

# **Chapter 9: Economic Development Element**





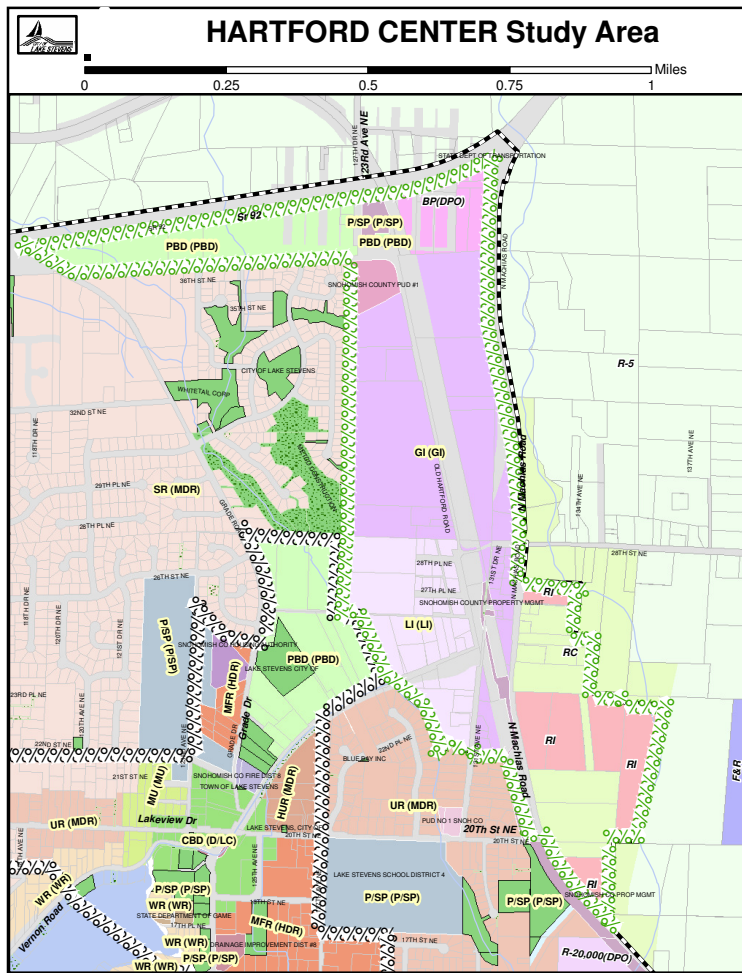


# CHAPTER 9: ECONOMIC DEVELOPMENT

## INTRODUCTION



The City of Lake Stevens wants to be a sustainable community. Its vision for 2025 is to have a community where residents can find family wage jobs, close to home. In 2004 there were 1100 employees working in local retail, service and industrial jobs. Over 4000 persons were so employed in the overall UGA. If this proportion of jobs to residents is to be maintained, then about 3500 additional jobs will have to be created in the UGA (the 2011 City limits) by 2025.



In 2000, 35% of the employed residents in *unincorporated* Snohomish County worked in the service trades and 19% worked in manufacturing industries. Since 1990, the proportion of unincorporated Snohomish County residents in the service trades increased by nearly 43% while manufacturing declined by about 12%. About 13% of the employed unincorporated Snohomish County residents in 2000 worked in retail trades, a 9% decline from 1990.

A recent report produced by the Snohomish County Economic Development Council identified the County's main strengths as aerospace (Boeing and its suppliers), trade, biomedical, pharmaceutical and electronic manufacturing. It identified



*among its greatest assets for attracting new jobs in these sectors the natural beauty of the area, abundant open space, relatively affordable housing compared with King County, and a “strong sense of community”.*

Among the County’s liabilities in attracting new manufacturing jobs, is transportation, taxes, an insufficient supply of affordable housing close to jobs and inadequate work force training. Some of these are beyond the control of the City to solve; others are well within the City’s abilities to deal with as part of the community’s 20-year development.

Lake Stevens has a land supply available to accommodate new, family-wage businesses. Most of this is located in the Hartford Road Industrial Area. This is an underutilized area in the northeast corner of the City, with direct, albeit poor, access to SR 92. Other potential sites for smaller technology industries are located around two commercial centers – Frontier Village and South Lake.

