUSTRIAL ZONED LAND ASSESSMENT

10-11-16 Council Workshop

Study Objectives

Industrial Land Demand

Industrial Land Supply

Policy Options

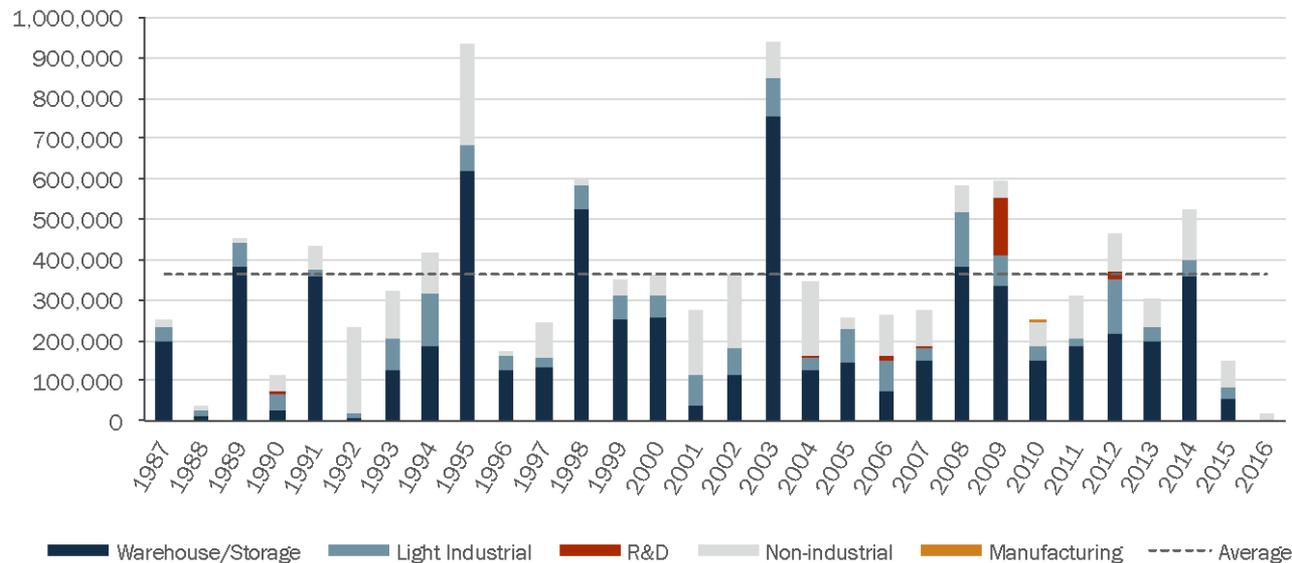
- Provide insight into economic development and industrial lands in Kennewick and the Tri-Cities
- Position Kennewick for current and future industrial needs
- Determine pathway(s) to GMA compliance and strategy implementation

## Demand Drivers for Industrial Land

- **Local Serving Demand**
  - Driven by regional growth
  - Typically smaller parcel, few special site needs
- **External Market Oriented Demand**
  - Driven by broader economic growth and changes
  - Brings new investment to regional economy
  - Often need larger sites with specific site needs

- Regional industrial development varies considerably by year
- Larger developments about every 5 years

Building Square Feet Built on Industrial Zoned Parcels

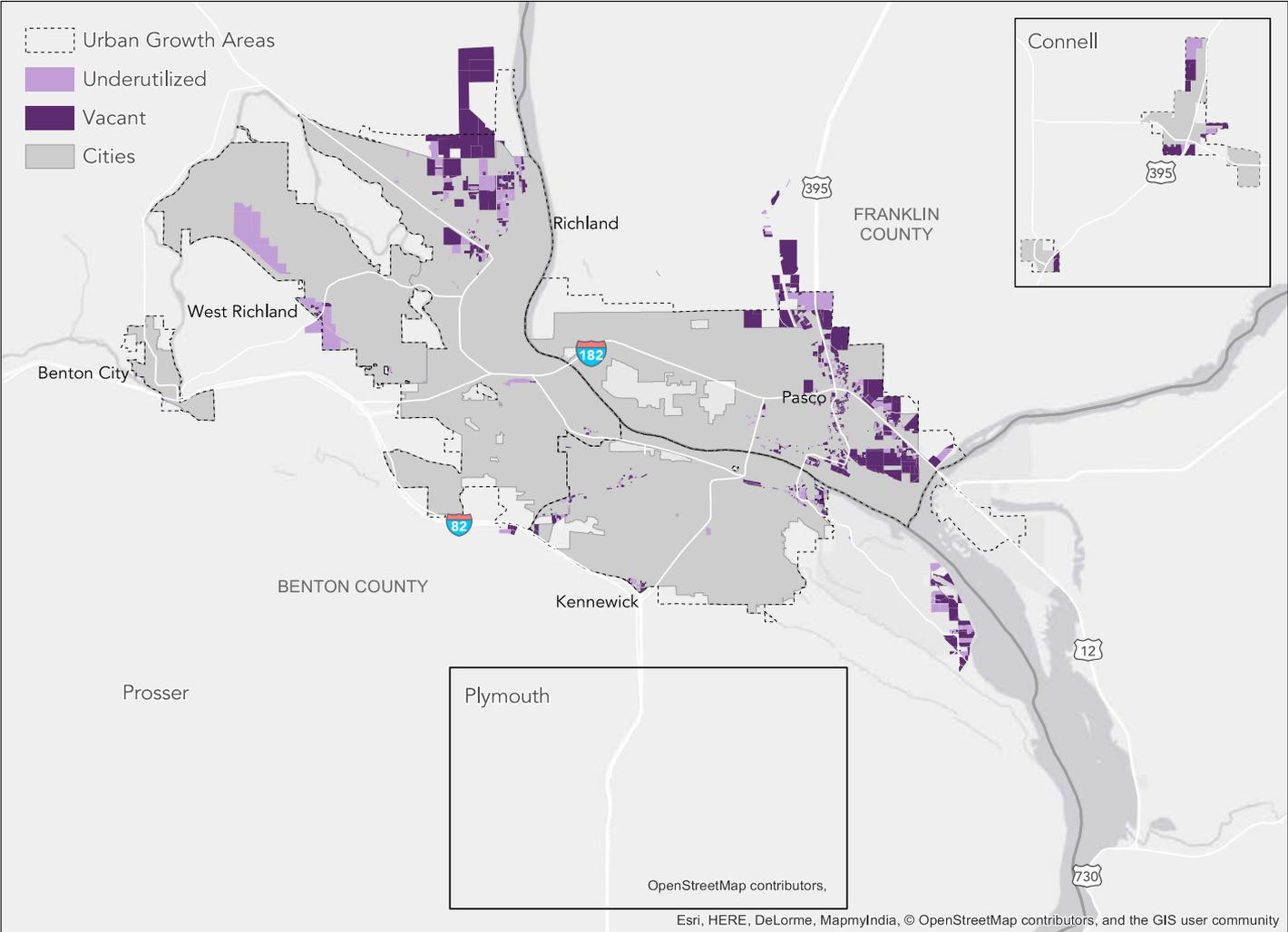


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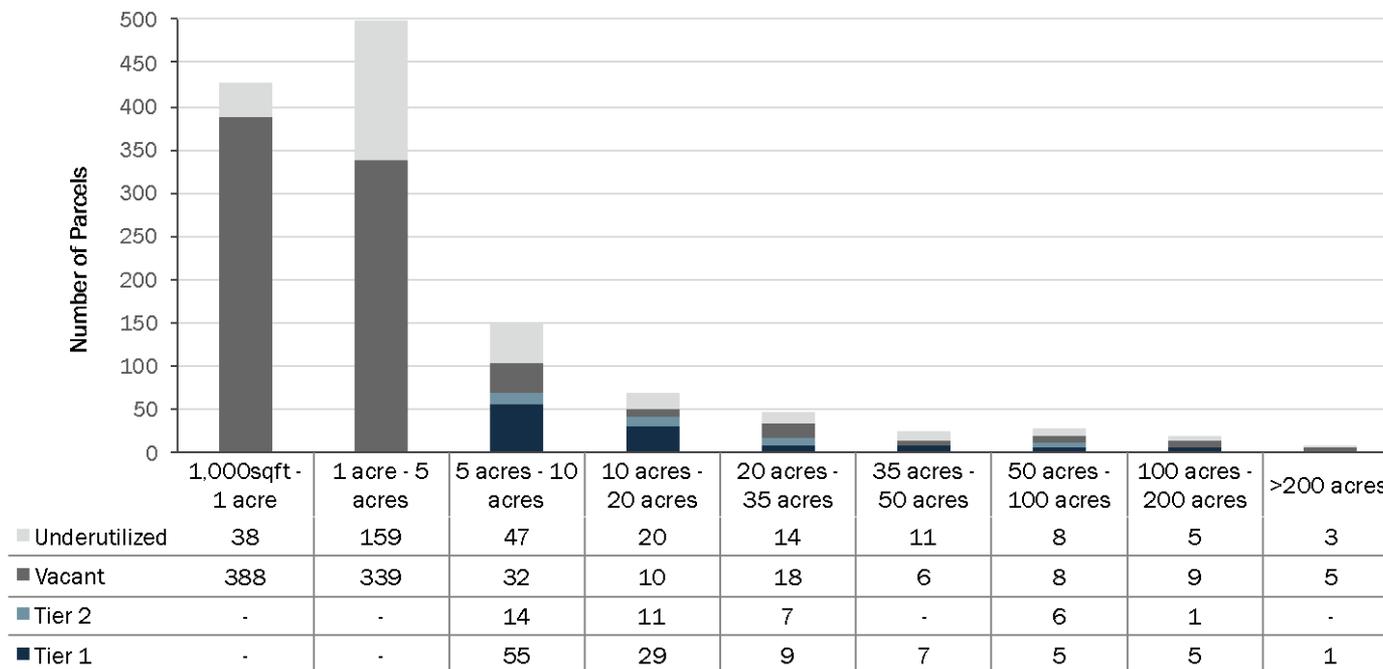
## Regional Industrial Zoned Land Supply

- In aggregate, there is a large amount of industrial zoned land in the region
- In Benton Co. much of that is not in UGAs

Status	West				Benton County	Franklin County	Total Region
	Kennewick	Richland	Richland	Pasco			
Developed	256	17	1,279	1,481	2,642	1,809	4,451
Public Exempt	136	26	1,810	3,563	3,242	4,265	7,507
Underutilized	138	988	553	434	2,998	1,297	4,295
Vacant	199	47	967	2,189	4,266	4,265	8,530
<b>Total</b>	<b>729</b>	<b>1,077</b>	<b>4,609</b>	<b>7,667</b>	<b>13,147</b>	<b>11,636</b>	<b>24,783</b>



- Most of the supply is in smaller parcels
- Limited larger, development ready sites



Portland



Eugene

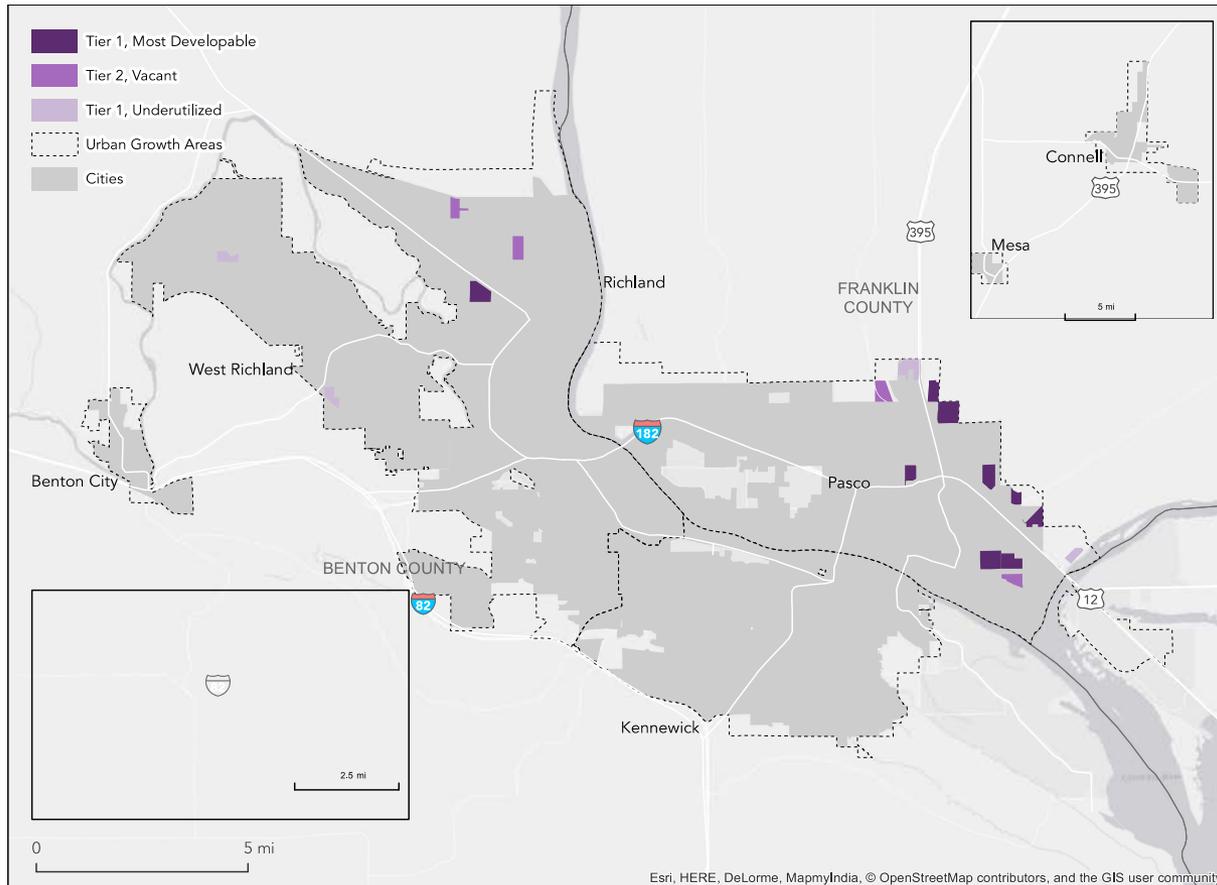


Seattle

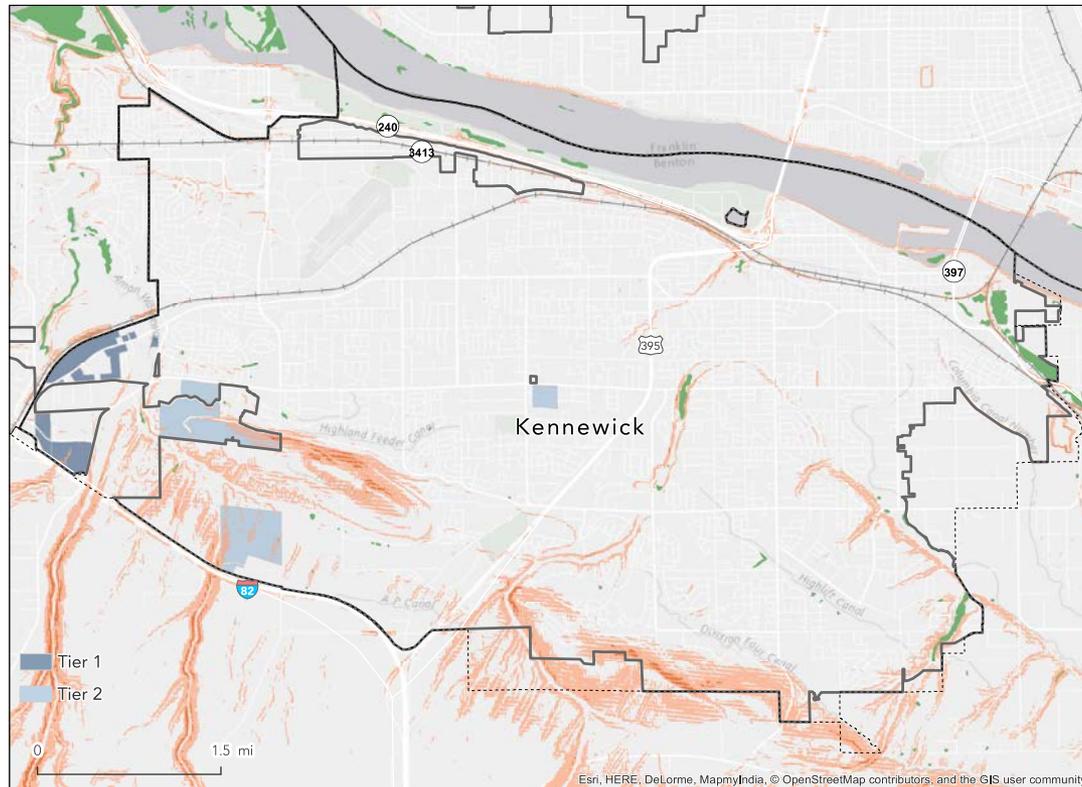


Boise

- Few large easily developable sites



- Kennewick has few sites that could accommodate larger industrial uses



## ■ Light Industrial

Criteria	Light Industrial
Site Size	0.5-5 acres
Highway Access	Preferred
Railroad Access	Not Required
Utilities	Water & Wastewater: Minimum line size 4 inches Electricity: No special requirements
Other Considerations	Yard space for storage

## ■ Food Processing

Criteria	Food Processing
Site Size	10-50 acres
Highway Access	Preferred
Railroad Access	Preferred
Utilities	Water & Wastewater: Minimum line size 10 inches Electricity: Minimum demand of 1.0 MW
Other Considerations	May need high volume of water and wastewater Yard space for storage

## ■ Distribution/ Warehousing

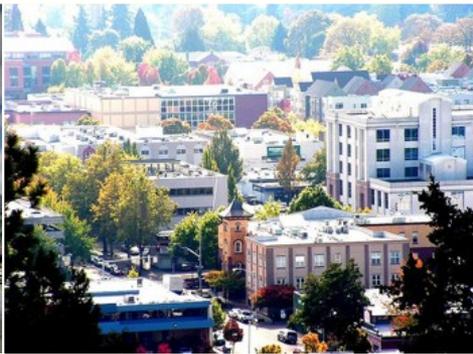
Criteria	Logistics
Site Size	20-200 acres
Highway Access	High Importance
Railroad Access	Preferred
Utilities	Water & Wastewater: Minimum line size 4 inches Electricity: Minimum demand of 0.25-1.0 MW
Other Considerations	Transportation routing

- In aggregate, there is a large supply of industrial lands in the Benton County
- Large competitive sites in the region are limited
- Kennewick no large industrial sites, and limited large sites regardless of zoning
- Demand for larger sites every 5 years on average
- The potential UGA expansion area would be competitive for industrial development
- However, UGA expansion is challenging

- Review Potential Options (to Include):
  - Partnerships
  - Coordination
  - Process Review
  - Legislative Opportunities



Portland



Eugene



Seattle



Boise

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# City of Kennewick

## Industrial Zoned Land Assessment

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September 30, 2016

**DRAFT REPORT**

For discussion only. Do not cite or quote.

