

DATE: February 22, 2016
TO: Fehr & Peers
FROM: Morgan Shook
SUBJECT: ECONOMIC OVERVIEW ON DOWNTOWN BURIEN

Burien Center's Economy

This memo presents an analysis of urban Burien's economic characteristics. We look at population, income, the real estate market, and employment in Burien economic center to evaluate the economy's existing conditions.

Established Places, like Tacoma Downtown, Everett, and Renton, are smaller on average than the Mature Urban Places, but are well established in the region. These locations are regional economic powerhouses and are well connected to existing transit and transportation infrastructure.

As points of reference, we compare urban Burien to other similar places and the overall region. Similar places (which we call established urban places) includes a set of economic centers in the Puget Sound Region such those in Ballard, Columbia City, Downtown Kirkland, Everett, Federal Way, Lake city, Mariner, Redmond Downtown, Redmond-Overlake, Renton, Seattle Northgate, and Downtown Tacoma. These locations tend to be more recently developed and located in suburban areas with relatively limited accessibility by public transit. Nevertheless, these areas have shown robust trends in job creation and population growth, relative to the regional average. The Overall Region refers to the average for the four-county region of King, Kitsap, Pierce, and Snohomish County.

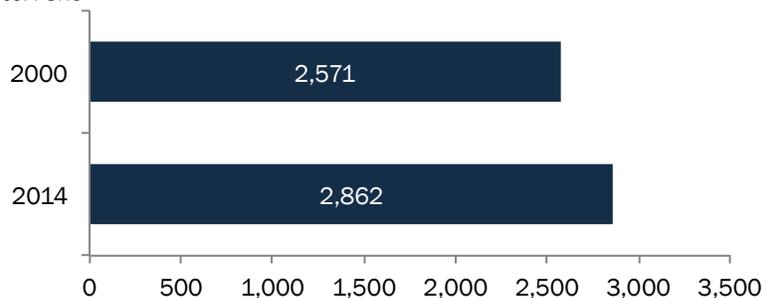
The Center's Population

From 2000 to 2014 the population of Burien's economic center increased by about 11%, adding almost 300 people. Though positive, this rate of growth fell behind that of all Established Urban Places, and the overall region.

From 2000 to 2014, urban Burien's population grew from 2,571 to 2,862.

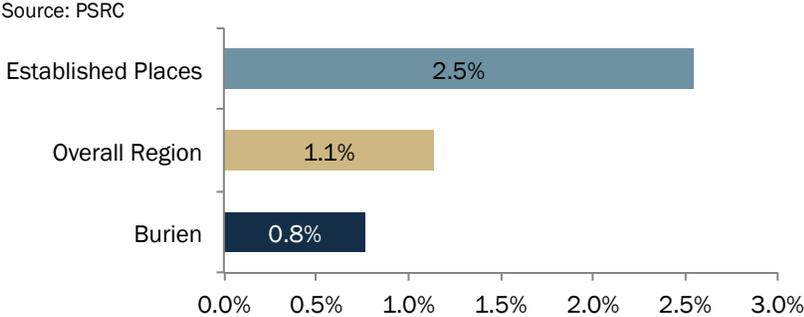
Exhibit 1. Population, 2000-2014

Source: PSRC



Urban Burien’s population grew slower than the population of the region as a whole and that of all Established Urban Places.

Exhibit 2. Population Rate of Growth, 2000-2014

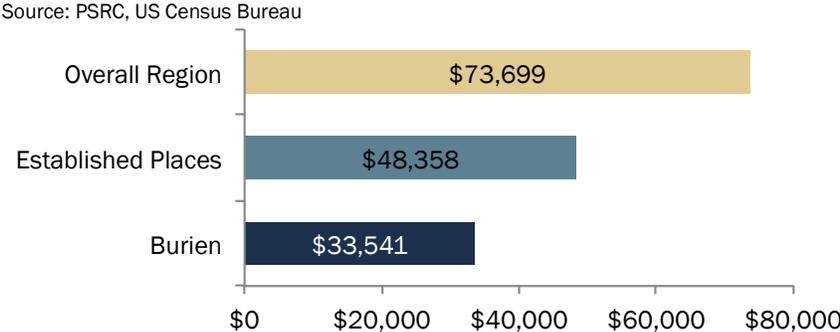


Income and Affordability

Household income and median earnings in urban Burien are below the averages of Established Urban Places and the overall region. Median household income in urban Burien is about 69% of the median for its cohort and less than half (45%) of the median age for the region as a whole. Similarly, urban Burien’s median individual earnings amounts to about 65% of that of similar urban places and about 60% of the regional median.

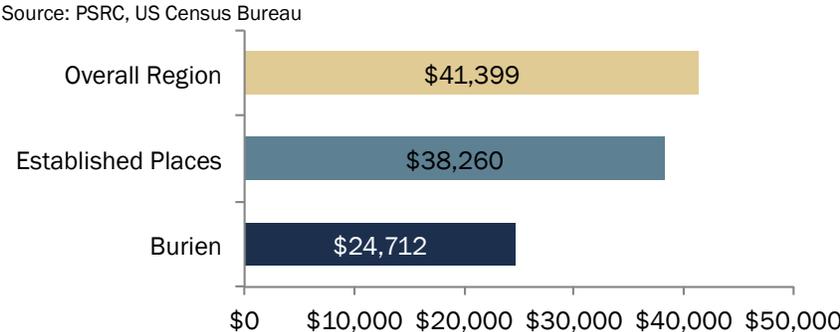
Households in Burien on average earn less income than in similar urban places and in the region as a whole.