It will be the City’s policy to encourage clean, hi-tech industry in these areas and to work with property owners and others to prepare these areas with infrastructure and other improvements attractive to business. Of the 3500 new jobs to be created between now and 2025, about 1,000 of these are targeted for the hi-tech sector. This will necessitate a minimum of fifty (50) acres that are upgraded and serviced to accommodate these jobs.

### **FISCAL CONDITIONS AND RELATION TO LAND USE**

Based on the City’s existing fiscal information, the City is expected to be in a fiscal deficit position with completion of its phased annexation plan for existing UGA areas. The deficit is expected to be between \$900,000 \$1,400,000 per year once its UGA areas are annexed. As part of the Lake Stevens South Growth Framework planning effort, two economic studies were prepared to help the City address this forecasted deficit. These included a Market Trends Report and a Memo on Strategic Considerations of Local Economic and Fiscal Growth.

The market trends report described the level of employment and residential growth that would be expected in the Lake Stevens area based on current trends. Because it is based on existing data and trends, it addressed a market area that includes Lake Stevens, the City of Snohomish and some adjacent unincorporated area. Residential forecasts by the Puget Sound Regional Council (PSRC) suggest 11,585 households will be added to the market area by 2030. Demand for single-family residential growth in the area is strong; however, this type of land use provides limited fiscal benefit. Employment forecasts by the PSRC suggest that this market area will add 7,300 more jobs by 2030.



The Memo on Strategic Considerations of Local Economic and Fiscal Growth provided analysis of the City’s fiscal needs (based on fiscal information provided by the City). As stated above, a fiscal deficit is expected to occur with completion of the City’s phased annexation plan for existing UGA areas. The analysis examined the potential for new revenue sources, including from new land uses, which could offset the expected deficit.

### **Current Conditions**

Lake Stevens is currently one of the many “bedroom communities” in the central Puget Sound region. In 2006, the most recent year for which local employment data are available, the City had just over 1,500 jobs and 3,500 housing units, for a jobs-to-housing unit ratio of less than 0.5. Since then, annexations have added more housing units than jobs, and in 2007 the City’s jobs-to-housing unit ratio was probably closer to 0.3.

The jobs-to-housing ratio for Snohomish County was 0.9 in 2006, and the regional average was closer to 1.2 jobs for every housing unit in the central Puget Sound region overall (King, Kitsap, Pierce and Snohomish counties). A community like Lake Stevens, with a jobs-to-housing ratio less than 1.0, defines the term “bedroom community”, in that the City exports labor to other cities where greater employment opportunities exist. The ratio demonstrates that the City has a local labor force that new or growing businesses in the City could tap into for expansion.

Recent annexations have added a significant number of housing units to the City, adding more than 1,000 in 2005, nearly 1,500 housing units in 2006, and approximately 470 in 2007. Housing construction contributed to housing growth as well, bringing the number of housing units in the City up to 5,009 in 2007, with total population of 14,554. The number of jobs located in City limits grew during this period as well, increasing by 23% from 2005 to 2006, from 1,254 in 2005 to 1,548 in 2006.

### **Need for Economic Diversification**

Employment in Lake Stevens is less diversified across job sectors than in neighboring communities of similar size, such as Snohomish, Arlington, or Monroe. Lake Stevens has a high concentration of education-sector jobs, comprising nearly half (45%) of the City’s employment base. Services comprise 20% of the job base and Construction/Resource jobs 16%. Each of the remaining five sectors average around 4% of the total. The City’s current concentration of jobs in Construction and Education reflects the City’s residential orientation. If Lake Stevens grows into more of an employment center, then jobs would be expected to increase among Services and Manufacturing jobs.



### **Employment Uses Associated with Fiscal Benefit**

Specific employment land uses that should be considered for their fiscal benefit are discussed below. A diversity of housing types should also be considered.