**ECONorthwest**  
ECONOMICS • FINANCE • PLANNING

The Seattle Tower  
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Suite 1709  
Seattle, WA 98101  
206.388.0079

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# Acknowledgments

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For over 40 years ECONorthwest has helped its clients make sound decisions based on rigorous economic, planning, and financial analysis. For more information about ECONorthwest: [www.econw.com](http://www.econw.com).

ECONorthwest prepared this report for the City of Kennewick. ECONorthwest is responsible for the content of this report. The staff at ECONorthwest prepared this report based on their general knowledge of land use and economic development, and on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable. ECONorthwest has not independently verified the accuracy of all such information, and makes no representation regarding its accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.

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206.388.0079

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# 1 Executive Summary

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This memorandum summarizes the Industrial Zoned Land Assessment. The Assessment analyzes the demand for industrial land in the Tri-Cities region and documents the current supply of developable industrial land within the region. Lastly, the competitive assessment evaluates the specific industrial users Kennewick is best positioned for and the specific site needs of those uses. The assessment and findings in this memorandum will inform the City of Kennewick as it updates its comprehensive plan and develops a strategy for meeting its economic development goals.

## Demand

The demand for industrial space in the Tri-Cities region will vary depending on the year and broader economic trends affecting the region. However, there are two factors that drive demand for industrial zoned land: local growth and production, and distribution to external markets.

- **Local serving demand** is generated through population and employment growth in the region. As the region grows, consumption increases, which in turn creates a need for more products and services. This growth drives demand for more industrial space within the region.
- **External oriented demand** is generated by the need to serve the larger state and even global economy to produce, store, and transport goods. Because the source of this demand is external from the local economy, demand for industrial space locally will only be realized if local sites have a comparative advantage over other locations. As a result, the industrial lands supply and other factors, such as the cost of electricity or tax policy, play an important role in shaping external oriented demand for industrial space.

Local demand factors for industrial land users have been strong over the last 10 to 20 years. The Tri-Cities region has realized strong population growth over the last 20 years averaging an annual growth rate of 2.4 percent. In conjunction with the population growth, 22,000 jobs were added to the Tri-Cities region from 2006-2015, an average annual growth rate of 2 percent. Industrial-related employment, specifically, grew steadily over the last ten years at a faster rate than the regional average for all sectors. However, employment at the Hanford site decreased by over 2,800 jobs in the 2012 fiscal year, which corresponded with a drop in total employment for the region.

Regional exports are an indicator of local sectors in the regional economy that are the primary drivers of external oriented demand for industrial land. The largest export industries in the region are manufacturing; agriculture, forestry, and fishing; and information and technology. Total exports in the Benton and Franklin Counties increased from 2003-2014. Since 2011, annual exports have been relatively flat. However, other macroeconomic factors, such as globalization and technological changes are also creating significant changes in economic conditions for manufacturing, warehousing, and transportation-related businesses that are creating

opportunities for growth. Some changes that are most likely to have implications for the Tri-Cities include:

- Growing markets for domestic products and exports, particularly agriculture and value added agriculture products, such as wine in the Tri-Cities area.
- The growth in e-commerce and competition to reduce delivery times, especially in proximity to major population centers, such as the Puget Sound and Portland metropolitan areas.
- Technological advances leading to more specialized needs in manufacturing and productivity increases. The Tri-Cities area is well positioned to capitalize on existing assets in the region, particularly the Pacific Northwest National Laboratory (PNNL) and the new Northwest Regional Manufacturing Center, also at PNNL.

The growth of these drivers of demand is reflected in industrial real estate trends in the region. The region overall, as well as Benton County, have had positive, but modest increases in the industrial space built and occupied over the last 10 to 15 years. Based on Benton and Franklin County assessor data, region has averaged about 360,000 square feet of new industrial buildings area a year. The amount and type of space built each year varies considerably. Roughly every five years the region realizes a much larger development requiring parcels of 20 acres or more. Larger site users are more likely to be external market oriented businesses, such as a distribution facility.

Future demand for industrial land within the Tri-Cities region will be driven by employment growth related to local serving and external market serving sectors. However, external oriented industrial jobs are not as easy to project at the local level and do not grow at a steady rate. To estimate how much industrial land the region may need over the next 20 years, ECONorthwest used a few different approaches. The first extended the region’s average development trend of 360,000 square feet of building construction a year, and varied the density of development. The second extended the region’s average industrial employment growth and also varied the density of growth. As shown in Exhibit 1, the total acres needed over the next 20 years could range from 500 to over 2,000 acres depending on the method.

**Exhibit 1. Projected Industrial Land Acres Needed**

Method	Assumed Annual Growth	Assumed Density	Annual Acres Developed	10-year Total Acres Developed	20-year Total Acres Developed
<b>Development</b>	360,000 <i>Building SF</i>	0.07 <i>FAR</i>	118	1,181	2,361
<b>Trend</b>	360,000 <i>Building SF</i>	0.15 <i>FAR</i>	55	551	1,102
<b>Employment</b>	370 <i>Industrial Jobs</i>	5.00 <i>Emp/Acre</i>	74	740	1,480
<b>Trend</b>	370 <i>Industrial Jobs</i>	15.00 <i>Emp/Acre</i>	25	247	493

Source: Benton County, Franklin County, Washington Employment Security Department, ECONorthwest

## Supply

The supply analysis conducted an inventory of industrial land in the Benton and Franklin Counties to determine how much industrial zoned land is built, and how much is available for development. Overall, there are a total of almost 24,000 acres zoned for industrial use in the Tri-Cities region. The largest share (34 percent) of the industrial zoned land in the region is vacant industrial land. Most of the vacant acres are outside the city limits of the largest cities in the region, although Pasco has almost 2,200 acres of vacant industrial land.

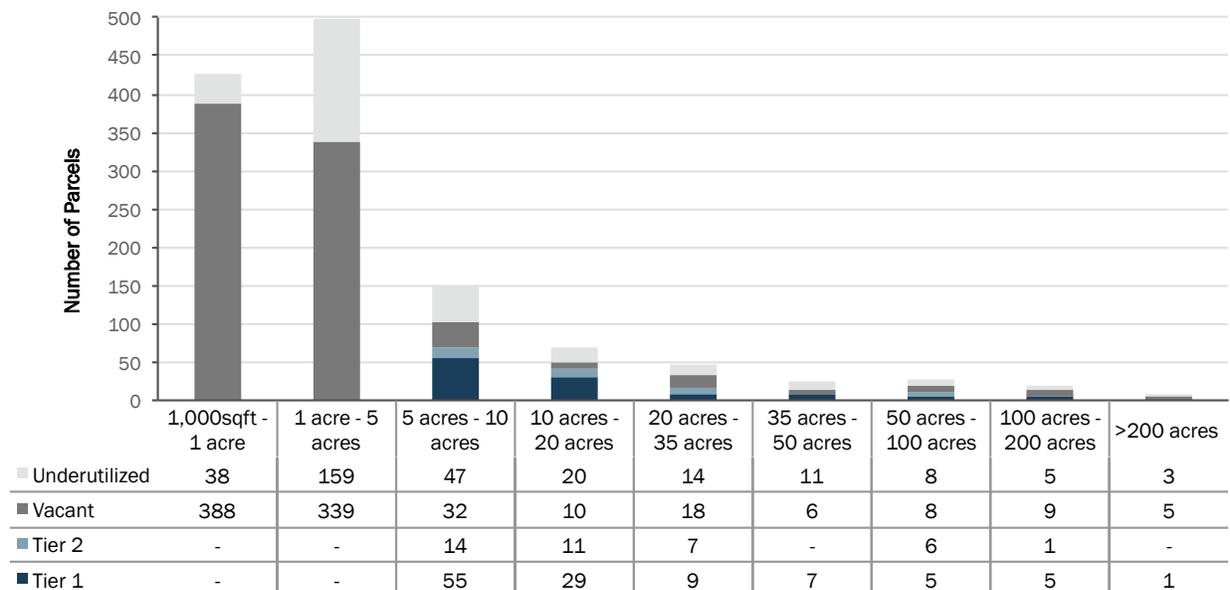
**Exhibit 2. Industrial Zoned Land Supply by Development Status**

Status	West				Benton County	Franklin County	Total Region
	Kennewick	Richland	Richland	Pasco			
Developed	256	17	1,279	1,481	2,642	1,809	4,451
Public Exempt	136	26	1,810	3,563	3,242	4,265	7,507
Underutilized	138	988	553	434	2,998	1,297	4,295
Vacant	199	47	967	2,189	4,266	4,265	8,530
<b>Total</b>	<b>729</b>	<b>1,077</b>	<b>4,609</b>	<b>7,667</b>	<b>13,147</b>	<b>11,636</b>	<b>24,783</b>

Source: Benton County, Franklin County, ECONorthwest

In aggregate, the region has a large amount of vacant or underutilized industrial zoned land. However, there are few large, desirable sites for ready for development in the region. ECONorthwest categorized most development ready and the most attractive for new industrial development sites into two tiers. Tier 1 sites are the most desirable (vacant, over five acres, within a half mile of a highway, no development constraints, and within an urban service area). Tier 2 sites include those with the same characteristics as Tier 1, but it also includes sites up to one mile from a highway and underutilized sites.

**Exhibit 3. Developable Industrial Parcels by Size and Tier**



Source: Benton County, Franklin County, ECONorthwest

At total of 11 parcels over 50 acres in the region meet criteria for Tier 1. Only seven additional parcels met the criteria for Tier 2. Most of these parcels are within the City of Pasco, and only one Tier 1 parcel and four Tier 2 sites are within Benton County.

## Conclusions

Over the next 20 years, there will likely be continued demand for industrial lands within the region for a variety of different industrial land users. However, in aggregate, there is enough developable industrial zoned land to accommodate several decades of growth. Not all industrial land is the same or equally competitive for high value industrial lands users. The region has several large Tier 1 sites, but not an abundant number of sites that are the most attractive for these uses, and Benton County only has a few.

Key findings from 3 Square Block's Policy and Regulatory Review noted that economic development objectives alone do not justify the expansion of an urban growth area under the Growth Management Act. The jurisdiction need to show that there is a need for additional land in the UGA to support future growth tied to the City's population projection. The next phase of the Industrial Zoned Land Assessment is to develop a comprehensive plan strategy for expanding the UGA, and any ultimate strategy will need a countywide approach and require coordination and communication with Benton County in the future.

## 2 Background

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The City of Kennewick aims to develop land use policies that will position the City and the Tri-Cities region to support economic opportunities across a diverse group of industries. The City's previous attempt to expand its urban growth area (UGA) for ensuring an adequate supply of industrial land was appealed and eventually denied by the Eastern Washington Growth Management Hearings Board. One of the Hearings Board's key conclusions in its decision was that the City did not document the need to expand the UGA for additional industrial land or how much land was needed. To better understand the City's industrial land needs and the supply of land available, the City of Kennewick has contracted with ECONorthwest to conduct an industrial land study for the City.

As part of the study, this memorandum provides an analysis of the market for industrial uses and a documentation of the current supply of developable industrial lands within the region. This analysis will inform the City as it updates its comprehensive plan and develops a strategy for meeting its economic development goals. The remainder of the memorandum highlights the findings of the industrial land market analysis, which include the following four sections:

- **Demand Assessment.** This assessment examines the economic drivers and trends of industrial development in the Tri-Cities region in order to evaluate the demand for industrial lands.
- **Supply Analysis.** This analysis inventories industrial land in Kennewick to determine the current supply, and the characteristics of the buildable parcels, such as size, infrastructure availability, and slope to determine the compatibility of supply and demand for industrial land.
- **Competitiveness.** This section assesses Kennewick's position for different types of industrial development and their sites needs, and whether Kennewick has the land supply to accommodate these uses.
- **Conclusion.** The final section of this memorandum summarizes the conclusions from the industrial land market analysis and discusses the implications for Urban Growth Area (UGA) expansion as well as Kennewick's development goals.

## 3 Demand Analysis

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The Demand Assessment looks at the economic drivers of industrial-related uses in Kennewick as well as the Tri-Cities region. These drivers include regional changes in population, export production, and technology that leads to the growth and location of new businesses in the region, or the expansion of businesses currently in the area. The assessment then looks at real estate trends, which typically lag changes in demand, to determine the type and amount of land needed in the region.

### 3.1 Drivers of Industrial Land Demand

Demand for industrial space is primarily driven by two factors: local growth and production, and distribution to external markets.

- **Local serving demand** is generated through population and employment growth in the region. As the region grows, consumption increases, which in turn creates a need for more products and services, such as wholesale trade to supply local businesses, construction to build more buildings, and transportation and storage to move and store those goods. This growth drives demand for more industrial space within the region.
- **External oriented demand** is generated by the need to serve the larger state and even global economy to produce, store, and transport goods. Because the source of this demand is external from the local economy, demand for industrial space locally will only be realized if local sites have a comparative advantage over other locations. As a result, the industrial lands supply and other factors, such as the cost of electricity or tax policy, play an important role in shaping external oriented demand for industrial space.

Industrial land users that serve these two sources of demand have different land and site needs. Local-serving businesses are serving a smaller market and likely to need less space. These businesses are also likely less dependent on regional transportation infrastructure, such as railroads or freeways. External oriented businesses can have a variety of needs, but they are more likely to need more space, large amounts of electricity and water, and proximity to highways, railroads, airports, and/or water ports.

In addition to bringing new investment and dollars to the regional economy, external oriented businesses typically employ a larger number than local serving industrial uses, which makes them attractive for economic development purposes. Realizing even one or two externally oriented businesses will have sizable economic benefits for the region. In addition, industrial development is attractive in the long run because it provides secure and long-term jobs as well as a steady source of tax revenue.

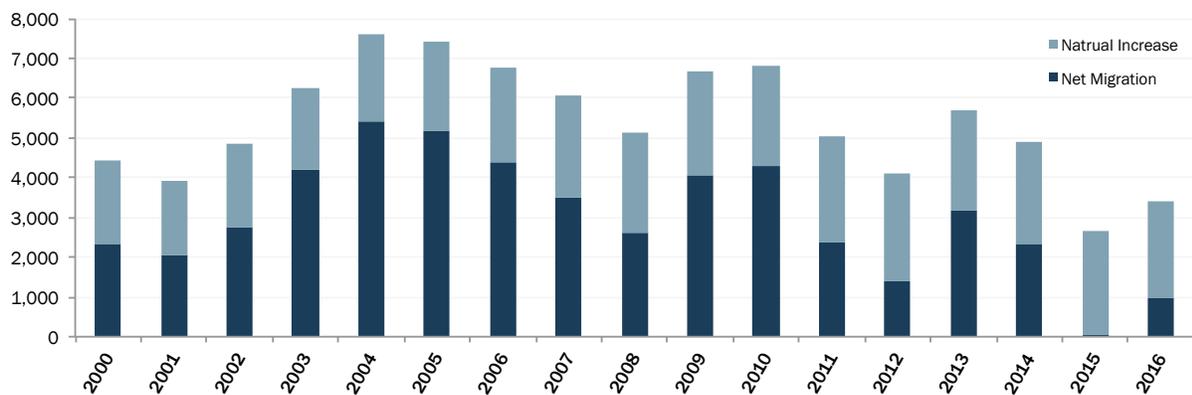
## Local Demand Factors

This section looks at the factors generating local serving demand for industrial land, including population and economic trends in the region.

### Population

The Tri-Cities region (Benton and Franklin Counties) has realized strong population growth over the last 20 years, averaging an annual growth rate of 2.4 percent. Much of that growth occurred in the mid 2000's, but population growth has slowed since 2010. 2015 was the first year in 20 years where net migration was negative—more people moved out of the region than to the region.

**Exhibit 4. Benton and Franklin County Annual Population Growth, 2000-2016**

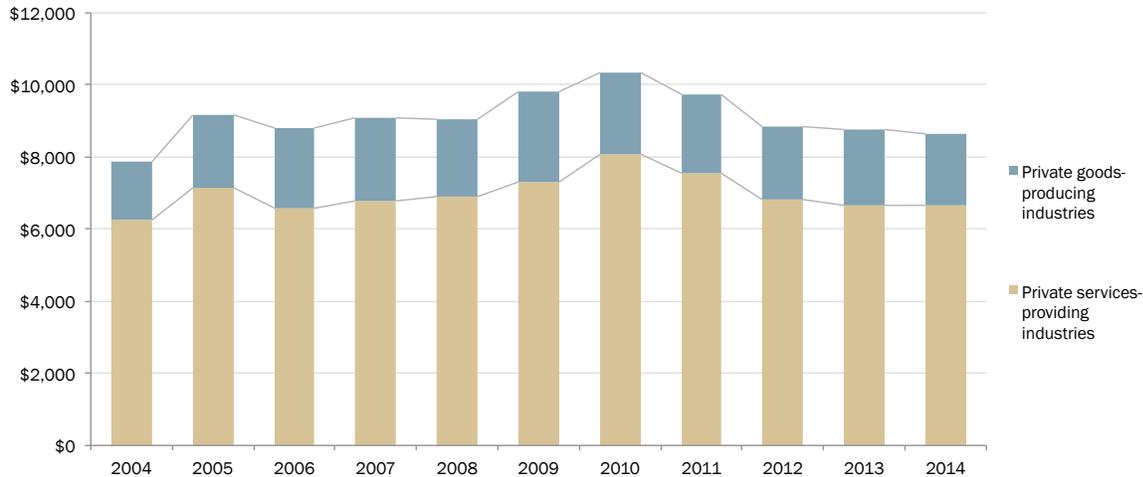


Source: Washington Office of Financial Management

### Gross Domestic Product (GDP)

The economy of the Tri-Cities region is primarily a service-based economy. Goods-producing industries (such as manufacturing) make up less than 25 percent of the total economic output. Exhibit 5 shows the trend of GDP in 2016 inflation-adjusted dollars. While the Tri-Cities economy was not severely affected by the recession in 2008, total output declined from \$10.3 billion in 2010 to \$8.6 billion in 2014.