Exhibit 3. Median Household Income, 2013



Earnings in Burien also tend to fall lower than the average for Established Urban and the region as a whole.

Exhibit 4. Median Earnings, 2013

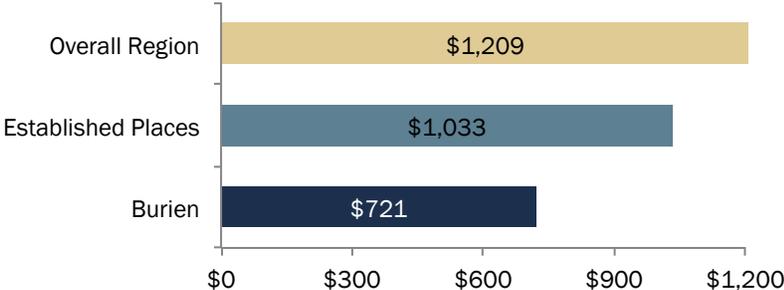


Like incomes, housing costs in Burien are also lower than other places in the region. Median rents in central Burien are about 70% of the median for established urban places and about 60% of the regional average, while home values are just about 89% of those for all established urban places and 72% of the regional average.

Median rent in Burien is lower than in similar urban centers and in the region as a whole.

Exhibit 5. Median Rent, 2013

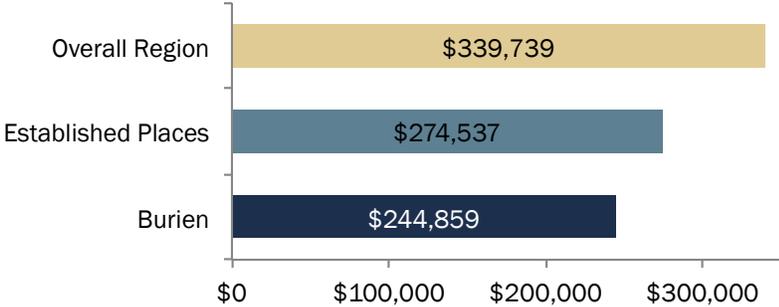
Source: PSRC, US Census Bureau



Median home values in urban Burien are also lower than in similar urban centers and in the region as a whole.

Exhibit 6. Median Owner Values, 2013

Source: PSRC, US Census Bureau



The US Department of Housing and Urban Development considers households that pay more than 30% of their income to be cost burdened. Housing costs that consume that much of a household’s income are “unaffordable,” and may make it difficult to pay for other costs such as food, transportation, medical care, etc. ¹

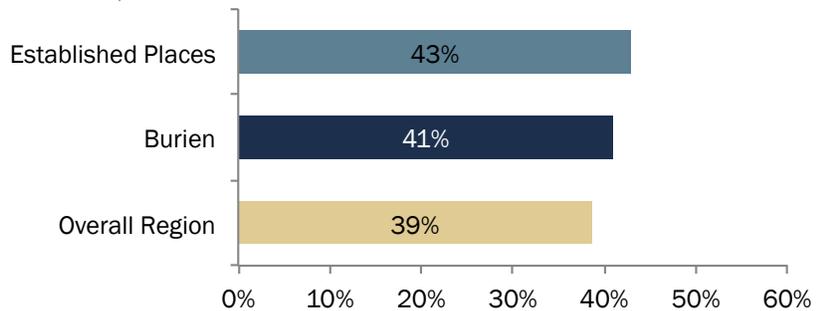
Using this 30%-threshold to determine cost burden, we find that about 41% of Burien households are cost burdened, compared to 43% of households in Established Urban Places and 39% of households in the overall region.

¹ “Affordable Housing,” US Department of Housing and Urban Development, accessed December 17, 2015.

On average Burien has a higher rate of cost-burdened households than similar urban places but slightly less than the region.

Exhibit 7. Percent of Households that are Cost Burdened, 2013

Source: PSRC, US Census Bureau

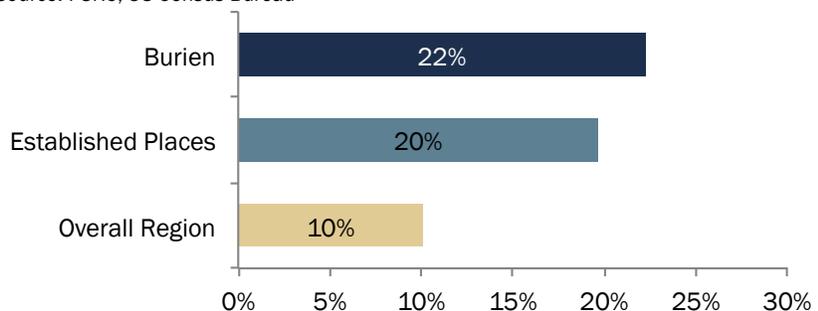


A larger share of residents in urban Burien are impoverished than in similar urban areas. About 22% of Burien residents are impoverished compared to 20% for Established Urban Places and 10% of the overall region.

About 22% of Burien residents live below the federal poverty line. More than the average for similar urban places, and more than double the rate for the overall region.