- **Offices and flex-space**, particularly larger uses. Office businesses contribute sales and utility taxes through their operation, B&O taxes, and generate spillover sales or other activity driven by their employees. In addition offices typically impose lower demands on City infrastructure and services than other use types. Smaller office-type businesses serving local needs will typically generate relatively lower net fiscal benefits than would larger companies. Large companies generally look for large blocks of office space that can allow employees to be in close proximity and can be reconfigured to suit changing needs. Buildings with large floor plates are the most common approach to this need.
- **Retail and general commercial, particularly retailers focusing on high-value items, unique items, or high volumes.** Retailers that sell high-value items can produce large sales tax revenues while requiring relatively less service costs. Similarly, businesses that sell more unique products can attract customers from a broader region, effectively expanding the tax base the City is able to draw upon. Certain larger businesses such as big-box stores can generate significant levels of sales as well. However such volume-oriented retailers involve higher numbers of trips, with commensurately higher infrastructure and City service costs per dollar of tax revenue generated. Large retailers prefer locations with high visibility and high traffic volumes. Large retail businesses require large land areas with good access and visibility from major roads, and traditionally demand extensive parking, generally making them incompatible with denser, walkable mixed-use environments. Pedestrian access is of primary importance.
- **Entertainment-oriented commercial uses.** Entertainment-oriented commercial uses, such as restaurants, theaters, and the like can generate substantial direct revenue for the City and also spur greater visitation and activity in the area, producing a synergistic effect that benefits other nearby businesses as well. A well-designed and well-planned entertainment or mixed-use center can maximize this potential for such positive spillover effects. Entertainment-oriented commercial developments require relatively large areas within which to arrange a mix of complementary uses and activities that give such areas their energy.



- **Educational Facilities, such as a branch University of Washington Campus or a technical college.** Higher education facilities, such as community colleges or small, local four-year colleges, can have spillover effects that generate fiscal benefits. The siting of higher education facilities is typically not market driven. Rather, sites tend to be selected based on criteria specific to the educational facilities needs. Small campuses tend to support on-site multi-family housing and a small amount of retail, such as a campus bookstore and student-based food service. Depending on the size of the campus and the number of students, additional off-site multi-family housing may be necessary to fill demand. The amount that students and faculty contribute to the local economy depends on the number and type of amenities provided on campus as well as existing shopping facilities within a short drive. Technical colleges are one alternative that may leverage nearby technical business needs and may work well within a light-industrial development as a supportive use.
- **To some extent, industrial uses.** Industrial businesses typically generate lower direct fiscal benefits than do residential and retail uses that provide property and sales taxes. In addition, to the extent that industrial businesses ‘export’ products beyond the City itself, the shift to a destination-based sales tax system will reduce local sales tax revenues. However industrial businesses can bring countervailing advantages: for example, value-adding manufacturing companies may pay relatively high wages that spill over into other areas of the City such as higher retail spending or higher residential property values. The ultimate net fiscal impact of industrial development thus depends on the specifics of what businesses can be grown or induced to locate in the City. Light industrial users will need larger plots with good transportation connectivity. Common to all industrial uses is a need for good transportation access and a need to be somewhat remote from residential and even other commercial users, which may complain about the noise and traffic impacts industrial businesses may generate. Because of this, industrial users often cluster together where they not only do not experience such potential complaints but can also benefit from potential synergies among different companies. These characteristics can make industrial uses well suited for locations located on the fringe of an urban core and adjacent to major transportation corridors. Medical facilities often cluster together in a campus like setting, providing a benefit by sharing specialized resources and equipment. Medical facilities can also provide a wide range of high quality employment and educational opportunities.



### **Feasibility of Development with Fiscal Benefit**

Four basic conditions must be satisfied for development to occur in a City:

- Available, suitable land for development – is there space where development can happen?
- Market demand for that development – do people or businesses want to locate there?
- Fiscal capacity of the host City to serve new developments and necessary infrastructure
- Land use regulations – do local regulations allow the development?

Available, suitable land is the key issue limiting the potential for the City to meet its fiscal needs through land in the existing UGA. Based on the locational requirements of the land use types discussed above and the City's growth strategy, only limited land within City limits is available or well positioned to accommodate the types of growth in new land uses needed to achieve the City's fiscal objectives. The Frontier Village and South Lake Growth Centers provide the greatest opportunity. However, Frontier Village has limited redevelopable land (as shown in the Buildable Lands Report) and South Lake is envisioned and more suited as a residential mixed-use center than a large-scale employment center. Additionally, Lake Stevens may be challenged in attracting larger office users by its perceived remoteness from major business centers in the region.