**Exhibit 5. Kennewick-Richland Regional Gross Domestic Product (2016\$), 2004-2014**

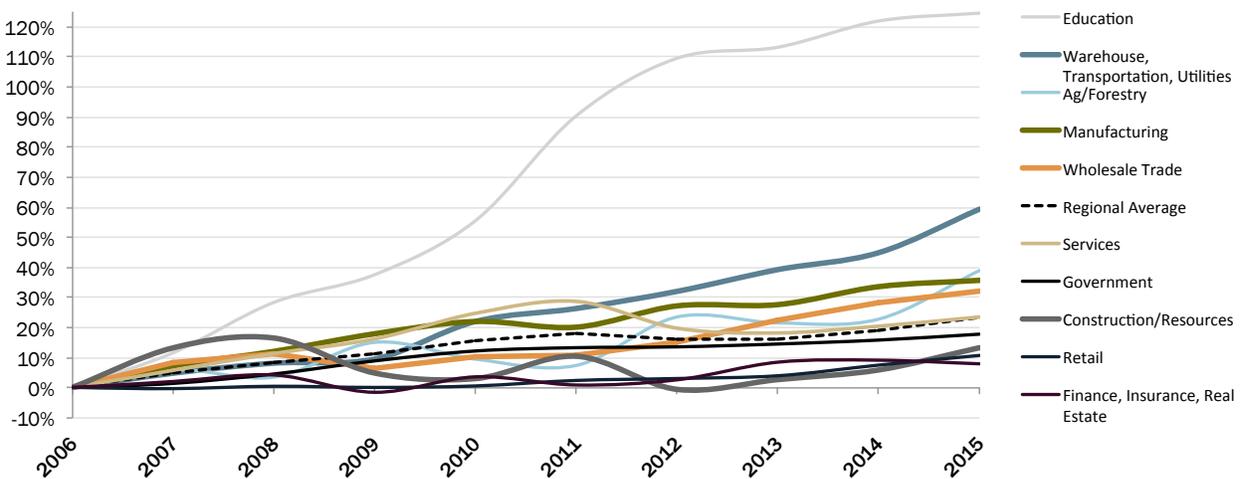


Source: Bureau of Economic Analysis

### Employment

Employment in the Tri-Cities region increased from 2006-2015 by over 22,000 jobs with an average annual growth rate of 2.0 percent. All industries experienced positive employment growth by the end of the 10-year period. However, from 2011 to 2014 employment slightly declined. Education, while small in total numbers, grew the most in the region. Warehousing, transportation, and utilities; manufacturing; wholesale trade (the main users of industrial land); and agriculture all grew faster than the regional average. Employment in the retail and finance, insurance, and real estate sectors grew the least.

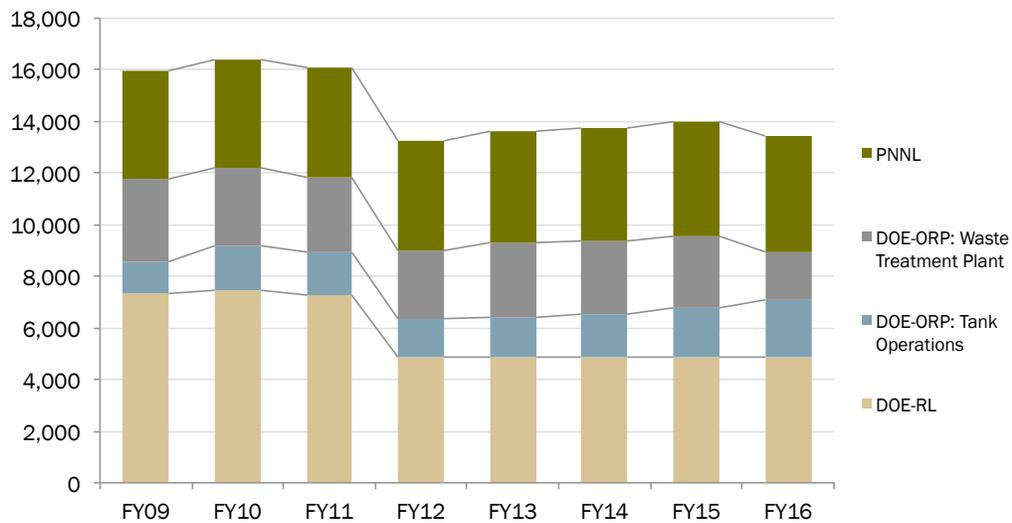
**Exhibit 6. Benton and Franklin Counties Cumulative Percent Employment Growth by Sector**



Source: Washington State Employment Security Department

While total employment increased over the last ten years, employment at the Hanford Site decreased by over 2,800 jobs in the 2012 fiscal year. This decrease is likely the cause for the region-wide decline in employment from 2012 and 2013. It may also be what led to the decrease in regional GDP shown in Exhibit 5.

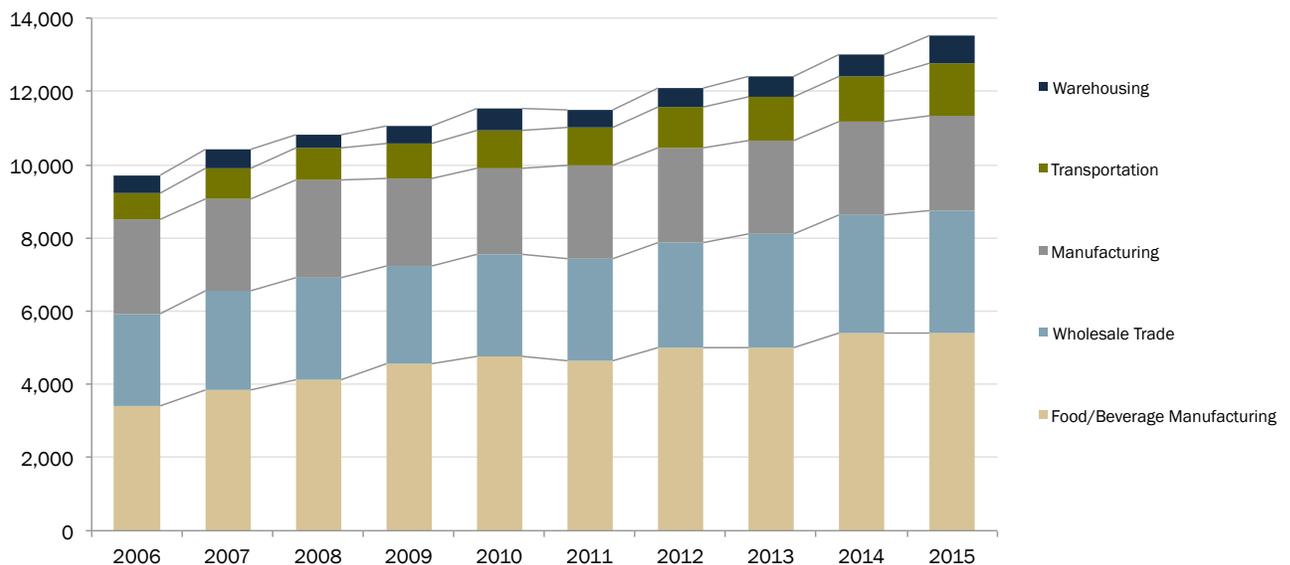
**Exhibit 7. Hanford Site Employment, Fiscal Year 2009 to Fiscal Year 2016**



Source: TRIDEC

Industrial-related employment steadily grew over the last ten years at a faster rate than the regional average for all sectors. However, in 2015 industrial sector employment still accounted for less than 12 percent of total employment in the region. Exhibit 8 shows that food and beverage manufacturing employs the most people in industrial-related jobs. It also added 2,009 jobs from 2006-2015, which was the highest growth in the industrial sector. Wholesale trade employs the second most people and was the second fastest growing industrial-related sector.

**Exhibit 8. Benton and Franklin Counties Industrial Sector Employment**

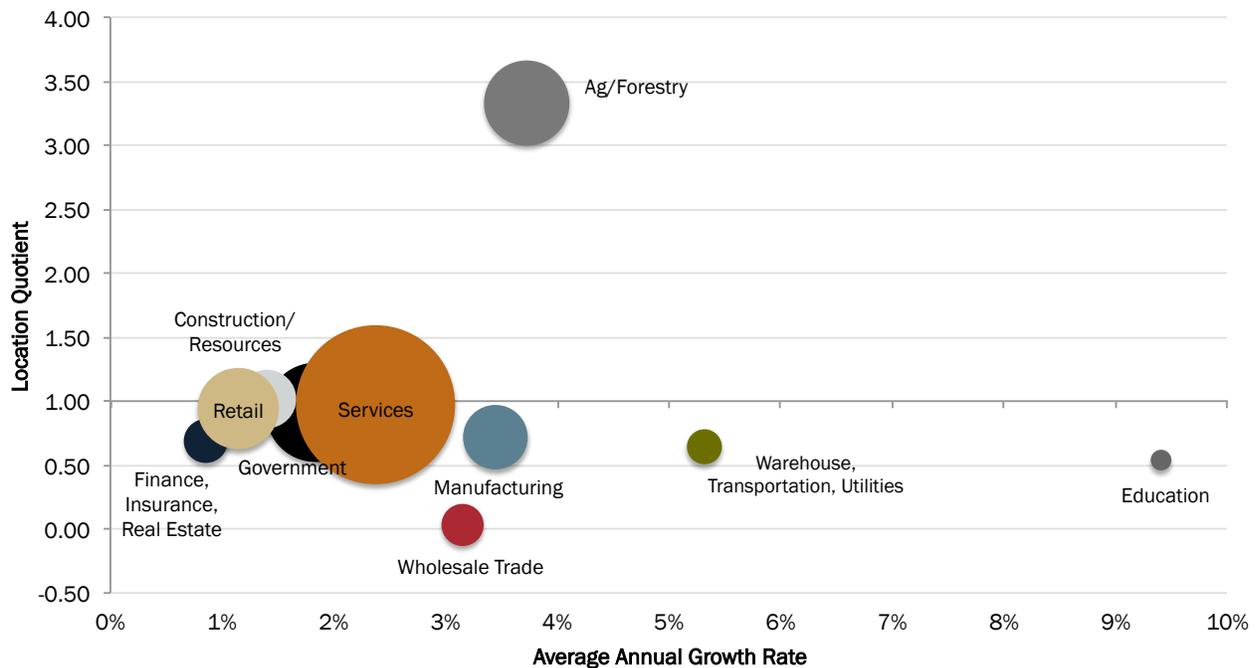


Source: Washington State Employment Security Department

Exhibit 9 shows local concentration of jobs by sector (location quotient) along with measures of industry size and average annual employment change in the Tri-Cities region. Location

quotients measure the concentration of jobs in a sector compared to the statewide average. A value of 1.0 signifies that the sector possesses the same level of employment concentration as the state. Values above 1.0 are more concentrated than the state average. The size of the bubble represents the number of jobs within that sector. Sectors with sizable employment and higher than average concentration, represent strengths for the region. Fast growing sectors, even if they are not very large, represent potential opportunity areas.

**Exhibit 9. Benton & Franklin Counties Employment Concentration and Change by Sector, 2006-2015**



Source: Washington State Employment Security Department

In the Tri-Cities region, the largest sectors—services and government—have a similar concentration as the state and are growing at a rate of one to three percent a year, indicating they are the base of the regional economy. The agriculture sector is a strength in the Tri-Cities; it is much more concentrated relative to the state and is growing at a rate of 3.7 percent per year. Education; manufacturing; wholesale trade; and warehousing, transportation, and utilities are also growing at a rate of more than three percent a year, but are smaller sectors and less prevalent in the Tri-Cities compared to the state. Much of the growth in food manufacturing; wholesale trade; and warehousing, transportation and utilities may be related to growth and prevalence of the agriculture sector in the Tri-Cities.

### External Oriented Demand Drivers

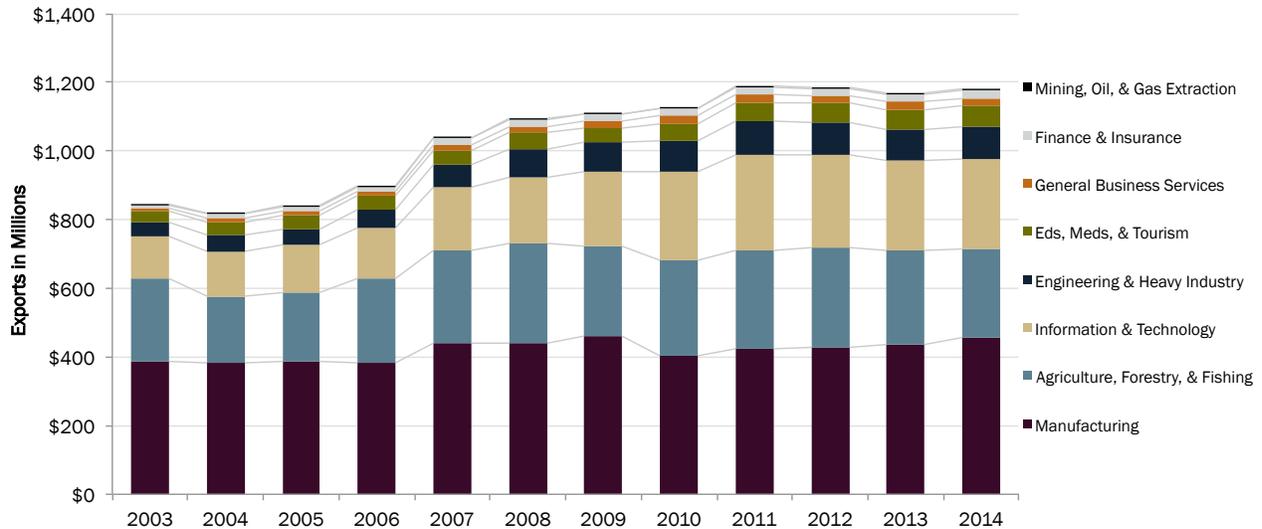
This section looks at the external market drivers demand for industrial land in the region. At a macroeconomic level the national and state economies have shifted toward service-oriented economies over the last several decades. The transition away from good-producing economies means that manufacturing’s share of the economy has declined due to increasing globalization and technological advancement. However, globalization and technological changes are also

creating significant changes in economic conditions for manufacturing, warehousing, and transportation-related businesses that are creating opportunities for growth. Some changes that are most likely to have implications for the Tri-Cities include:

- Growing markets for domestic products and exports, particularly agriculture and value added agriculture products, such as wine in the Tri-Cities area. This growth also generates the need to store, process, and transport these products.
- The growth in e-commerce and competition to reduce delivery times, especially in proximity to major population centers. This also generates a need for more storage, distribution, and transport facilities, particularly for locations with access to major population centers, which includes the Tri-Cities.
- Technological advances leading to more specialized needs in manufacturing and productivity increases. These advancements are requiring higher skilled workers for manufacturing jobs. The Tri-Cities area is well positioned to capitalize on existing assets in the region, particularly the Pacific Northwest National Laboratory (PNNL) and new assets such as the Northwest Regional Manufacturing Center, also located at PNNL, which will focus on regional energy-intensive manufacturing industries including food processing, advanced materials, metals processing, and wood products.

Regional exports are an indicator of local sectors in the regional economy that are the primary drivers of external oriented demand for industrial land. Exhibit 10 shows total exports in inflation-adjusted dollars from Benton and Franklin Counties. The largest export industries are manufacturing; agriculture, forestry, and fishing; and information and technology. Total exports increased from 2003-2014. However, the manufacturing and agriculture, forestry, and fishing sectors declined with the recession in 2008 and have not reached their pre-recession levels. These decreases were offset by the Information and Technology and Engineering and Heavy Industry sectors, which increased steadily until peaking in 2011. Since 2011, exports have slightly declined.

**Exhibit 10. Benton and Franklin County Exports by Industry in Real Dollars, 2003-2014**



Source: Brookings Export Monitor

Note: Exports measure in millions of 2014\$

Within the Manufacturing sector, chemical manufacturing and food manufacturing are the largest subsectors. However, exports for the chemical manufacturing subsector declined over the time period. Beverage and Tobacco Products subsector, also within Manufacturing, grew the most of any subsector from 2003 to 2014. Engineering Services within the Engineering and Heavy Industry sector grew the second most.

### 3.2 Real Estate Market Trends

Real estate market trends provide an understanding of demand for and utilization of industrial buildings in the local area overtime. This section looks at several key measures of market trends including square feet built, the absorption of industrial space (the difference between building area occupied minus building area vacated), the average rent for industrial space, and vacancy rates.

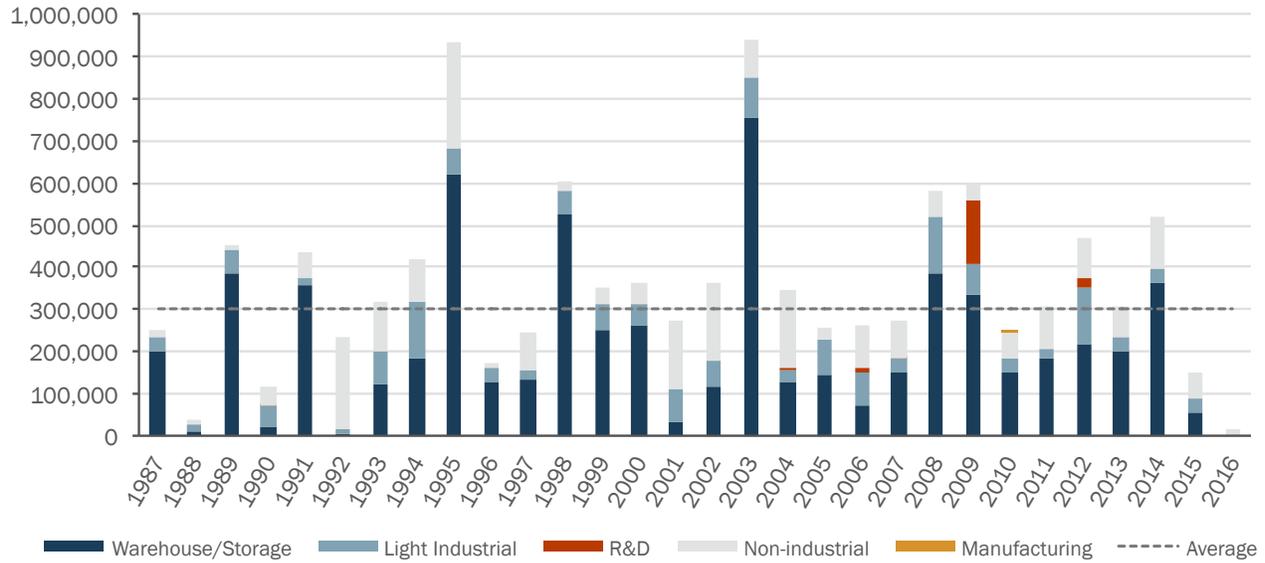
The analysis used two sources of data. Data for the square feet of constructed industrial buildings is based on Benton County Assessor data. Year built and building square feet information was not available for Franklin County parcel data. Absorption, rents, and vacancy rates are from CoStar, a real estate company that conducts a survey of properties overtime to track market changes.

Benton and Franklin County averaged 300,000 square feet of new building area per year on industrial zoned land in the last 20 years. However, the amount and type of space built each year varies considerably.

Exhibit 11 shows the total building area constructed on industrial zoned land by year. The vast majority of space constructed was for warehousing and storage uses. A large distribution warehouse constructed in Richland in 2003 resulted in a large spike in total square feet

constructed. The type of building developed also varies by year. For example, over 145,000 square feet of research and development (R&D) space was built in 2009, which accounts for almost all of the R&D space built in the last 20 years on industrial zoned land.