Exhibit 8. Percent of Residents in Poverty, 2013

Source: PSRC, US Census Bureau

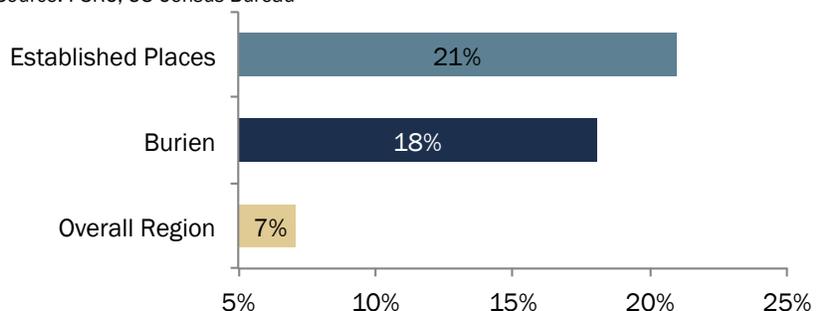


About 18% of residents of urban Burien do not own a car, compared to 21% of residents in all Established Urban Places and 7% of residents in the overall region.

About 18% of Burien residents do not have a car, compared to 21% for similar urban areas and 7% for the region as a whole.

Exhibit 9. Percent of Residents with No Vehicle, 2013

Source: PSRC, US Census Bureau



Many Burien residents identify as some race other than white. About 44% of urban Burien residents are nonwhite. The average for all established places is 42%, and 31% in the region as a whole.

About 44% of Burien's urban residents are nonwhite, compared to 42% for similar urban areas and 31% for the region as a whole.

Exhibit 10. Percent of Residents that are Nonwhite, 2013

Source: PSRC, US Census Bureau

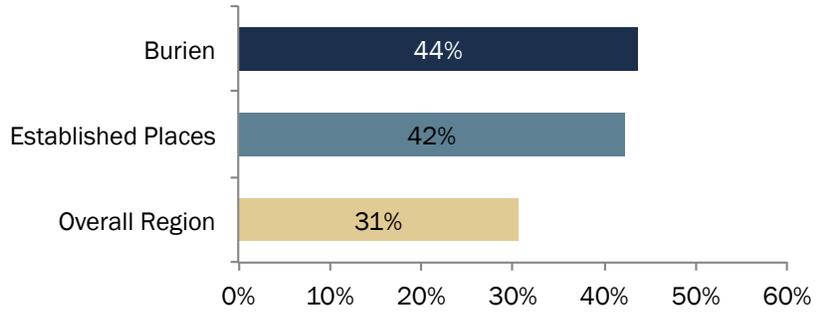


Exhibit 11 lists the economic indicators discussed above for each center.

Exhibit 11. Demographics Summary, Centers, 2013

Name	Median Household Income	Median Earnings	Average Household Size	Median Rent	Median Owner-Occupied Home Value	Percent in Poverty	Percent with No Vehicle	Percent Nonwhite	Cost Burdened Households
Established Places	\$48,358	\$38,260	1.9	\$1,033	\$274,537	20%	21%	42%	43%
Ballard	\$64,188	\$50,228	1.7	\$1,192	\$367,267	12%	16%	16%	35%
Burien	\$33,541	\$24,712	2.0	\$721	\$244,859	22%	18%	44%	41%
Columbia City	\$45,089	\$34,652	2.2	\$686	\$346,250	27%	20%	66%	53%
Downtown Kirkland	\$87,750	\$71,587	1.8	\$1,426	\$471,775	5%	7%	19%	31%
Everett	\$38,073	\$28,355	1.8	\$739	\$231,036	23%	24%	21%	46%
Federal Way	\$34,530	\$20,876	2.0	\$938	\$87,586	24%	23%	51%	51%
Lake City	\$39,860	\$31,611	1.9	\$905	\$329,475	25%	19%	52%	47%
Mariner	\$37,175	\$26,000	2.5	\$973	\$150,750	24%	12%	50%	41%
Redmond Downtown	\$94,798	\$67,289	1.9	\$1,493	\$251,571	10%	14%	39%	31%
Redmond-Overlake	\$54,715	\$45,055	1.8	\$1,292	\$629,616	19%	28%	51%	38%
Renton	\$43,607	\$33,996	1.8	\$1,073	\$238,245	17%	20%	42%	48%
Seattle Northgate	\$45,368	\$32,678	1.9	\$1,077	\$240,242	18%	23%	46%	50%
Tacoma Downtown	\$42,233	\$30,339	1.8	\$933	\$273,144	23%	18%	44%	39%
Overall Region	\$73,699	\$41,399	2.6	\$1,209	\$339,739	10%	7%	31%	39%

The Center's Real Estate Market

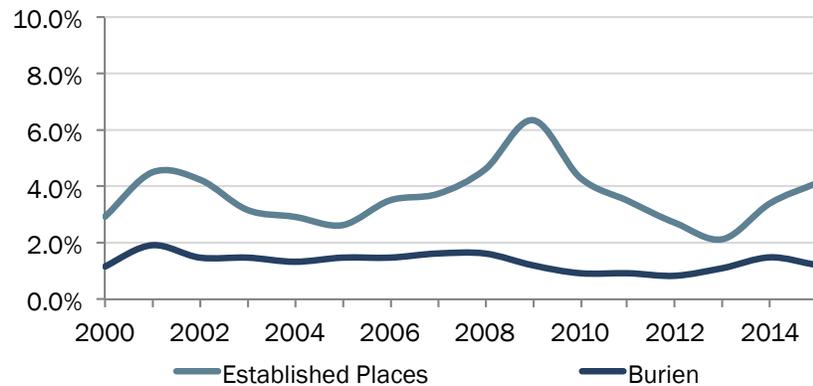
Between 2000 and 2014, central Burien's multifamily real estate market bore a relatively flat vacancy rates and moderate increases in rent and inventory growth.