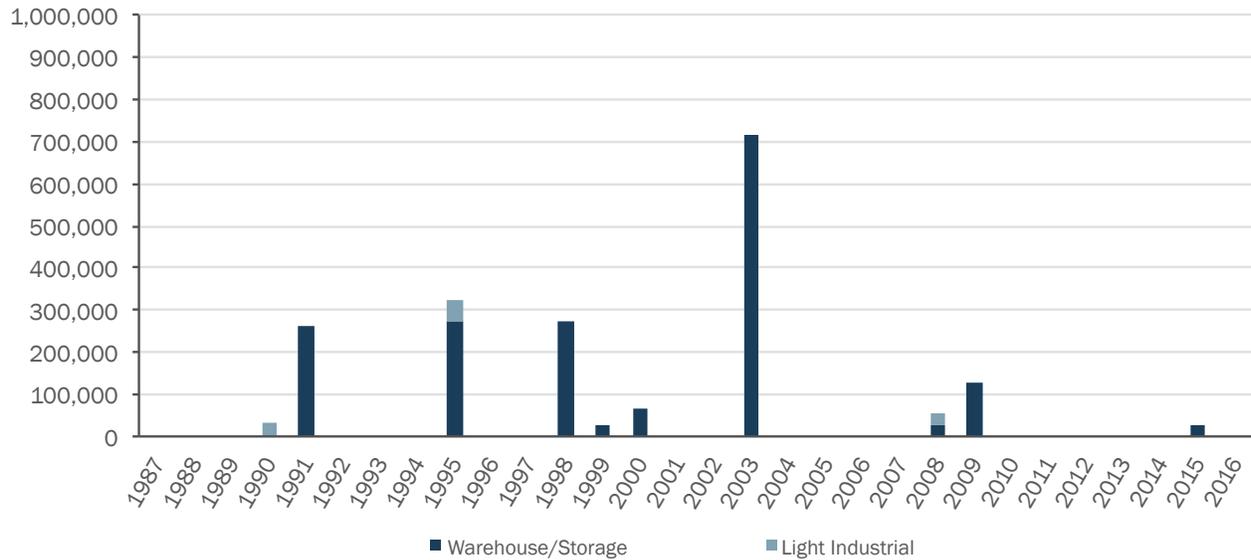
**Exhibit 11. Benton and Franklin County Industrial Building Square Feet Constructed on Industrial Zoned Parcels**



Source: Benton County, Franklin County, ECONorthwest

Exhibit 12 shows the larger developments that occurred in the region. The chart shows only buildings over 20,000 square feet in size built on parcels 20 acres or larger. Roughly every five years the region realizes one or two larger development requiring larger sites. Note, not shown in the chart is AutoZone’s planned distribution and maintenance facility in Pasco, which is over 440,000 square feet on a 93-acre parcel and would fit in this category of larger developments.

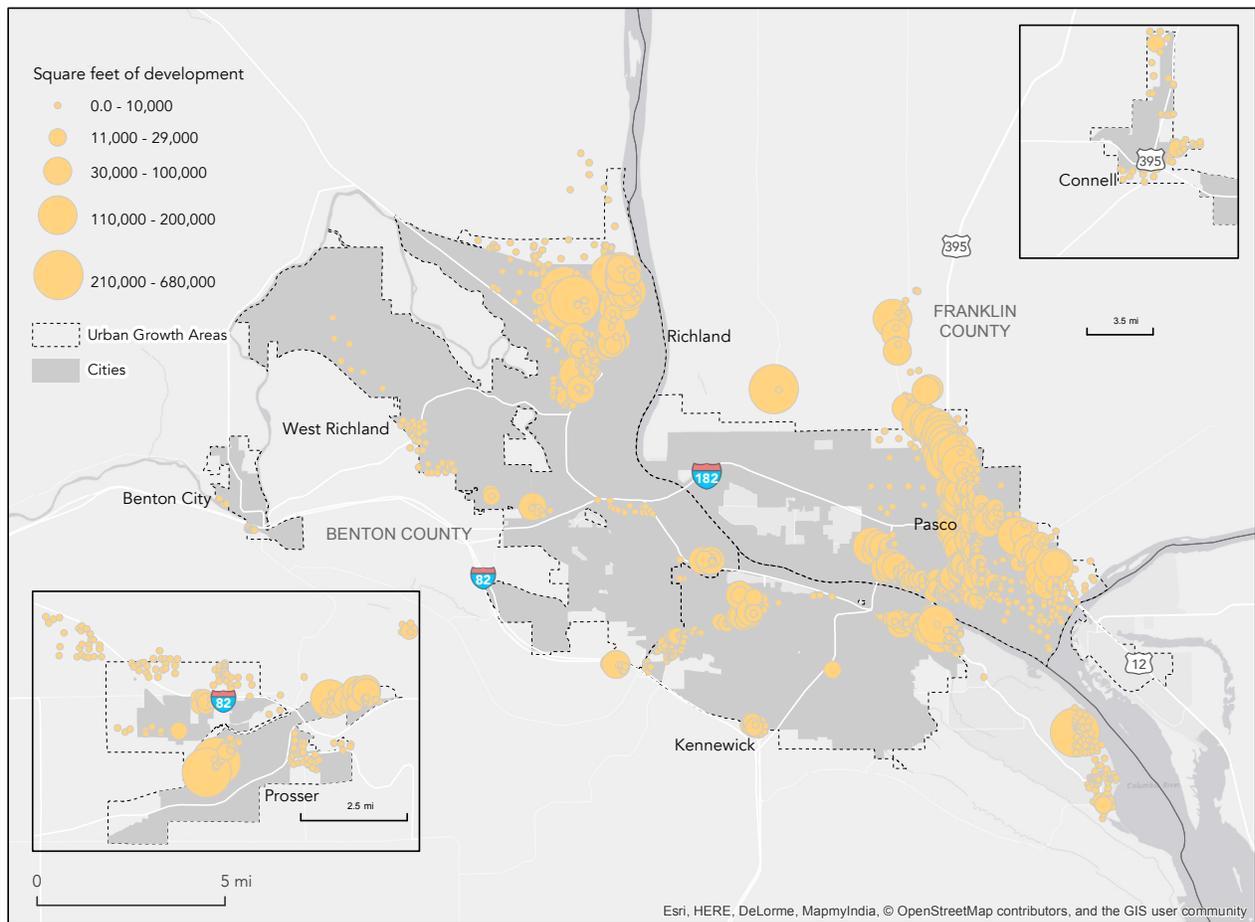
**Exhibit 12. Benton and Franklin County Industrial Buildings Larger than 20,000 Square Feet Constructed on Parcels Larger than 20 acres**



Source: Benton County, Franklin County, ECONorthwest

Most of the region’s 11.5 million square feet of industrial built space, almost 62 percent, is in Franklin County, and almost all of that space is in Pasco. Exhibit 13 depicts the location and size of industrial buildings within the Tri-Cities region. Within Benton County, Richland has the most industrial built square feet.

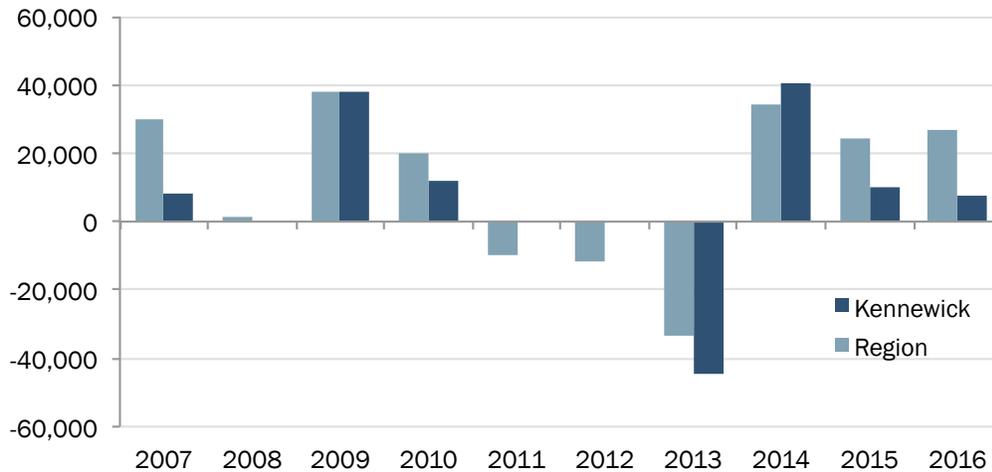
### Exhibit 13. Industrial Buildings By Size



Source: Benton County, Franklin County, ECONorthwest

Based on CoStar’s survey of about 60 properties accounting for over one million square feet of industrial space, absorption of industrial space fluctuated for both Kennewick and the region from 2007 through 2016 as seen in Exhibit 14. In 2013 over 40,000 more square feet was vacated than occupied, which resulted in the sharp increase in average vacancy shown in Exhibit 15. Overall, the region has a modest demand for industrial building space each year with a net need not exceeding 40,000 square feet in the last 10 years.

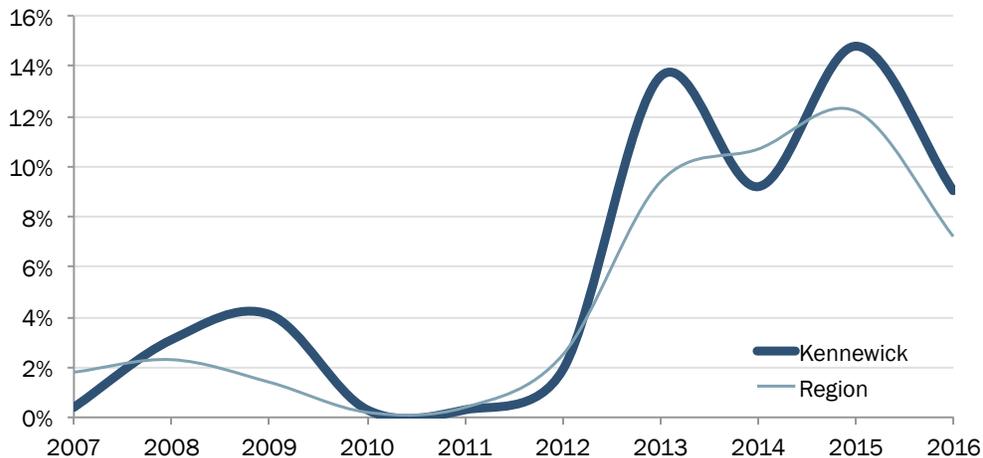
#### Exhibit 14. Net Absorption SF Total



Source: CoStar

Vacancies increased over the 10-year period. Kennewick's vacancies trends closely mimic those of the Tri-Cities region, although Kennewick's were typically slightly higher throughout this period. Vacancies were relatively low from 2007 to 2012 at less than five percent. For both Kennewick and the region, average vacancies increased dramatically in 2013, but have since decreased to nine percent and seven percent, respectively.

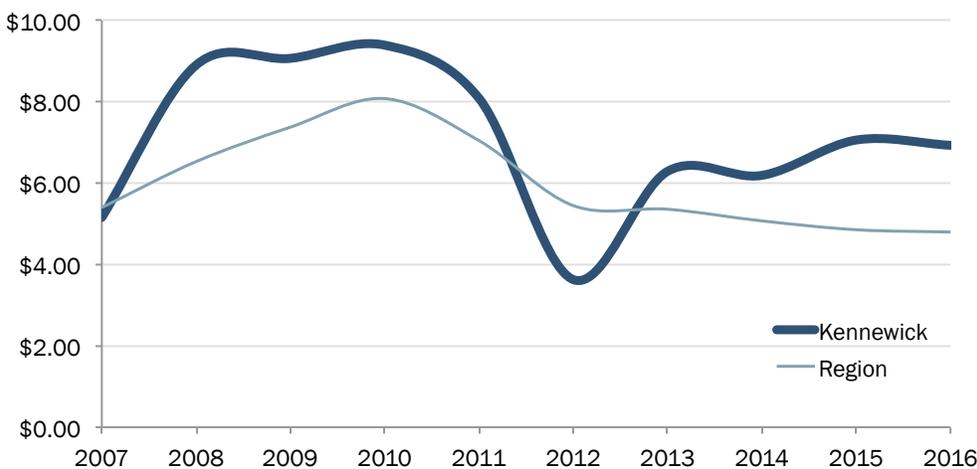
#### Exhibit 15. Average Industrial Vacancy Rate



Source: CoStar

Adjusted for inflation, average rents in Kennewick have increased since 2007 while rents region-wide have decreased slightly. Overall, rents fluctuated widely during the last 10 years, particularly from 2011 to 2013. Exhibit 16 compares the 10-year rent trends of Kennewick to the Tri-Cities region as a whole.

**Exhibit 16. Average Industrial Rent per Square Foot (Triple-Net Rents, 2016\$)**



Source: CoStar

Overall, these real estate trends reflect the trends seen in the local demand factors. The region is growing at a steady pace, and Benton County has had positive, but modest increases in the industrial space built and absorbed over the last 10 to 15 years. Notably, the region has not realized much growth since 2012 due to the decline in employment at the Hanford site, which is reflected in population, employment, GDP, and exports. Industrial real estate market trends reflect this slowdown; new industrial development has been minimal, vacancies increased, and rents slightly declined.

### 3.3 Future Demand

Future demand for industrial land within the Tri-Cities region will be driven by employment growth related to local serving and external market serving sectors. The amount and type of industrial related future job growth will affect the region's industrial land needs. Local-serving industrial land uses track with overall regional growth. However, demand for external oriented industrial land uses in the region is affected by a number of different market factors, including the supply of readily developable sites that meet the specific user's needs. As a result, external oriented industrial jobs are not as easy to project at the local level and do not grow at a steady rate.

#### Employment Growth

The Washington Employment Security Department (ESD) makes employment projections for the state and regions within the state for five and ten years. ESD's most recent projections for 2014 to 2024 for Benton and Franklin Counties project somewhat slower job growth compared to what the region experienced for the last ten years. ESD's projections assume a future annual average growth rate of 1.3 percent for all non-farm employment. In comparison, the regional employment grew at a rate of 2.3 percent from 2006 to 2015. ESD's projections also include sector-specific breakdowns. Exhibit 17 compares ESD's projected job growth for manufacturing, wholesale trade, and transportation and warehouse employment in Benton and Franklin

Counties compared with the straight line trend based on the actual growth those sectors realized over the previous ten years.

**Exhibit 17. Benton and Franklin County 10-Year Projected Industrial Sector Employment Growth**

<b>Industrial Sector</b>	<b>ESD Projected Growth</b>	<b>Region 10-Year Trend Estimate</b>
Manufacturing	600	2,054
Wholesale Trade	600	811
Transportation and Warehousing	400	855
<b>Total</b>	<b>1,600</b>	<b>3,721</b>

Source: Washington Employment Security Department, ECONorthwest

ESD projects 1,600 additional industrial jobs over the next ten years, while a continuation of historical trends would result in over 3,700 industrial jobs. This comparison shows the potential wide range of future employment growth depending on the method. This variability in future employment growth for industrial jobs also translates to industrial land needs.

**Land Needs**

Over the last 20 years, industrial buildings were constructed on 308 parcels totaling 1,853 acres with an averaged a floor-to-area (FAR) ratio of about 7%, which is relatively low. A couple of the economic development professional interviews cited an annual absorption of about 50 acres per year in the region.

To estimate a range of aggregate future industrial land need, ECONorthwest used two approaches. The first approach is based on an extension of industrial development trends in the region. The second is based on an extension of industrial sector employment growth. ECONorthwest use a range of typical industrial employment density from other studies to estimate how many acres would be needed based on projected employment growth. Exhibit 18 shows the assumed annual growth, potential density, and total acres needed.

**Exhibit 18. Projected Industrial Land Acres Needed**

<b>Method</b>	<b>Assumed Annual Growth</b>	<b>Assumed Density</b>	<b>Annual Acres Developed</b>	<b>10-year Total Acres Developed</b>	<b>20-year Total Acres Developed</b>
<b>Development</b>	360,000 <i>Building SF</i>	0.07 <i>FAR</i>	118	1,181	2,361
<b>Trend</b>	360,000 <i>Building SF</i>	0.15 <i>FAR</i>	55	551	1,102
<b>Employment</b>	370 <i>Industrial Jobs</i>	5.00 <i>Emp/Acre</i>	74	740	1,480
<b>Trend</b>	370 <i>Industrial Jobs</i>	15.00 <i>Emp/Acre</i>	25	247	493

Source: Benton County, Franklin County, Washington Employment Security Department, ECONorthwest

Depending on the approach and assumed density, industrial land needs over the next 20 years could range from 500 to over 2,000 acres, or between 25 to 100 acres a year. Actual growth on any given year does vary, and the region does have periodic years with large amount of development, as shown in Exhibit 12.

## 4 Supply Analysis

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The supply analysis conducted an inventory of industrial land in Benton and Franklin Counties to determine how much industrial zoned land is built and how much is available for development. The analysis also looks at characteristics of the land supply including the size of the parcels and how attractive it is for development in the near future.

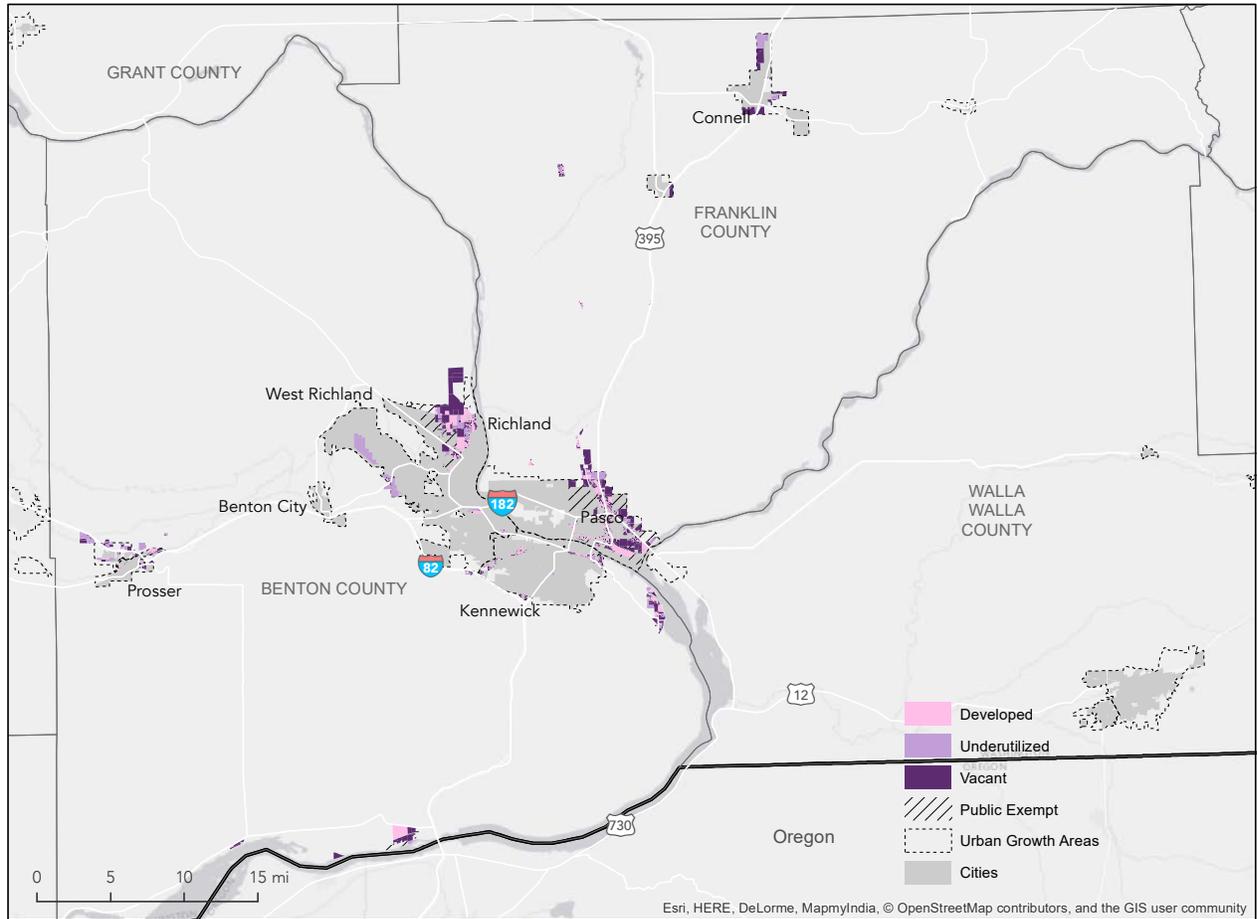
### 4.1 Industrial Land Inventory

The industrial lands inventory classifies industrial zoned parcels based on their current development status. The classifications and criteria include:

- **Developed.** Parcels with existing structures of more than \$10,000 in assessed value.
- **Vacant.** Parcels with less than \$10,000 in assessed building value.
- **Underutilized.** Parcels with a building footprint covering five percent or less of the parcel area (a floor-area-ratio of 0.05) that are able to accommodate additional development.
- **Public or Exempt.** Lands in public ownership are considered unavailable for commercial or industrial development. This includes lands in Federal, State, County, or City ownership, and some private property, such as railroad tracks owned by Union Pacific. Property owned by port authorities remained in the inventory because port owned properties are held and sold for industrial development.