Multifamily

Urban Burien's multifamily vacancy rate remained between 1% and 2% from 2000 to 2015

Exhibit 12. Vacancy Rate

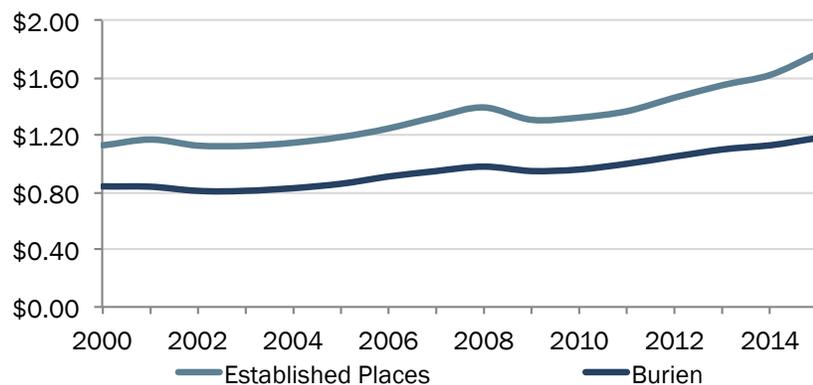
Source: Costar



Nominal rents per square foot in urban Burien rose from \$0.84 to \$1.18 (an increase of 40%), while rents for Established Places rose from \$1.12 to \$1.77 (an increase of 57%).

Exhibit 13. Rent per Square Foot

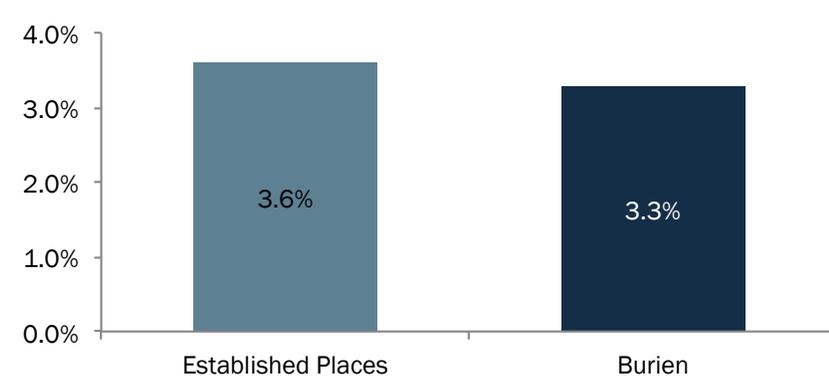
Source: Costar



Total inventory grew slightly slower in Burien than in Established Urban Places as a whole.

Exhibit 14. Inventory Growth (Units, AAGR)

Source: Costar



Office

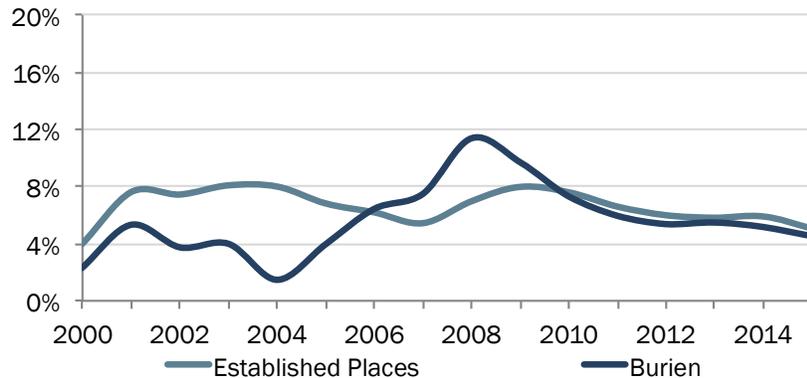
Between 2000 and 2014, the vacancy rate for office real estate increased slightly and rents fell. Inventory grew, but more slowly than Established Urban Places overall, at 0.31% average annual growth.

The office vacancy rate in both Burien and Established Urban Places rose from 2000 to 2015.

In 2015 the vacancy rate in Burien was about 4.5% compared to 5.1% for all Established Urban Places.

Exhibit 15. Vacancy Rate

Source: Costar

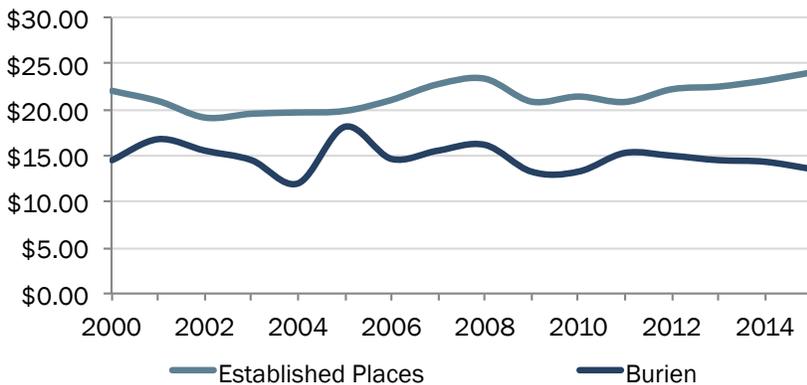


From 2000 to 2014, the nominal office rent per square foot rose in Established Urban Places, but fell in Burien.

Urban Burien's rent fell by 7% from \$14.50 to \$13.55, while Established Urban Places's average rent rose by 9% from \$22.03 to \$24.07.