Exhibit 19 shows the two-county region and the industrial zoned land in cities and unincorporated parts of each county. Overall, there are a total of approximately 24,800 acres zoned for industrial use. This total does include over 1,600 acres of Department of Energy owned land that will be transferred to the City of Richland, the Port of Benton, and TRIDEC for industrial uses north of Richland. Most of this land is outside the urban growth area and lacks utilities or roads. The largest share of industrial zoned land is within the region's largest and contiguous cities of Kennewick, Pasco, Richland, and West Richland. However, industrial land in unincorporated parts of each county or within smaller cities total over 9,900 acres.

### Exhibit 19. Benton and Franklin Industrial Zoned Land by Development Status



Source: Benton County, Franklin County, ECONorthwest

The largest share (34 percent) of the industrial zoned land in the region is vacant land. Most of the vacant acres are outside the city limits of the largest cities in the region, although Pasco has almost 2,200 acres of vacant industrial land. Public or Exempt properties owned by public agencies and not available for development are 30 percent of the total. The airports in Pasco and Richland and land owned by the City of Richland account for a majority of Public or Exempt acres.

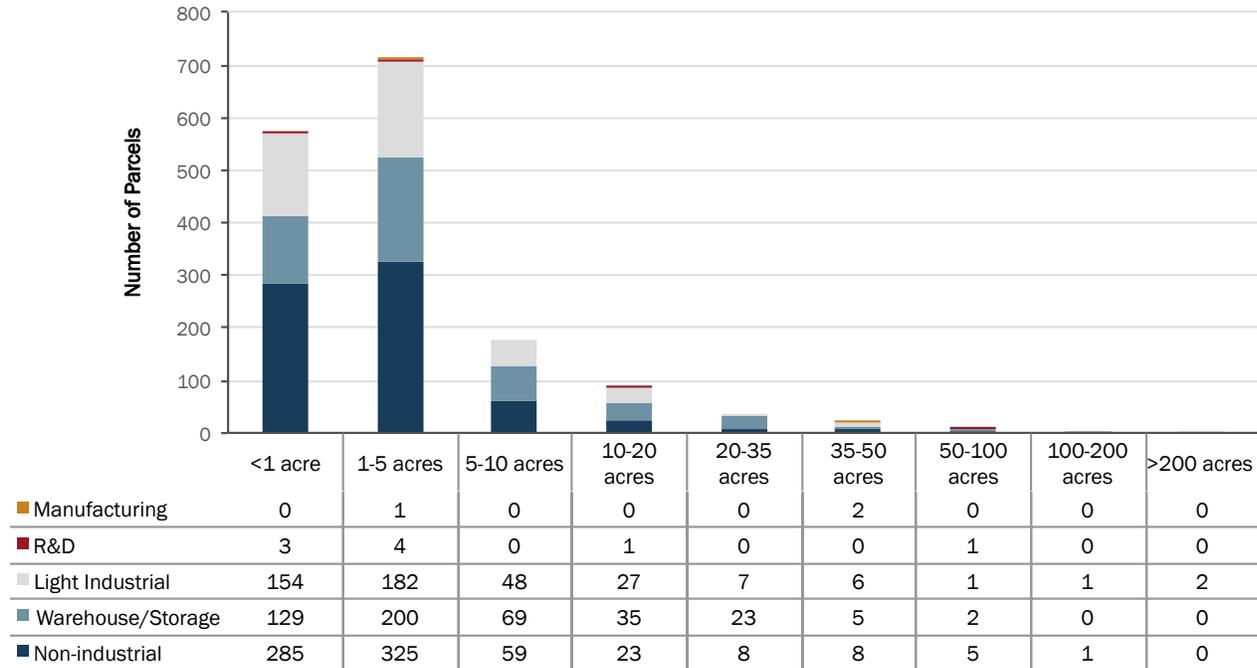
### Exhibit 20. Industrial Zoned Land Supply by Development Status

Status	West				Benton County	Franklin County	Total Region
	Kennewick	Richland	Richland	Pasco			
Developed	256	17	1,279	1,481	2,642	1,809	4,451
Public Exempt	136	26	1,810	3,563	3,242	4,265	7,507
Underutilized	138	988	553	434	2,998	1,297	4,295
Vacant	199	47	967	2,189	4,266	4,265	8,530
<b>Total</b>	<b>729</b>	<b>1,077</b>	<b>4,609</b>	<b>7,667</b>	<b>13,147</b>	<b>11,636</b>	<b>24,783</b>

Source: Benton County, Franklin County, ECONorthwest

Most of the Developed or Underutilized industrial zoned parcels with buildings on them are relatively small in size (less than five acres). Of these buildings, 45 percent are used for non-industrial uses. Only 13 buildings used for an industrial use are located on parcels larger than 50 acres. In terms of number of users, these figures indicate that much of the existing stock of industrial land in the region is likely used by smaller, local serving businesses.

**Exhibit 21. Developed Industrial Zoned Parcels by Size**



Source: Benton County, Franklin County, ECONorthwest

However, those industrial buildings on parcels 20 acres in size mostly include port and logistic facilities, food production facilities in Pasco, or production facilities in Richland. Given their size and type of user, these buildings mainly serve demand from external markets. While small in total number relative to all parcels, these facilities play an important role in contributing dollars and growing the Tri-Cities regional economy.

Of those developed parcels over five acres in size, the large share of those parcels are located on the most attractive sites. ECONorthwest categorized these sites into two tiers. Tier 1 sites are the most desirable, particularly for large users. Tier 2 has similar characteristic but are not as close to a main highway. Exhibit 22 lists the criteria this study used to identify these parcels.

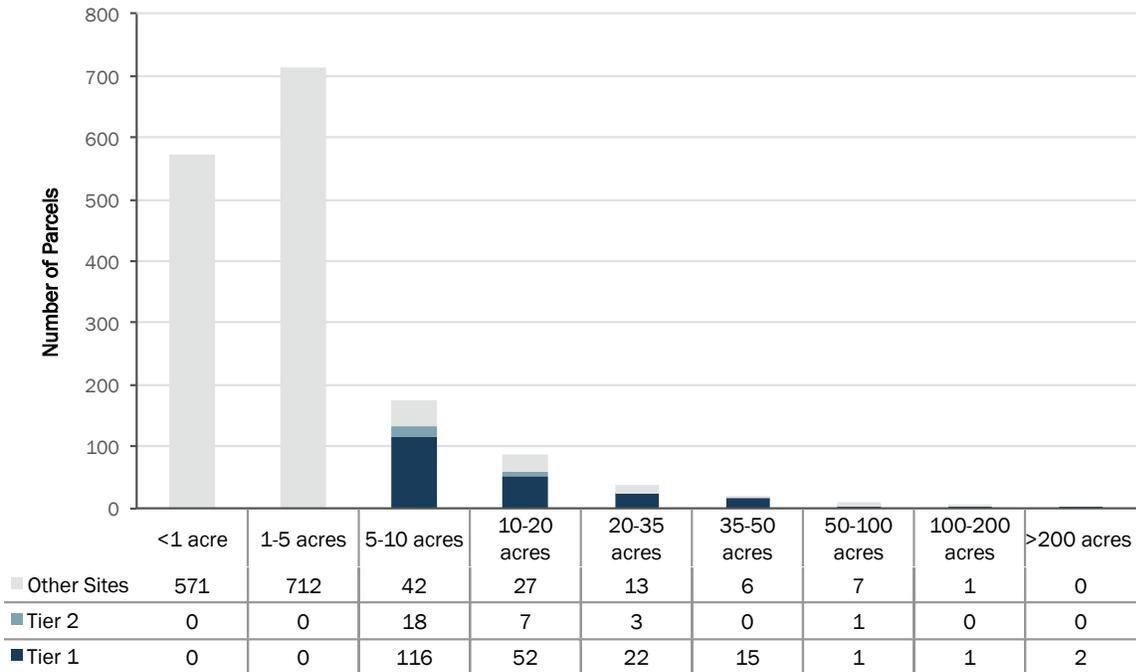
**Exhibit 22. Tier 1 and Tier 2 Site Criteria**

Criteria	Tier 1	Tier 2
Site Size	5 acres or greater	5 acres or greater
Transportation Access	1/2 mile from highway	1 mile from highway
Infrastructure	In UGA or service district	In UGA or service district
Development Constraints	Slopes < 5%, No wetlands	Slopes < 5%, No wetlands

Source: ECONorthwest

Exhibit 23 shows the number of industrial zoned parcels with buildings on them by tier. Over 70 percent of developed parcels over five acres are located on Tier 1 or Tier 2 sites. This makes sense. The most desirable and easiest to develop parcels are typically the first to be built. The next section looks at the available supply of developable parcels within the region in more detail.

**Exhibit 23. Developed Industrial Zoned Parcels by Size and Tier**



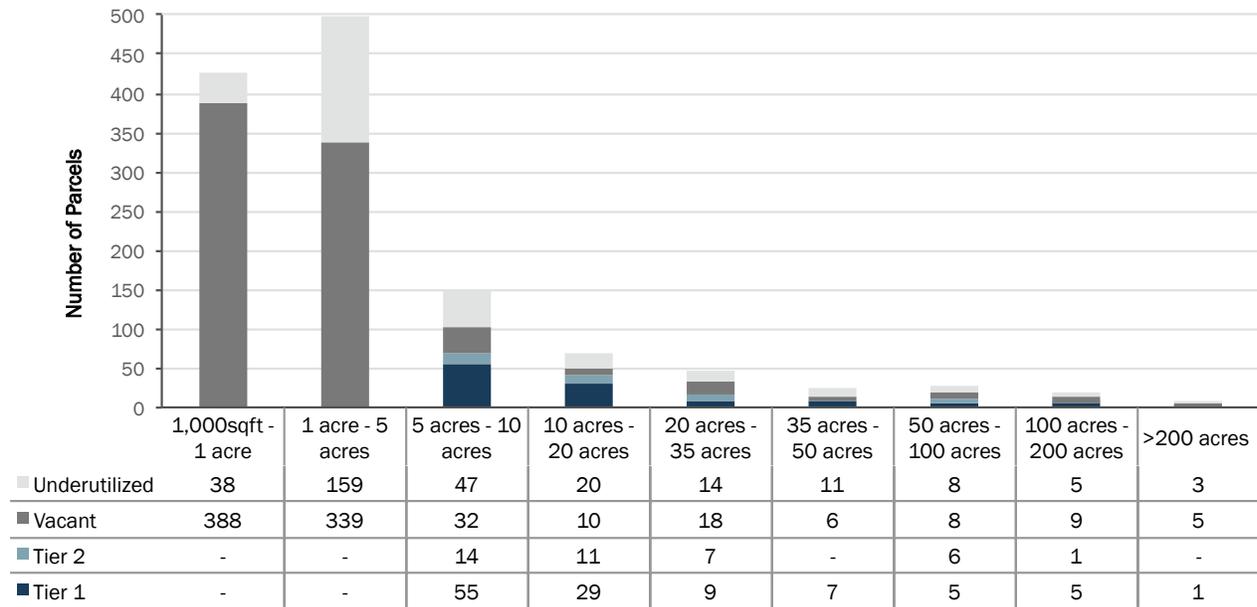
Source: Benton County, Franklin County ECONorthwest.

## 4.2 Developable Industrial Land

In aggregate, the region has a large amount of vacant or underutilized industrial zoned land. Exhibit 20 shows that the two-county region has 8,530 acres of vacant industrial zoned land and 4,295 of underutilized land that could accommodate additional development. Benton County has a little over 7,200 acres of developable industrial lands, and Franklin County has over 5,500 acres of developable industrial land.

Over 70 percent of the region’s developable industrial zoned parcels are less than five acres. Exhibit 24 shows the distribution of developable parcels by size. Only 56 industrial zoned parcels are over 50 acres in size.

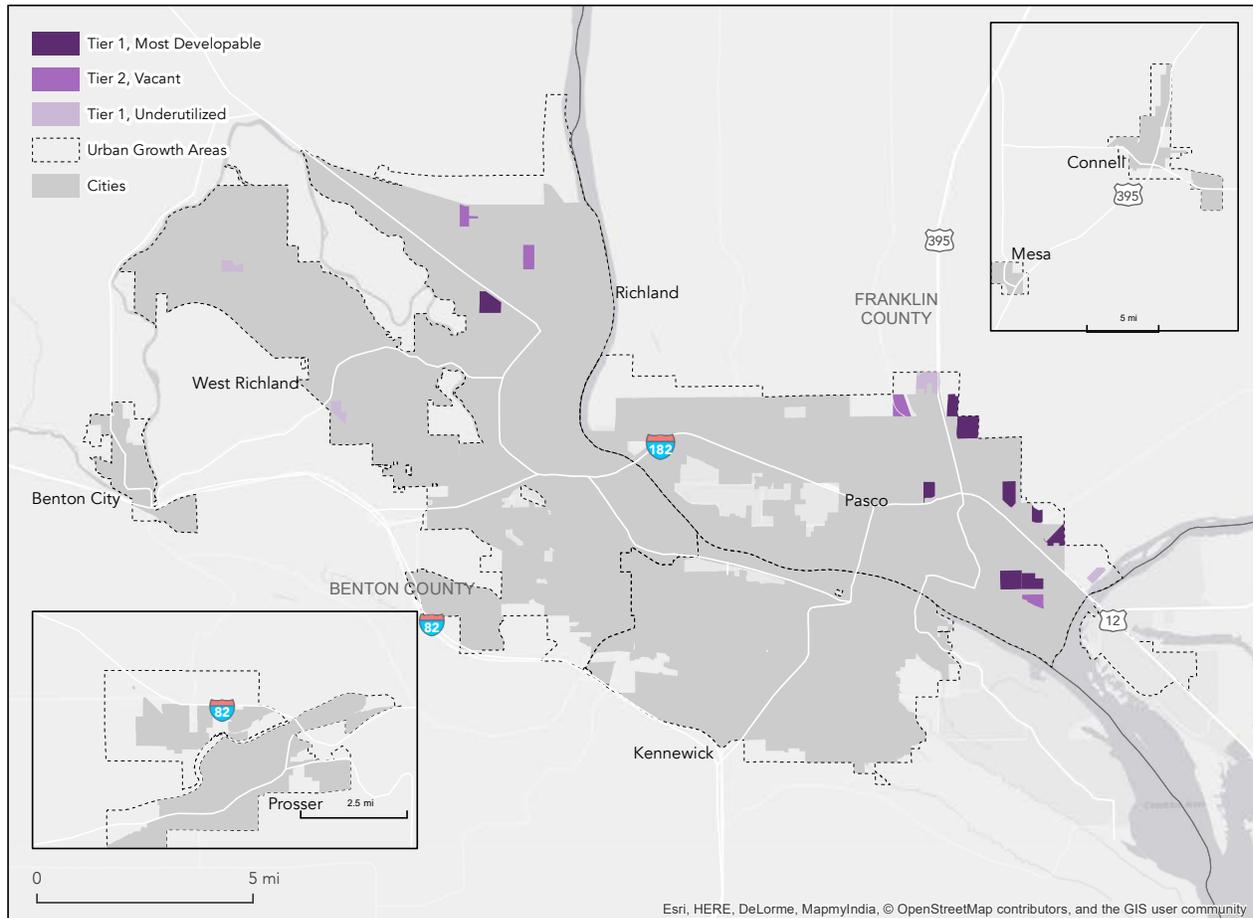
### Exhibit 24. Developable Industrial Parcels by Size and Tier



Source: Benton County, Franklin County, ECONorthwest

Of all the developable parcels, 150 parcels totaling over 3,500 acres within the region are on Tier 1 or Tier 2 sites, which are the most attractive for new industrial development. For developable parcels, only vacant parcels are included in Tier 1. Tier 2 includes both vacant and underutilized parcels. Two-thirds of developable parcels over 50 acres in size do not meet the criteria for Tier 1 or Tier 2. At total of 11 parcels over 50 acres in the region meet criteria for Tier 1. Only seven additional parcels met the criteria for Tier 2. Exhibit 25 shows the location of Tier 1 and Tier 2 sites. Most of these parcels are within the City of Pasco, and only one Tier 1 parcel and four Tier 2 sites are within Benton County.

## Exhibit 25. Tier 1 and Tier 2 Industrial Development Sites Over 50 Acres



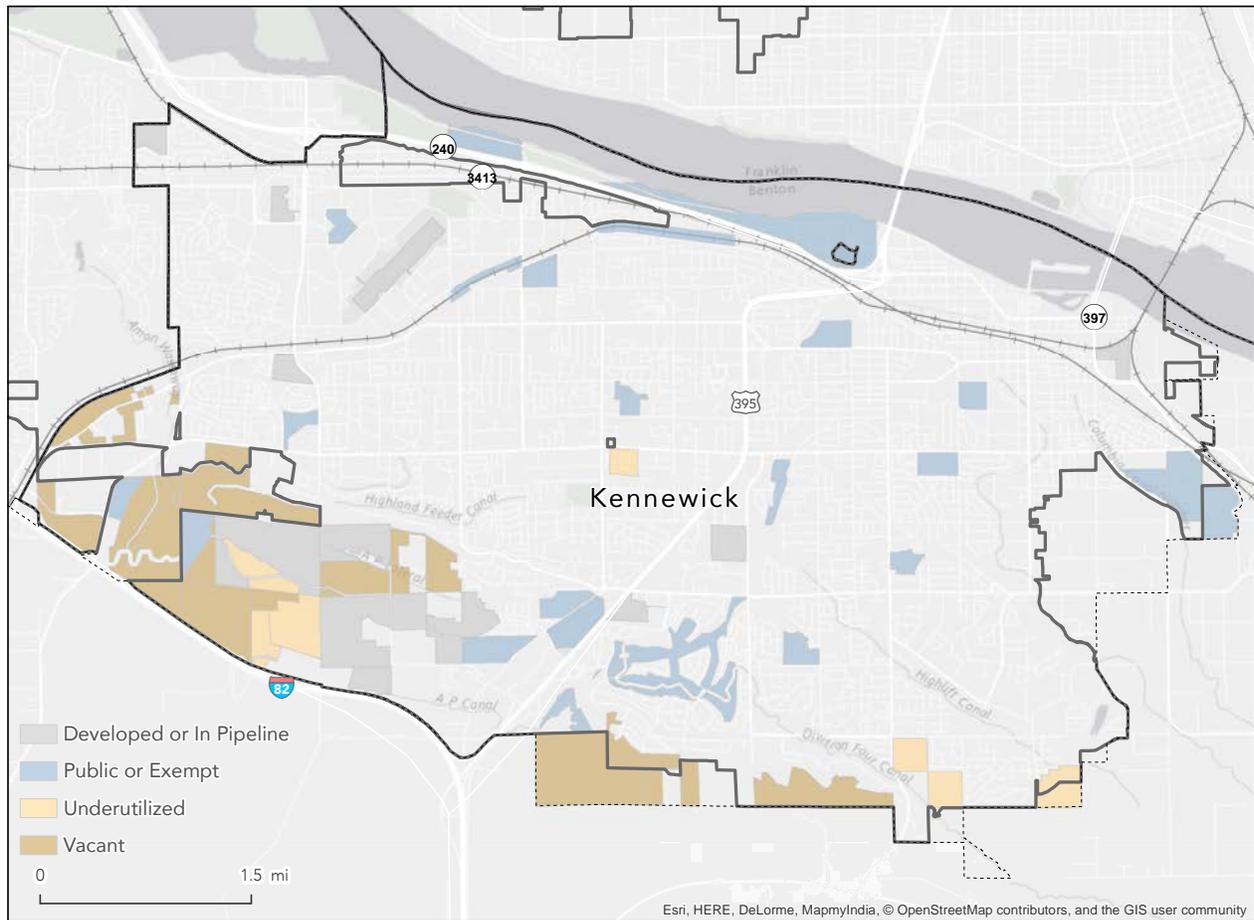
Source: Benton County, Franklin County ECONorthwest.

### 4.3 Suitable Non-Industrial Zoned Land

While the City of Kennewick does not have any Tier 1 or Tier 2 industrial development sites that are zoned industrial, one option for the City may be rezoning suitable parcels for industrial use. To determine if any parcels within the City could potentially be used for large-scale industrial land uses, ECONorthwest analyzed all larger parcel, those over 20 acres in size, within the Kennewick UGA using the same criteria to evaluate Tier 1 and Tier 2 industrial sites regardless of their current zone.

Exhibit 26 shows all parcels over 20 acres within Kennewick based on their current development status (developed, vacant, underutilized, etc.). The development status uses the same criteria as the industrial land inventory. However, the analysis considered parcels not yet developed but with planned development in the pipeline as developed and unavailable for industrial land uses.

## Exhibit 26. Development Status of Parcels in All Zones for Parcels Greater than 20 Acres

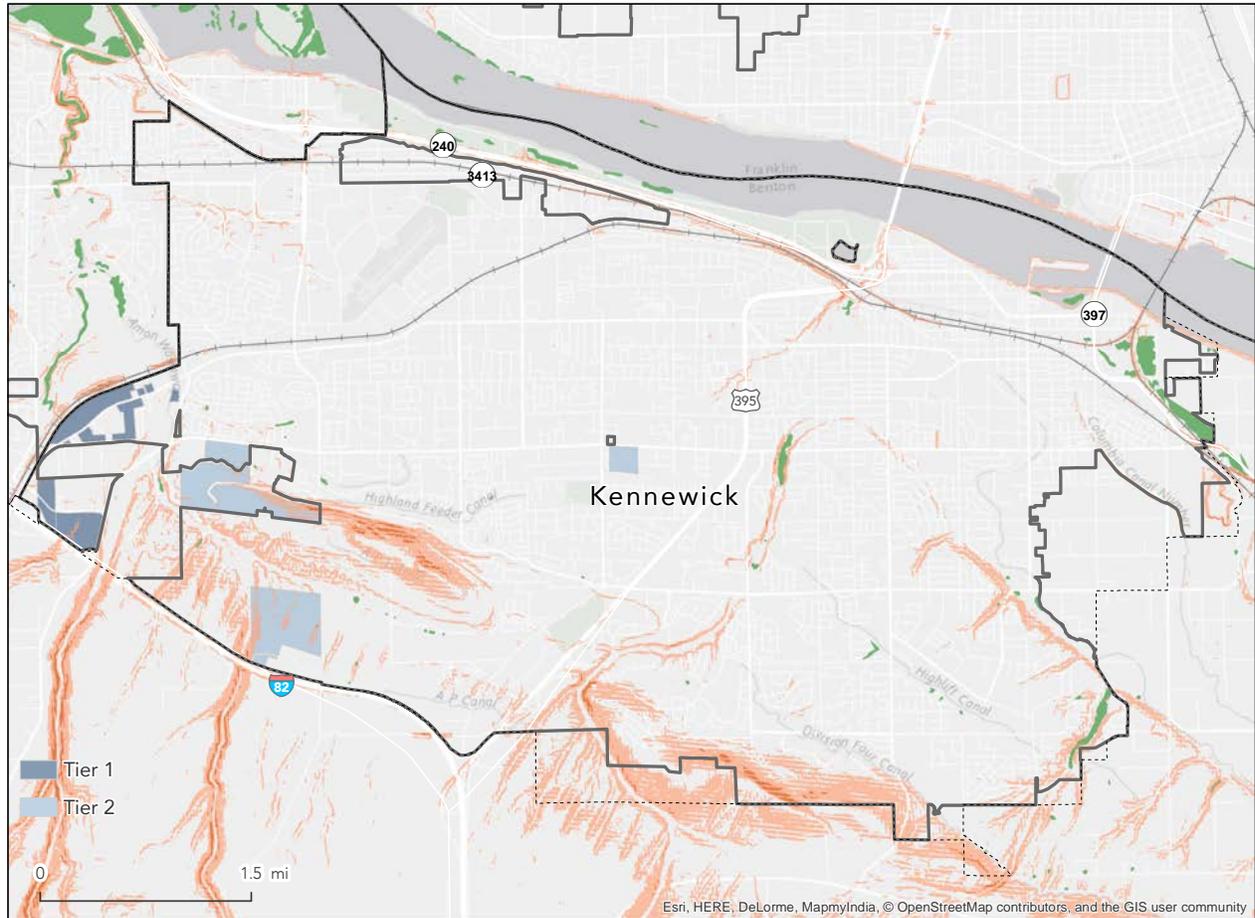


Source: Benton County, ECONorthwest

All of the large vacant sites within the City are along the southern boundary of the UGA. Most of these are currently designated for residential uses. Parcels along Clearwater Avenue are designated for commercial uses.

Exhibit 27 shows those parcels that meet the criteria as a potential Tier 1 or Tier 2 industrial site. Only a few parcels would qualify as Tier 1 or Tier 2 industrial sites. A number of large vacant parcels did not qualify due to a large share of their area having slopes greater than five percent. In addition, some of the Tier 1 and Tier 2 parcels are adjacent to residential uses, which may result in some land use compatibility issues.

## Exhibit 27. Tier 1 and Tier 2 Sites in All Zones for Parcels Greater than 20 Acres



Source: Benton County, ECONorthwest

Overall, there are limited options within the City's UGA to realize large-scale industrial uses, regardless of the current zone. Most of the sites are suitable for smaller industrial users or non-industrial uses, such as residential. One parcel that may be the best situated for industrial development is the long vacant parcel on the north side of Clearwater Avenue. The parcel is 86 acres (including areas on both sides of Clearwater Avenue) and also next to the BNSF railroad tracks. The parcel is currently zoned Community Commercial. A Tier 2 site just north of Interstate-82 and south of Hildebrand Road could also support a large industrial user. The site is 142 acres and zoned Residential Low Density with small portions zoned Residential Medium Density and Community Commercial. The site is currently used as an orchard and lacks road access. It is also adjacent to a future residential development.

## 5 Competitiveness

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This section assesses Kennewick’s potential competitiveness for particular industrial users and what factors are important in their locational decisions, including available labor force, transportation access, the availability and cost of utilities, among other factors.

### 5.1 Economic Development Professional Interviews

To supplement the data analysis, ECONorthwest spoke with a number of different economic development professionals, including local ports, the Tri-City Development Council (TRIDEC), and the Grant County Economic Development Council, about industrial land needs in the region and specific site characteristics. This section summarizes common themes heard during the interviews that relate to the industrial land needs in the region and site needs of different industrial land users.

**The region lacks large developable parcels with utilities and infrastructure.** Industrial sectors, such as food processing, distribution facilities, and manufacturing, desire large sites with the necessary infrastructure and utilities. The region, however, only has a limited number of large parcels (50 acres or more) that can meet those needs. The Department of Energy did recently transfer 1,600 acres to the Port of Benton, City of Richland, and TRIDEC. The Port of Benton plans to maintain its 760-acre share as larger parcels. This area currently lacks utilities.

**There has been steady and growing demand for smaller industrial and commercial buildings.** There is strong demand for smaller scale industrial lands (five acres or less) in the region by commercial and light industrial uses in particular. Existing inventory of buildings 5,000 to 20,000 square feet go quickly.

**Food processing has been a successful industry in the Tri-Cities region.** The proximity of the Tri-Cities to fertile agricultural lands and the growing wine industry makes it an appealing location for food processing plants. Pasco, in particular, has experienced great success with attracting food processing companies.

**Advanced manufacturing is a new opportunity for the region.** The presence of the Center for Advanced Manufacturing in Richland presents local businesses with the opportunity to pilot prototype technology; this prospect may attract businesses from outside the region as well. Advanced manufacturing, clean technology, and biosciences are focus industries for the Port of Benton in Richland.

**The Tri-Cities region is well positioned and accessible to major metropolitan areas.** At the intersection of several major highways, the Tri-Cities is in close proximity to Seattle, Portland, and Boise. This is an attractive quality that is especially relevant for distribution, warehousing, and logistics companies. The Tri-Cities locational advantage is likely to grow as congestion and travel times in western Washington and Oregon increase.

**Grant County has had success with attracting advanced manufacturing users due to the availability of clean and inexpensive hydroelectric power.** Other factors contributing to this

area's success are the availability of land, the existence of the foreign trade zone, proximity and accessibility to the Puget Sound region, and spillover growth from expansion and development in Seattle. The interviewee from the Grant County Economic Development Council noted that retaining a talent pool of professionals and engineers long-term was one of the region's greatest challenges.

## 5.2 Competitive Assessment

The Tri-Cities region has realized population and employment growth of approximately two percent a year for the last decade. Industrial-related sectors have grown at an even faster rate primarily due to the growth in food production, wholesale trade, and transportation. These local demand factors have translated to a modest amount of growth for industrial space for local service-oriented industrial users. However, the demand for industrial space varies depending on the year and regional economic trends affecting the region. Demand for industrial space from external market oriented businesses depends on how competitive the region's industrial land supply is with other regions as well as factors such as infrastructure; costs for land, electricity, water; tax policies, and other factors specific to individual businesses.

This section discusses Kennewick's competitiveness for different industrial land users and their site needs. Based on the Demand Assessment and the interviews, Kennewick is most likely competitive for attracting light-industrial uses, distribution and warehousing, and food processing. Each of these is discussed in more detail below.

## Light-Industrial

Light-industrial uses include small-scale fabrication and light assembly businesses, contractors, commercial supply businesses, and even small storage or distribution facilities. There has been consistent demand in the region for smaller industrial spaces. As the region continues to grow, there will be a continued need for small to medium parcels to accommodate these primarily local serving businesses. Kennewick location at the center of the Tri-Cities urban area and access to other cities make it an attractive location for these types of uses.

Light-industrial users do not need large spaces, are not large utility users, and do not require close proximity to major transportation facilities, such as ports, railroads, or highways. They may need additional outdoor yard space for storage or other purposes. These users may also be somewhat price sensitive to the cost for building rent or land. The table below summarizes the site characteristics of light industrial sites.

Criteria	Light Industrial
Site Size	0.5-5 acres
Highway Access	Preferred
Railroad Access	Not Required
Utilities	Water & Wastewater: Minimum line size 4 inches Electricity: No special requirements
Other Considerations	Yard space for storage



**Light-industrial buildings in Kennewick.**

Source: Google Maps

## Distribution & Warehousing

Distribution and warehousing businesses deal with the storage, wholesale trade, and transportation of goods. In the Tri-Cities those goods include local agriculture products for export or consumer goods destined for other markets. The Tri-Cities is increasingly a location for companies to have distribution centers because of its accessibility to major population centers in the Northwest. AutoZone's plans for a 450,000 square foot distribution facility and a maintenance facility in Pasco are good examples of this trend. Within the Tri-Cities, Kennewick's proximity to Interstate-82 makes it a desirable location for these types of uses.

Distribution and warehousing facilities typically need large sites for structures and truck docking, maneuvering and storage. Easy access to major highways is an important factor for these uses as well. A potential competitive disadvantage for the Tri-Cities is that Oregon has a more favorable tax structure for such businesses; since the Tri-Cities is so close to the Oregon border, firms could decide to locate a few miles further south to reap those benefits.

Criteria	Logistics
Site Size	20-200 acres
Highway Access	High Importance
Railroad Access	Preferred
Utilities	Water & Wastewater: Minimum line size 4 inches Electricity: Minimum demand of 0.25-1.0 MW
Other Considerations	Transportation routing



**Distribution facility in Richland**

Source: Google Maps

## Food Processing

Agriculture and food processing include businesses providing a value added processing of the raw agriculture products and/or the packaging agriculture for sale and distribution. Food processing has been one of the fastest growing industries in the Tri-Cities, especially in Pasco where ConAgra, Tyson, and several other food processing companies have facilities. The number of available food production sites in Pasco. However, sizable development ready sites are becoming increasingly limited as there are few remaining sites over 40 acres with utilities included. Cold storage is also growing in the region. In 2015, North America's largest freezer facility was completed in Richland.

Food processing uses require medium-to-large sites for the facilities themselves and space for the movement of good within the site. Highway and/or railroad access are important for these uses because most agriculture products are coming from a broad area. In addition, these facilities often use a high volume of water and would need adequate infrastructure to support those needs.

Criteria	Food Processing
Site Size	10-50 acres
Highway Access	Preferred
Railroad Access	Preferred
Utilities	Water & Wastewater: Minimum line size 10 inches Electricity: Minimum demand of 1.0 MW
Other Considerations	May need high volumn of water and wastewater Yard space for storage



**Food processing facility in Pasco**

Source: Google Maps

## 6 Conclusions

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Over the next 20 years there will likely be continued demand for industrial lands within the region for a variety of different industrial land users. Depending on the user, they will have their particular site needs. Kennewick would likely be competitive for future industrial development, particularly for light-industrial uses, distribution and warehousing, and food processing. However, the city has few sites that could accommodate distribution and warehousing and food processing facilities, in particular. The potential UGA expansion area would likely be competitive for realizing these users. It has the potential for large parcels, good access to Interstate-82, and no development constraints, such as slopes or wetlands. The main disadvantage for the site is that it currently does not have infrastructure or utilities.

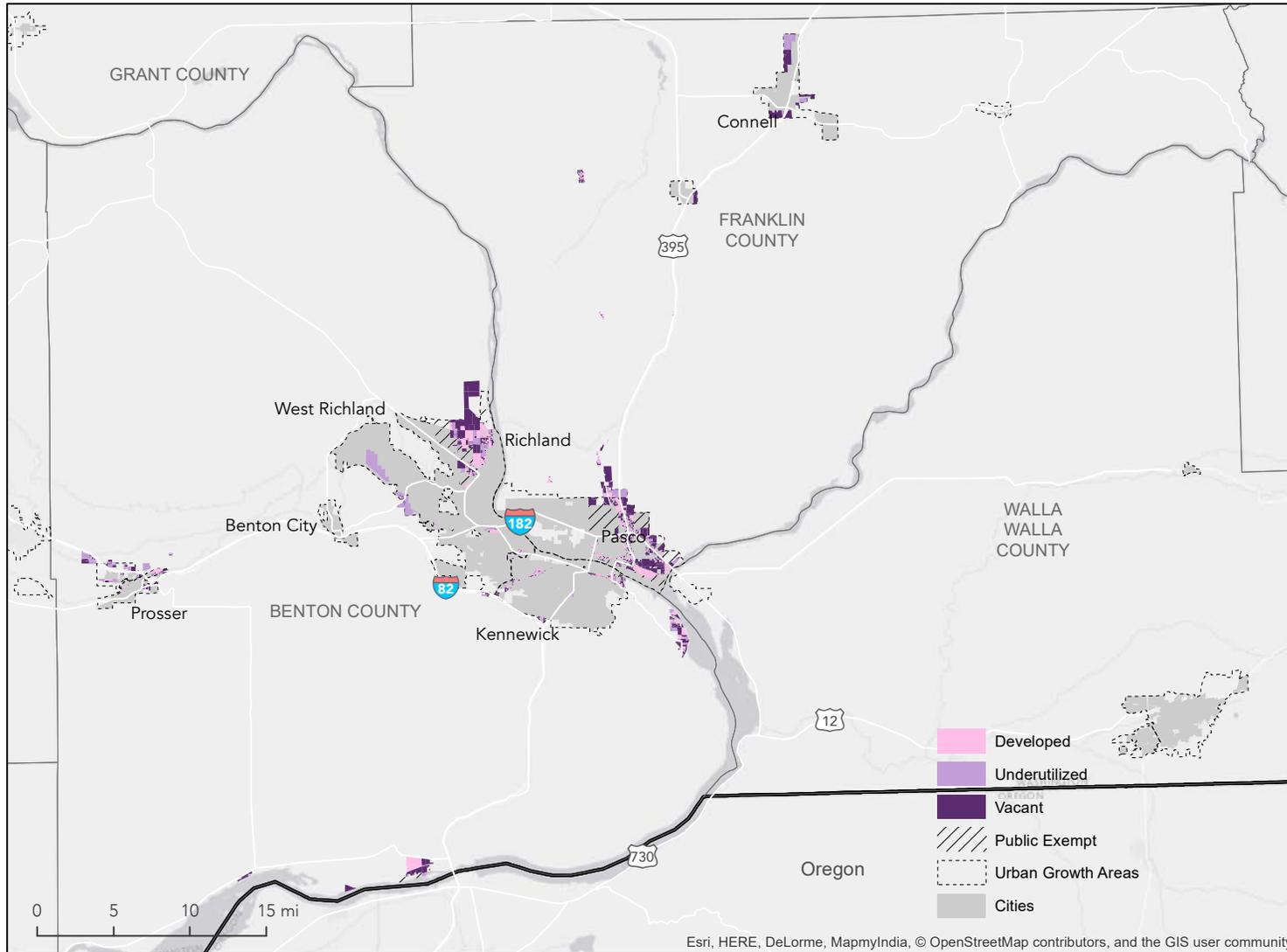
Another large challenge is that the site is currently outside of the City's urban growth area (UGA). Key findings from 3 Square Block's Policy and Regulatory Review noted that economic development objectives alone do not justify the expansion of an urban growth area under the Growth Management Act. The jurisdiction need to show that there is a need for additional land in the UGA to support future growth tied to the City's population projection.