Exhibit 16. Rent per Square Foot, Direct

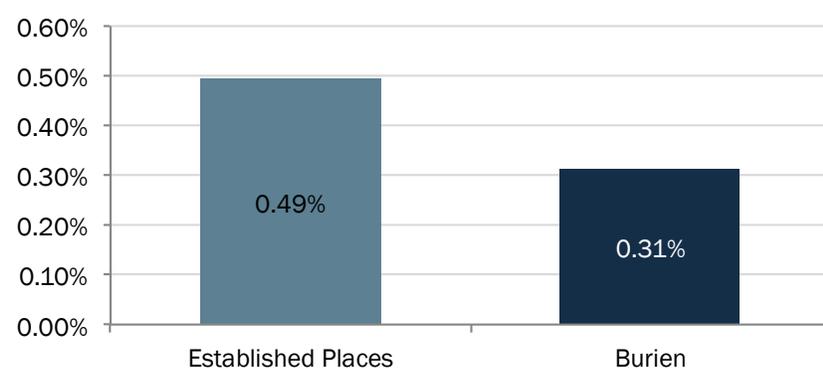
Source: Costar



Office inventory grew by less than half a percent per year in both Established Urban Places and urban Burien, though it grew slightly slower in urban Burien.

Exhibit 17. Inventory Change, AAGR

Source: Costar



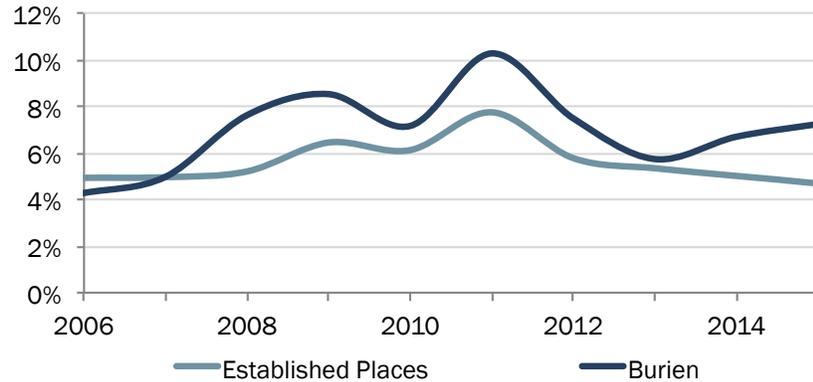
Retail

The vacancy rate for Burien's retail market rose from about 4% to about 7%. Over the same period, rents rose slightly, from \$13.25 to \$16.34, and total inventory declined by 1%.

Urban Burien's retail vacancy rate rose from 2006 to 2015 and in 2015 stood at 7.3%, compared to 4.7% for all Established Urban Places.

Exhibit 18. Vacancy Rate

Source: Costar

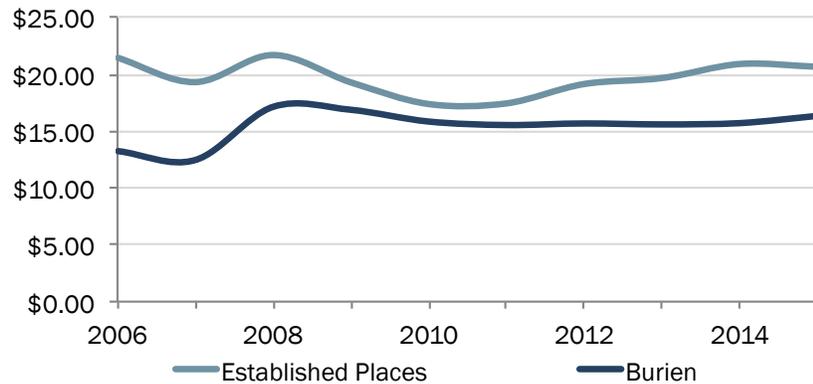


Retail rents rose in urban Burien, but fell slightly in Established Urban Places as a whole.

In 2015, urban Burien's average retail rent per square foot was \$16.34, compared to \$20.65 for all Established Urban Places.

Exhibit 19. Rent per Square Foot, Direct

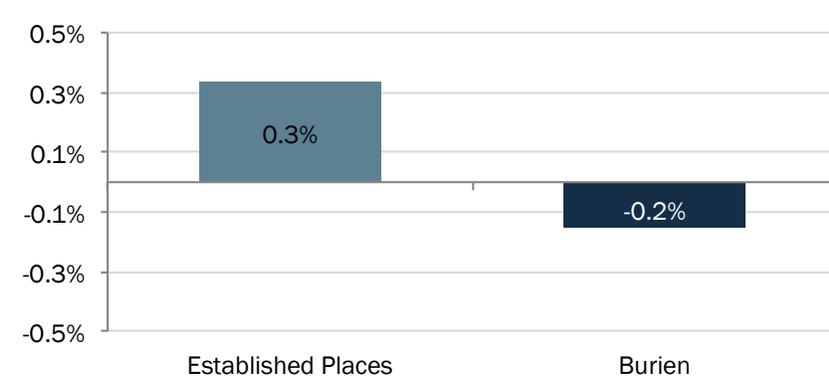
Source: Costar



Total retail inventory fell slightly in urban Burien, while it rose in Established Urban Places.