Even though the potential expansion area is well situated, Benton County and the Tri-Cities region have a large amount of developable industrial zoned land. In aggregate, there is enough developable industrial zoned land to accommodate several decades of growth. However, not all industrial land is the same. Industrial land users often have special requirements compared to other uses, which vary by the specific user. Uses oriented toward serving external markets are economically important by bringing in new dollars to the region and creating new jobs. These uses often need the largest parcels and other specific requirements including transportation access and adequate infrastructure. The region has several, but not an abundant, number of Tier 1 sites that are the most attractive for these uses. Benton County only has a few.

The next phase of the Industrial Zoned Land Assessment is developing a comprehensive plan strategy for expanding the UGA. Any of the ultimate strategies will need a countywide approach and require coordination and communication with Benton County. In addition to the comprehensive plan strategy, the development of the expansion area will need a plan for building the necessary infrastructure for the site's development. The plan will need to determine when improvements need to be made and how those improvements will be funded.

# Appendix

Exhibit 28. Benton and Franklin Industrial Zoned Land by Development Status



Source: Benton County, Franklin County, ECONorthwest

Exhibit 29. Connell Industrial Zoned Land by Development Status

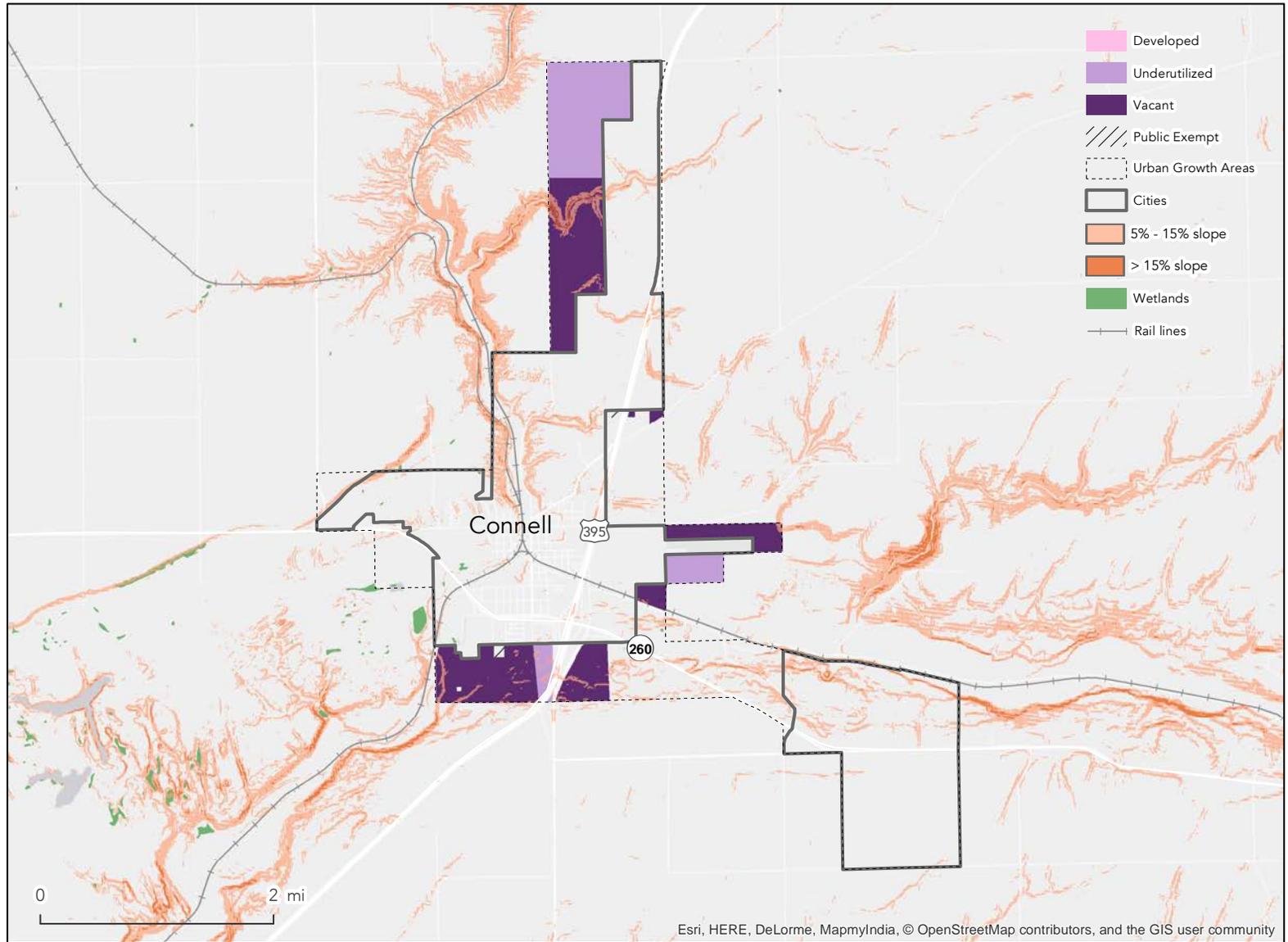


Exhibit 30. Kennewick Industrial Zoned Land by Development Status

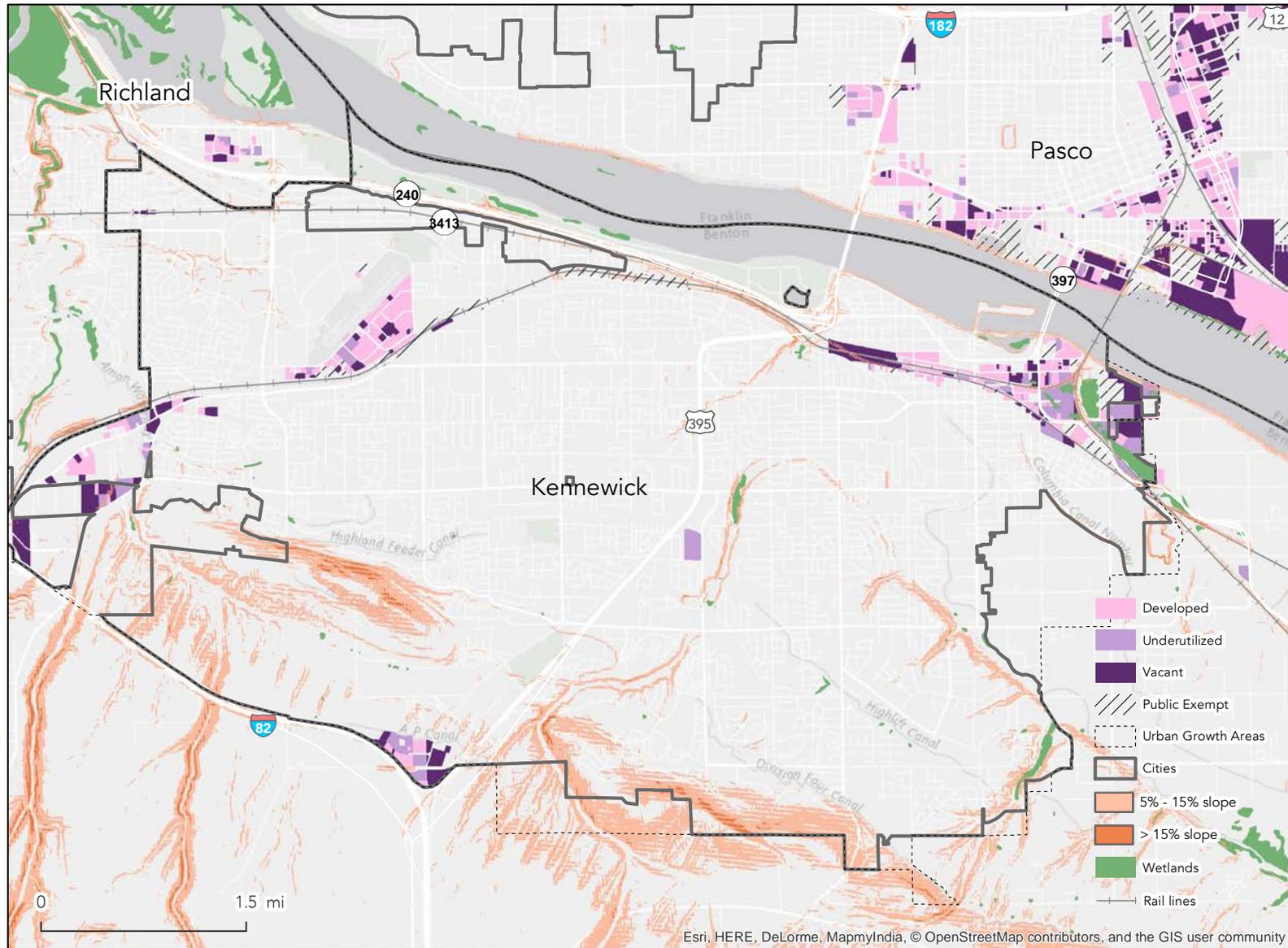


Exhibit 31. Pasco Industrial Zoned Land by Development Status

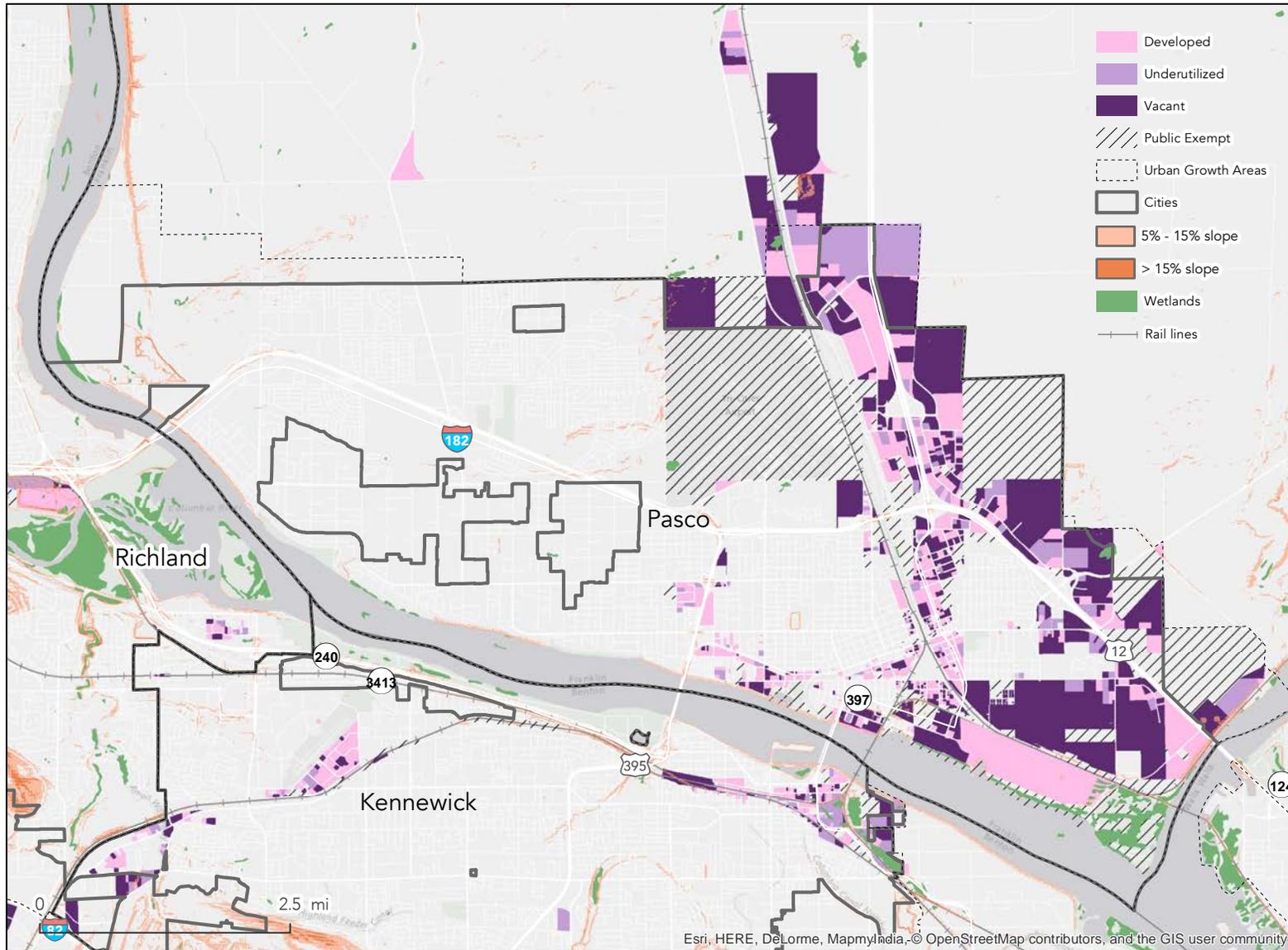


Exhibit 32. Prosser Industrial Zoned Land by Development Status

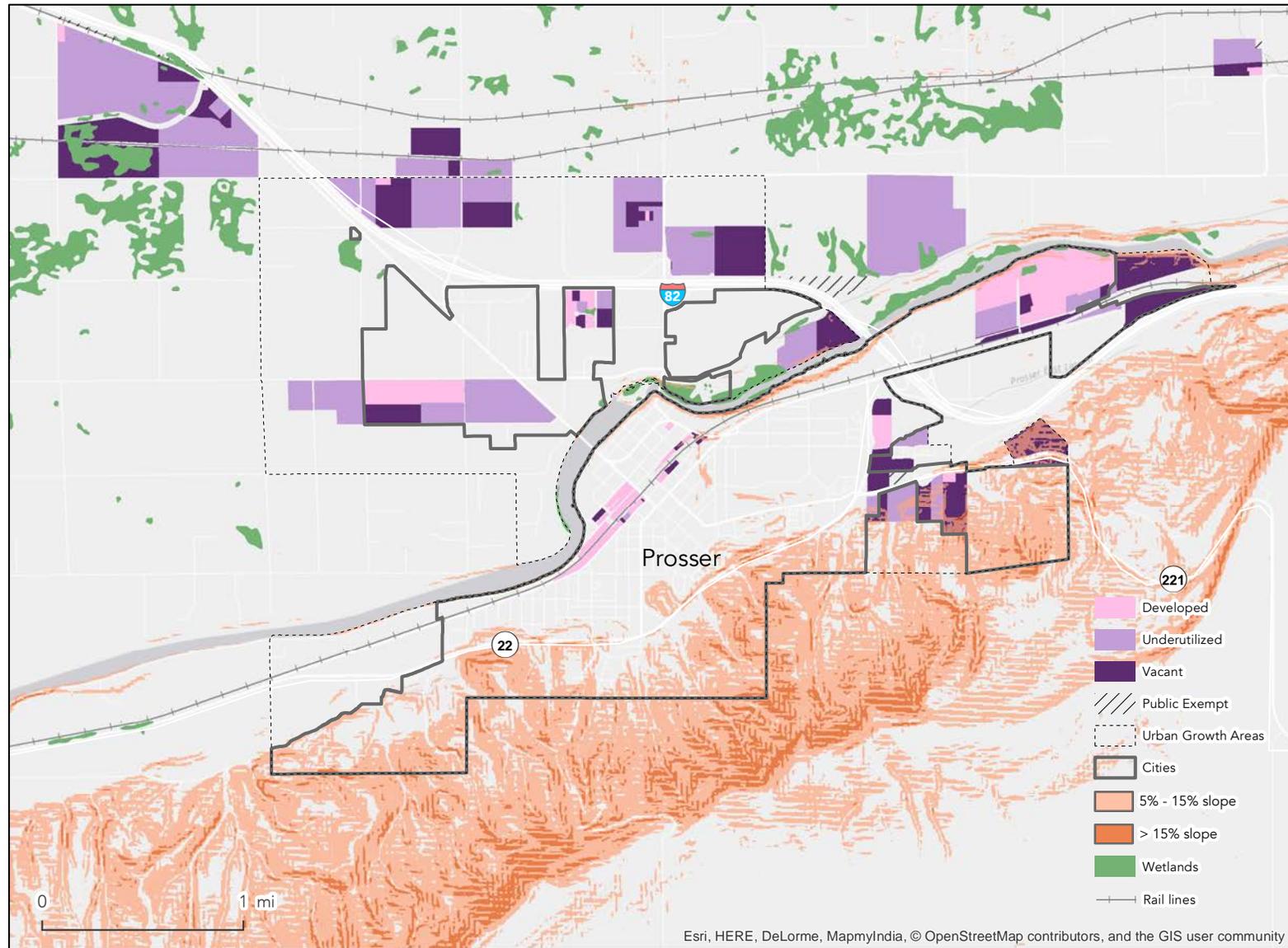


Exhibit 33. Richland Industrial Zoned Land by Development Status

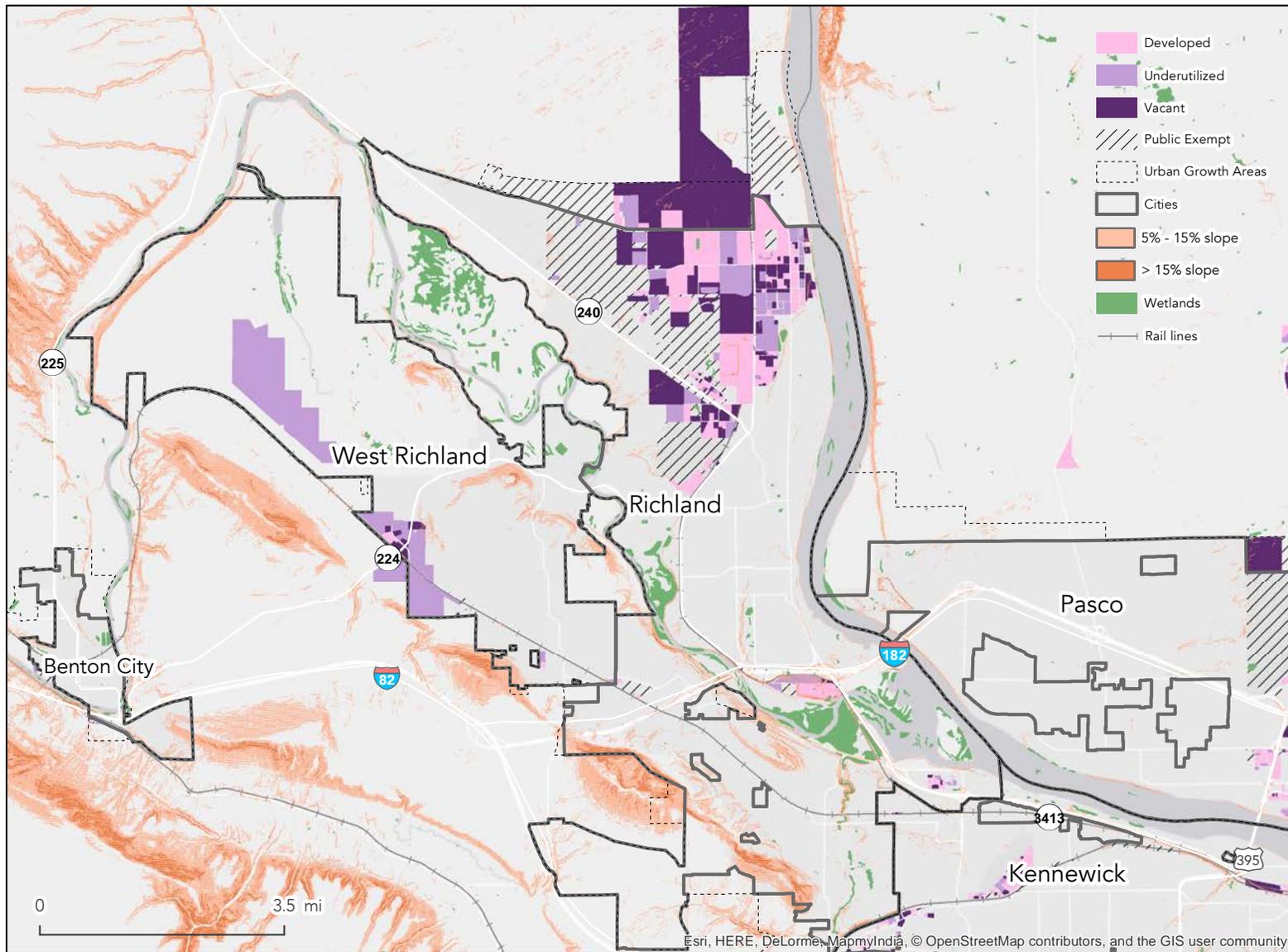
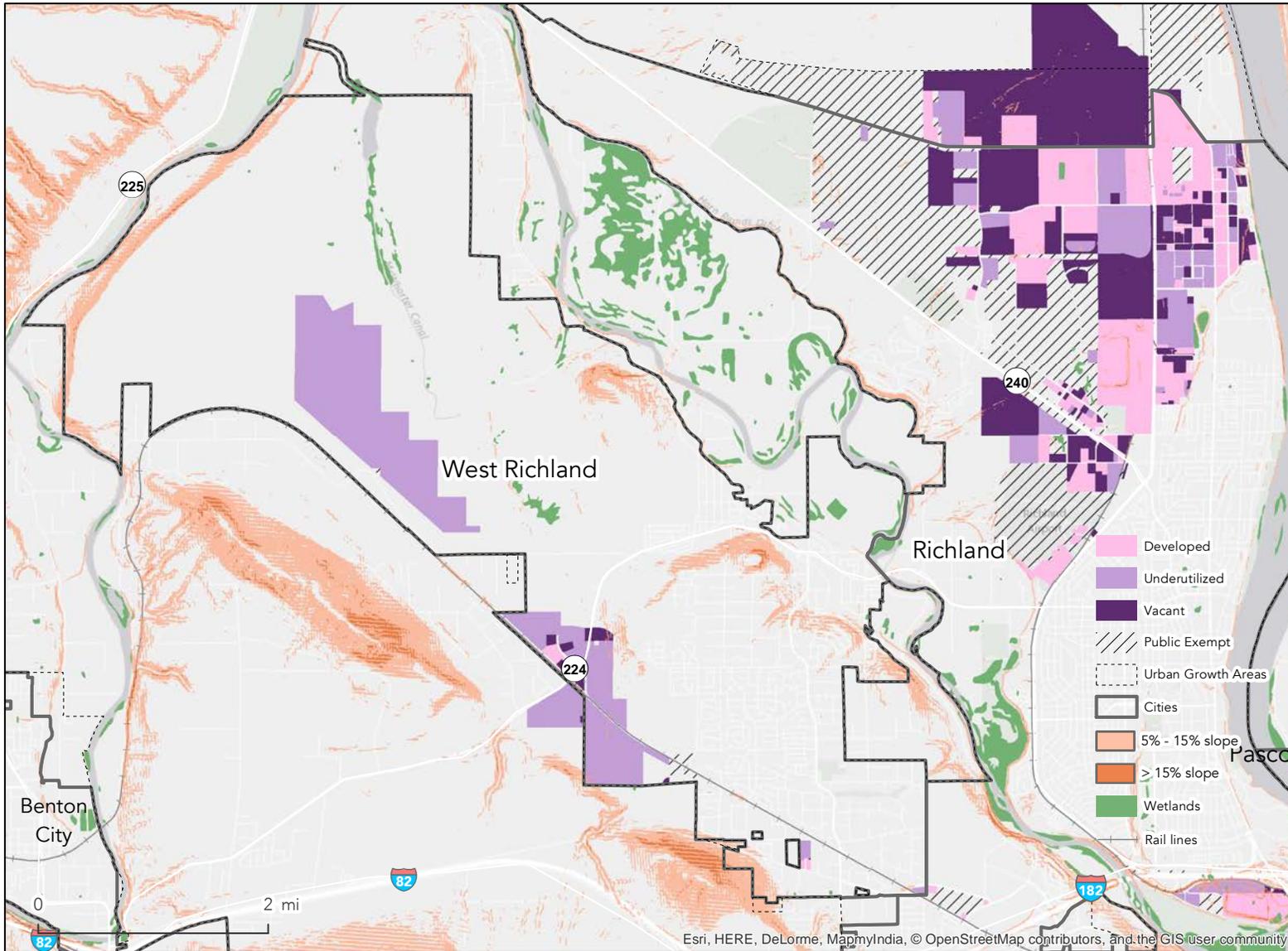


Exhibit 34. West Richland Industrial Zoned Land by Development Status



**Council Workshop  
Coversheet**



Agenda Item Number	3.	Meeting Date	10/11/2016
Agenda Item Type	Reports/Plans		
Subject	Hearing Examiner Annual Report		
Ordinance/Reso #		Contract #	
Project #		Permit #	
Department	Planning		

Info Only

Policy Review

Policy DevMnt

Other

**Summary**

The City has contracted with Jim Driscoll and Sharon Rice for hearing examiner services. As part of the City's Hearing Examiner contract, the Examiner's provide the City Council an annual report. Mr. Driscoll and Ms. Rice will be providing Council with a report of case activity during the past year.

Through

Attachments:

Dept Head Approval

Gregory McCormick  
Oct 05, 11:16:41 GMT-0700 2016

City Mgr Approval

Marie Mosley  
Oct 07, 11:03:50 GMT-0700 2016

# Council Workshop Coversheet



Agenda Item Number	4.	Meeting Date	10/11/2016
Agenda Item Type	Ordinance		
Subject	Amendment to vehicle based food business regs.		
Ordinance/Reso #	5671	Contract #	
Project #	ZOA 16-04	Permit #	AMD-2016-01817
Department	Planning		

Info Only	<input type="checkbox"/>
Policy Review	<input type="checkbox"/>
Policy DevMnt	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>

## Summary

The City of Kennewick (The Economic Development Department) has submitted an application to amend KMC 18.12.250(5) by establishing specific operating regulations for Vehicle Based Businesses in Bridge to Bridge, River to Rail Subarea.

At the August 16th Council meeting, Council decided to send the proposed amendment back to a workshop for a more in depth review of the proposal. At the August 23rd workshop, Council reviewed the proposal and discussed additional changes to the amendment.

Subsequently, at the September 13th workshop it was determined that additional changes needed to be made to parking area requirements to be reviewed at future workshop. Attached are the proposed amendments with the latest parking area amendment highlighted.

Through

Steve Donovan  
Oct 03, 14:57:43 GMT-0700 2016

Attachments: Proposed Amendment

Dept Head Approval

Gregory McCormick  
Oct 04, 14:12:00 GMT-0700 2016

City Mgr Approval

Marie Mosley  
Oct 07, 11:09:04 GMT-0700 2016

**18.12.250: Temporary and Parking Lot Businesses:**

- (1) General requirements:
  - (a) A City of Kennewick business license is required;
  - (b) The use of City property requires approval of a lease, background check, a hold harmless agreement and an insurance policy naming the City of Kennewick as an additional insured in the amount of one million dollars; or
  - (c) The use of City property requires approval of a lease, background check, a hold harmless agreement, and an insurance policy naming the City of Kennewick as an additional insured in an amount approved by the City Attorney;
  - (d) Operation in a city park also requires approval of a concessionaires permit;
  - (e) Any business-related discharge into the sanitary or storm sewer systems requires the written approval of the Public Works Director;
  - (f) Written approval from the Benton-Franklin County Health District is required if food is served or if restrooms are required;
  - (g) Buildings must be on a permanent perimeter foundation or otherwise fastened and designed to secure the structure for a minimum of a 70-mile per hour wind load;
  - (h) The Fire Marshall must review and approve the use of a tent for applicable requirements of the Uniform Fire Code;
  - (i) No structure or temporary use may be within five feet of any right-of-way. Sight distance triangles must be observed;
  - (j) There must be adequate off-street parking provided in accord with KMC 18.36. The site must be paved or graveled;
  - (k) If on the same parcel as an existing business the minimum off-street parking for the primary business must be maintained;
  - (l) The temporary business must submit an accurate site plan drawn to scale depicting the following:
    - (i) The parcel lines and right-of-way lines;
    - (ii) The boundaries of the portion of the property to be used by the temporary business;
    - (iii) The parking area, which is to be used by the temporary business and the driveways to be used for access;
    - (iv) Drive areas must remain open and all pedestrian walkways must remain passable;
    - (v) The location and dimension of existing structures as well as the location and dimension of all structures, vehicles, and signs to be used by the temporary business;
    - (vi) How any temporary on-site residency and sanitation is to be accommodated;
    - (vii) Proposed operating hours.
  - (m) The business license must list the Washington state tax number including the City's location code number;
  - (n) All signs, circulars, and other advertising material must be removed within three days of the termination of the business;
  - (o) There must be adequate provisions made for dust and litter control;
  - (p) The applicant must submit the property owner's written consent for the use of premises;

- (q) All electrical facilities must be inspected and approved by the Washington State Department of Labor and Industries;
- (r) Temporary businesses must conform to the noise standards set forth in KMC 9.52;
- (s) The applicant must show evidence of any required State licenses with the application for a business license;
- (t) No business shall be located in the parking area immediately adjacent to the entrance to another business without the written permission of the affected business owner;
- (u) All temporary and parking lot businesses that cannot demonstrate legal non-conforming status must be in compliance with the requirements of the section within one year from the date of adoption;
- (v) No vision obstructions within the vision clearance triangle are permitted.
- (2) Permanent small building businesses:
  - (a) Must meet all applicable regulations including but not limited to: parking, landscaping, and signage;
  - (b) Businesses with drive through windows must have a minimum of six (6) stacking stalls per KMC 18.36.060;
  - (c) Businesses with outdoor (or under-tent) seating must meet the applicable requirements of the International Building Code for employee and customer restrooms;
  - (d) The business must be connected to public water and sewerage systems.
- (3) Long term temporary stands:
  - (a) Shall locate in Kennewick for a maximum of 180 consecutive days annually;
  - (b) The structure used must be removed within 10 days of the business closing for the year;
  - (c) The business must operate from a structure;
  - (d) Shall locate only in the CC, CG, CR and IL zoning districts.
- (4) Short term temporary stands:
  - (a) The business must operate from a structure;
  - (b) The structure used must be removed within three days of the business closing for the year;
  - (c) The business shall locate for no more than two non-consecutive 30-day periods within one calendar year at any one location;