Exhibit 20. Inventory Change (per SF, AAGR)

Source: Costar



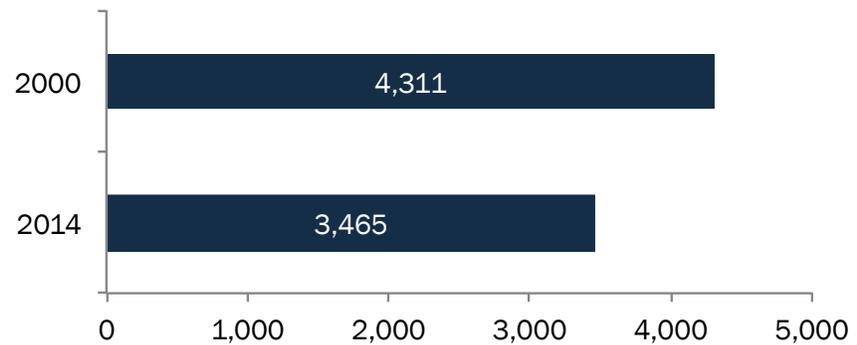
Employment in the Center

Over the past approximately 15 years, population in Burien’s center grew by 11% at an average annual rate of about 0.8% (as described above). Over the same period, employment in the center fell by 20%, declining at an average annual rate of 1.5%. The ratio of jobs-per-person fell from 1.7 to 1.2 over this period. (Note that because people can work in one place and live in another an increase in population accompanied by a decrease in jobs in the same place does not mean that more Burien residents became unemployed, simply that there were less jobs based in the town’s economic center.)

From 2000 to 2014, total employment in urban Burien declined from 4,311 to 3,465, a total decrease of 20%.

Exhibit 21. Total Employment, 2000-2014

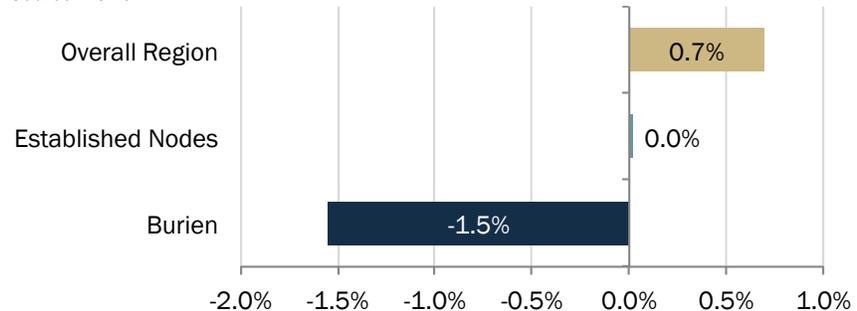
Source: PSRC



Burien’s job decrease amounted to an average annual rate of negative 1.5%, compared to overall growth at an average annual rate of 0.7% throughout the region and minimal growth in Established Nodes as a whole.

Exhibit 22. Total Employment Change, 2000-2014

Source: PSRC

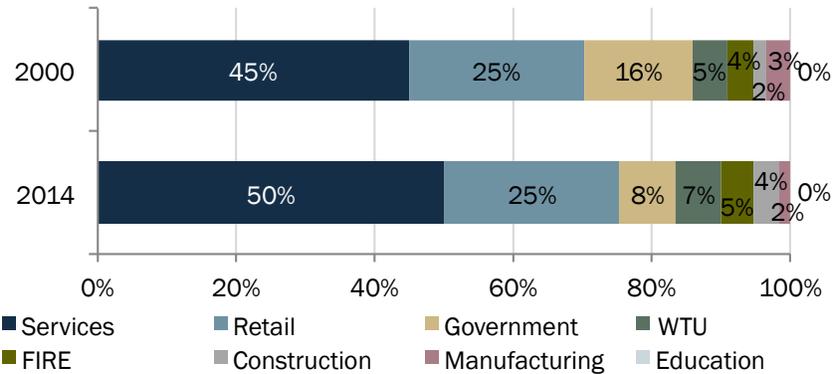


Burien’s employment composition changed slightly from 2000 to 2014. The percentage of jobs in the services industry increased from 45% to 50%, while government employment fell from 16% to 8% of the area’s employment. Services and retail combined make up about three quarters of all jobs in the center. These two sectors make up a majority of employment in the region as a whole, but the rate in Burien (75%) and Established Urban Places (72%), exceeds that of the overall region (55%).

From 2000 to 2014, the share of employment in services grew from 45% to 50%, while the share of employment in government declined from 16% to 8%.

Exhibit 23. Change in Employment Composition, Burien

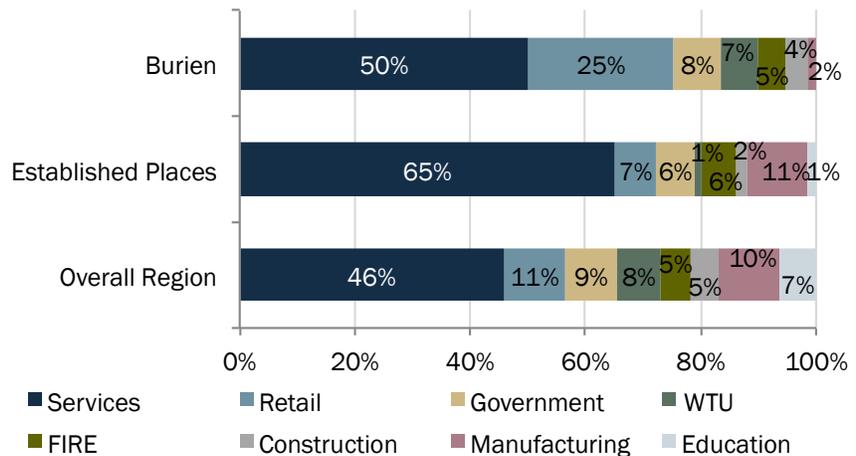
Source: PSRC



About half of urban Burien’s employment is supported by the services industry. Retail makes up about a quarter, and the remaining quarter is made up by a mix of Government, WTU, FIRE, Construction and Manufacturing. ²

Exhibit 24. Employment Composition

Source: PSRC



Economic Growth and Transportation Mobility

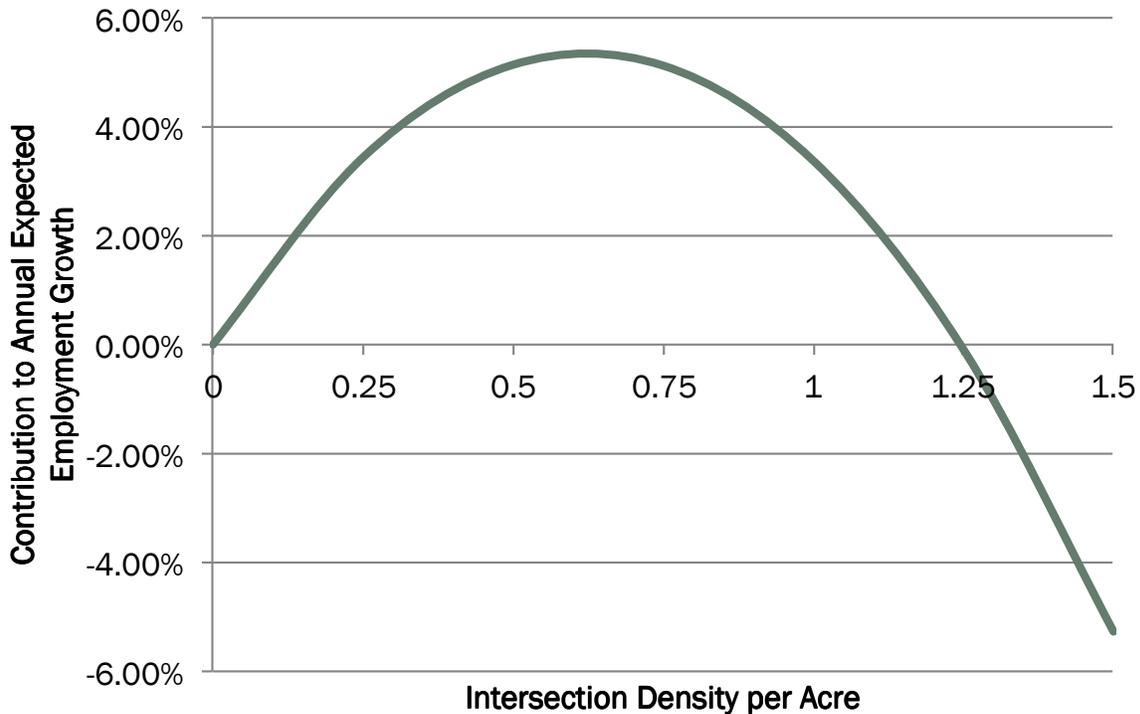
How would changes in intersection density impact Burien’s employment growth trajectory?

Based upon prior research ECONorthwest has conducted regarding the economic performance of regional growth centers for the Puget Sound Regional Council, we find that intersection density per acre has a significant and non-linear impact on annual employment growth. For regional growth centers with low levels of intersection density, increases in intersection density tend to result in accelerated future employment growth. This is most likely due to improvements in the communities walkability and accessibility, which tend to improve conditions for economic performance. However, increases in intersection density can reduce employment growth rates for communities with very high levels of intersection density. For

² WTU stands for Warehousing, Transportation, and Utilities, and FIRE, stands for Finance, Insurance and Real Estate.

these regional growth centers, increases in intersection density may be associated with decreased developable land area, due to the large amount of public right of ways devoted to city streets and constrained lot sizes.

Exhibit 25: Impact of Increases in Intersection Density on Annual Employment Growth Rate