  - (d) All short term temporary businesses must be on the same parcel and secondary to a principle permitted use, locate within a zone that allows public and quasi-public uses and must comply with all regulations, including permitted use, appertaining to that district except as modified by this section.
- (5) Vehicle based food businesses:
  - (a) Allowed in CO, CBD, CC, CG, CM, CR, BP, IL, IH, OS, and PF zoning districts;
  - (b) Standing. No vehicle based business operator shall stand or allow their vehicle to stand upon any public way for more than one hour in any one place, except as otherwise permitted;
  - (c) Outdoor seating is not permitted, except as stated in subsection (f) below;

- (d) Except as stated in subsection (f) below, a vehicle-based business shall operate in the same location for a maximum of 30 days in addition to the requirements of subsection (b) above;
- (e) The business shall not function as a drive-through.
- (f) The following standards apply to operation within the Bridge to Bridge River to Rail subarea.

  - (i) Vehicle based food businesses may operate without a maximum time limit and have outdoor seating;
  - (ii) In determining whether or not the proposed location would be permitted, the following criteria shall be considered:

    - (A) The type and intensity of the proposed use and the type and intensity of existing uses;
    - (B) The width of the sidewalk, pedestrian plaza or parking lot in which it is to be located;
    - (C) The proximity and location of existing street furniture, including but not limited to signposts, lampposts, bus shelters, benches, phone booths, trees, newsstands, as well as the presence of bus stops and truck loading areas;
    - (D) Established or proposed pedestrian and vehicular traffic patterns;
    - (E) The number of vehicle based food businesses in a given area;
    - (F) Other factors deemed relevant by the approving authority, consistent with the purpose of this chapter and intent of the subarea zone proposed for the use.
    - (G) The vehicle based food business shall be placed in a parking area that must be surfaced with asphalt or Portland cement binder pavement to provide a durable and dustless surface.
  - (iii) In addition to the requirements to establish compliance with KMC “Temporary and Parking Lot Business” General Requirement 18.12.250 (1) and other codes as applicable, the following items specific to Vehicle Based Food Businesses are required:

    - (A) Site plan including outdoor seating layout.
    - (B) Restroom agreement.
    - (C) Discharge plan for used oils and graywater.
  - (iv) Vehicles must be currently licensed, operable, and able to leave a site at any time under their own power.
  - (v) No vehicle based food vendor shall locate his or her vehicle or other conveyance in such a manner as to cause a traffic hazard.
  - (vi) No vehicle based food vendor shall obstruct or cause to be obstructed the passage of a sidewalk, street, avenue, alley or any other public place by causing people to congregate at or near the place where food is being sold or offered for sale.
  - (vii) The vending site shall be kept clean and orderly at all times, and the vendor must provide a refuse container and is encouraged to provide containers for recycling. Refuse, debris and liquid spills by any person using the business location shall be cleaned up daily, and refuse containers emptied on a regular basis.

- (viii) Support equipment and accessories shall generally be self-contained within the vendor unit and site. Support equipment and accessories, including accessory seating and tables, must not be placed so as to impede pedestrian or vehicular traffic or distract from the pedestrian experience.
- (ix) Outdoor equipment shall be low maintenance and cleanable, durable, and preferably painted or of noncorrosive metal.
- (x) No portion of a vendor's inventory, sales equipment, or any other structure or equipment used in the sales or solicitation process shall be left overnight upon any unenclosed portion of any lot or site within the City, nor upon any public street or right-of-way.
- (xi) The City reserves the right to limit the number of vehicle based food vendors in any given area of the City. City Council review may consider the needs of the public, diversity of products offered for sale, the smooth flow of pedestrian and vehicular traffic, number of complaints, and locations where vendors are located.
- (xii) At the conclusion of business activities at a given location, the vehicle, ancillary equipment, and debris generated by the vendor's business activities shall be removed and the site and public area surrounding it cleaned.

- (6) Cart businesses:
  - (a) The cart must be stored indoors or off-site when not open for business;
  - (b) Allowed in CN, CO, CBD, CC, CG, CM, CR, BP, IL, IH, OS, and PF zoning districts;
  - (c) Operation in a city park also requires approval of a concessionaires permit;
  - (d) Standing. No cart-based business operator shall stand or allow their vehicle to stand upon any public way for more than two hours in any one place;
  - (e) The business shall not function as a drive through.
- (7) Trade shows, circuses, carnivals, outdoor concerts, bazaars, festivals, or similar temporary uses including religious meetings, rallies, and revival tents must obtain a permit in accord with Chapter 6.47. The use must comply with the following:
  - (a) The use will be allowed for no more than two non-consecutive ten (10) day periods annually;
  - (b) No structure or activity shall be within 300 feet of a residential district. The activity must not seriously interfere with traffic, emergency services, or other normal City operations. Adequate off-street parking as well as access must be provided;
  - (c) Residential districts must be shielded from disruptive sounds and noises;
  - (d) Provisions must be made for the control of dust and litter;
  - (e) Parking Facilities. The applicant shall submit a plan showing adequate parking facilities on or adjacent to the location where the event is to be held. At least one (1) parking space for every four (4) persons expected to attend shall be provided. All parking facilities shall be off the public right-of-ways and adequate ingress and egress shall be provided to and from the area to facilitate the movement of vehicles. If non-adjacent parking facilities are approved, the permittee shall provide shuttle bus service on a no-charge basis;

- (f) Traffic Control. The License Officer shall ensure that adequate traffic and crowd control has been provided.
- (g) Traffic and crowd control personnel shall be approved by the License Officer. One (1) traffic control officer and one (1) crowd control officer may be required if more than two hundred (200) people can reasonably be expected to attend the event, and more may be required if conditions warrant. The cost of crowd and traffic control must be borne by the permittee. If at any time the size of the crowd exceeds by twenty percent (20%) the number of people represented by the permittee to be in attendance, the License Officer may require the permittee to limit further attendance;
- (h) Temporary Accommodations. If temporary campsites, trailer parks, or other accommodations are provided, adequate sanitary facilities must be provided and minimum fire safety standards must be met. Adequate access and parking must be established, and provisions made for the maintenance of order and security at all times; and
- (i) No outdoor musical assembly or similar activity shall be conducted between the hours of 12:00 A.M. and 9:00 A.M., nor circus or carnival between 2:00 A.M. and 9:00 A.M., and permittee shall clear the licensed area no later than 1:00 A.M. or 3:00 A.M. respectively.
- (8) Seasonal and non-seasonal merchandise in conjunction with an existing business:
  - (a) Outdoor display and sales of general merchandise are allowed for no more than three non-consecutive ten (10) day periods annually when conducted in the parking area;
  - (b) Outdoor display and sales of automobiles, recreational vehicles, boats, and similar vehicles are allowed for no more than twelve (12) non-consecutive five (5) day periods annually when conducted in the parking area;
  - (c) Where vehicles are displayed for sale the transaction must occur within the City of Kennewick;
  - (d) Outdoor display and sales of seasonal merchandise is allowed for a maximum of 90 consecutive days annually; and
  - (e) Merchandise display areas must meet minimum required setbacks in conformance with the Uniform Fire Code. (Ord. 5671 Sec. 1, 2016: Ord. 5663 Sec. 1, 2016: Ord. 5434 Sec. 7, 2012: Ord. 5431 Sec. 1, 2012: Ord. 5180 Sec. 1, 2007)



# City Council Meeting Schedule November 2016

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November 1, 2016  
Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

November 8, 2016  
Tuesday, 6:30 p.m.

WORKSHOP MEETING

1. Fall Budget Adjustment/Property Tax Levy
2. Title 17 Update - *Tentative*

November 15, 2016  
Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

November 22, 2016  
Tuesday, 6:30 p.m.

WORKSHOP MEETING

1. Panhandling Update
2. Ambulance Update

November 29, 2016  
Tuesday, 6:30 p.m.

NO MEETING