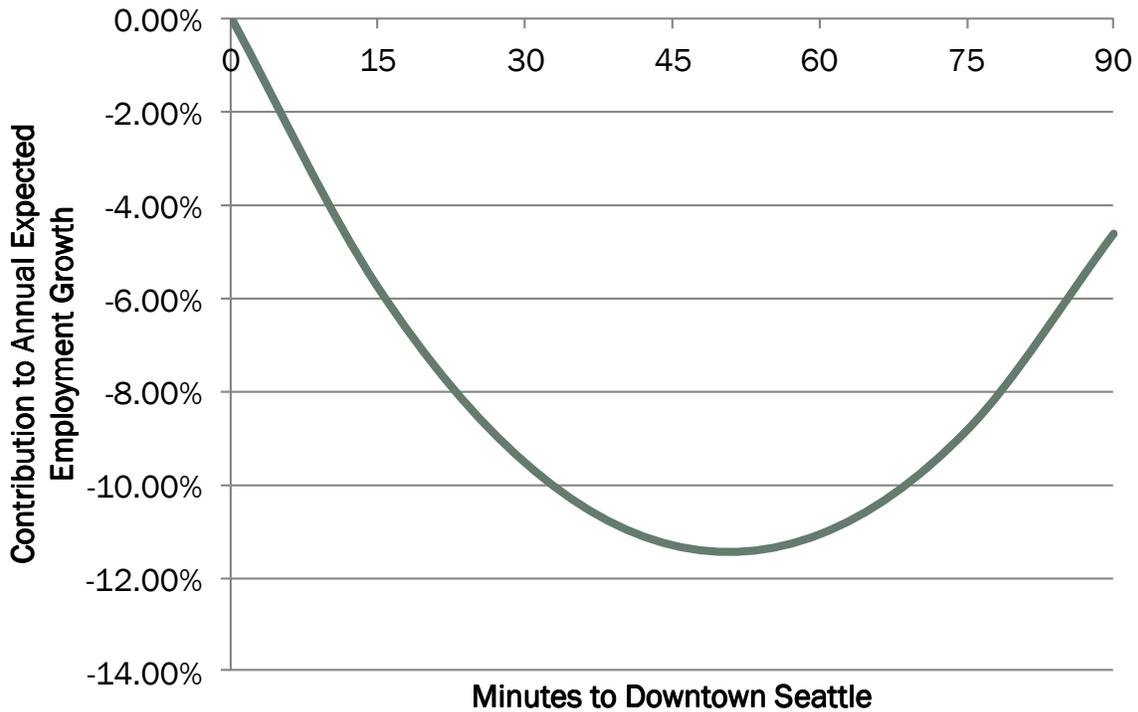


In the Burien regional growth center, the average intersection density is approximately 0.75 intersections per acre. This estimate is very near the optimal intersection density predicted in Exhibit 25 which implies that increases (or decreases) in intersection density are unlikely to improve future employment growth.

Does reducing average driving commute time increase employment growth?

We find that for most regional growth centers, decreasing the expected rush-hour commute time to downtown Seattle has a significant and positive impact on future employment growth. As the regional CBD and economic engine of the central Puget Sound, proximity to downtown Seattle exerts a profound impact on the economic performance of communities around the region. However, for some regional growth centers that are very far from Seattle, decreases in drive time are not associated with increases in employment growth. This is most likely due to the fact that these regional growth centers are more closely aligned to other local CBDs, such as Tacoma or Everett, and are less influenced by economic conditions in Seattle.

Exhibit 26: Impact of Increases in Morning Rush-Hour Drive Time to Downtown Seattle on Annual Employment Growth Rate

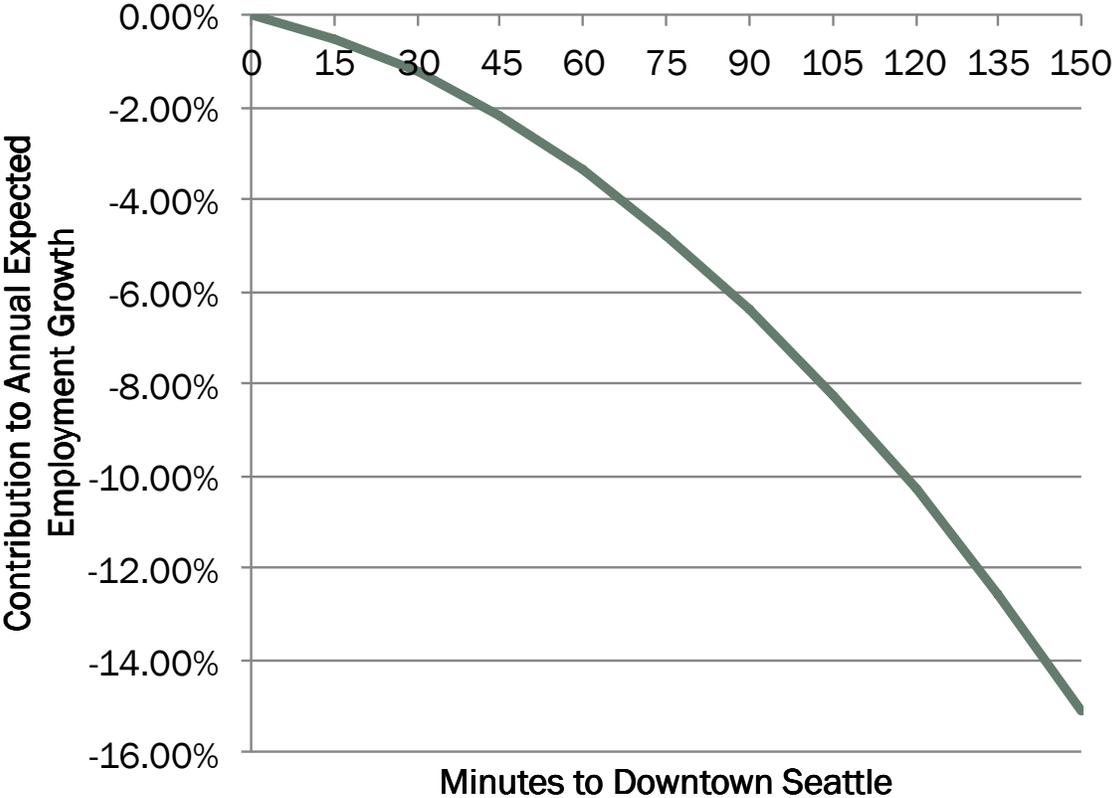


In the Burien regional growth center, we find that the average rush-hour drive time to downtown Seattle is approximately 42 minutes. Hence, decreases in drive time by reducing congestion, expanding capacity or other means should result in long term improvements in employment growth. For instance, a decrease in driving commute time to downtown Seattle by 15 minutes is expected to permanently increase annual employment growth rate in Burien by 2.1%, on average.

Does improving transit accessibility have a significant impact on employment growth?

We find that increasing transit accessibility, as measured by the approximate travel time by public transit to downtown Seattle, has a positive and significant benefit on employment growth for regional growth centers. All regional growth centers would benefit from reductions in the amount of time spent traveling by public transit with those regional growth centers furthest from downtown Seattle benefiting the most.

Exhibit 27: Impact of Increases in Public Transit Time to Downtown Seattle on Annual Employment Growth Rate



In the Burien regional growth center, the average rush-hour commute time by public transit to downtown Seattle is approximately 58 minutes. Based upon results of Exhibit 27, decreasing the average public transit commute time by 15 minutes could result in an increase in annual employment growth by approximately 1.1%, on average.