Based on the analysis of the City's existing growth strategy, the City needs to look to land outside its UGA to generate revenues needed to meet its fiscal goals. Two attributes that increase the potential attractiveness and efficacy as a location for economically-stimulating development, to make Lake Stevens a contender for needed commercial and employment opportunities already enjoyed by its neighboring jurisdictions:

- Good highway access with convenient connections to Interstate 5 as well as to US Highway 2 across the Cascades to eastern Washington.
- Potential for large contiguous parcels. Large land parcels greatly simplify the development of uses for which land is a significant required resource.

## **GOALS AND POLICIES**

**GOAL 9.1: PROMOTE AND DEVELOP THE HARTFORD ROAD INDUSTRIAL AREA FOR THOSE INDUSTRIES EXPECTED TO LOCATE IN THE SNOHOMISH COUNTY AREA OVER THE COMING DECADES.**



Policies

- 9.1.1 Public facilities and utilities shall be located to: a) achieve a high level of accessibility; b) maximize the efficiency of services provided; c) minimize their costs; and d) target investment in key locations to stimulate business development.
- 9.1.2 Coordinate and seek economic development assistance from the Snohomish County Economic Development Council, State Department of Community Trade and Economic Development, Small Business Development Office, Trade Commissions, and other endeavors in the economic development arena.

**GOAL 9.2: REVITALIZE, MAXIMIZE, AND ENERGIZE THE DOWNTOWN, SOUTH LAKE AND FRONTIER VILLAGE AREAS AS THE KEY GROWTH CENTERS FOR RETAIL, OFFICE AND SERVICE CENTERS OF LAKE STEVENS.**

Policies

- 9.2.1 Pedestrian orientation and sense of place are required to create an attractive retail or mixed use area for businesses and shoppers.
- 9.2.2 Parking and traffic flow should be located outside the pedestrian areas, to the sides and back of buildings or below the site to provide street and sidewalk visibility.

**GOAL 9.3: PROVIDE A PREDICTABLE DEVELOPMENT ATMOSPHERE, EMPHASIZE DIVERSITY OF GOODS AND SERVICES AVAILABLE, AND ENSURE EMPLOYMENT OPPORTUNITIES ARE BALANCED WITH A RANGE OF HOUSING OPPORTUNITIES.**

Policies

- 9.3.1 Provide opportunities to achieve a jobs/housing balance that encourages and advances smart growth goals including financial stability, environmental integrity, and a healthy community.
- 9.3.2 Develop strategies and techniques to adjust the balance at an appropriate rate that the regional market can absorb.

**GOAL 9.4: SUPPORT A REGIONAL COMMITMENT TO THE DEVELOPMENT OF A WORLD-CLASS, STAND-ALONE FOUR-YEAR POLYTECHNIC UNIVERSITY TO BE LOCATED IN SNOHOMISH COUNTY.**



Policies

- 9.4.1 Encourage the Washington State Legislature to act on the need for higher education for area students and the need for more students with Computer Science, Engineering and Applied Science degrees to meet local technology-based businesses by securing lands and developing a master plan and governance model for a four-year university.
- 9.4.2 Coordinate with elected officials and neighboring cities to further the cause of locating a four-year university within Snohomish County.
- 9.4.3 Seek sites within the Lake Stevens planning area for a four-year university and related economic development opportunities.

**GOAL 9.5: IMPROVE THE CITY’S ECONOMIC CONDITION FOR A HEALTHY, VIBRANT AND SUSTAINABLE COMMUNITY.**

Policies

- 9.5.1 Develop a comprehensive economic development strategy guiding land use planning resources that will:
  - A. Diversify sustainable revenue sources that weather swings in economic cycles.
  - B. Promote job creation for its residents.
  - C. Provides a strategy based on an up-to-date market analysis and forecasting.
  - D. Identifies potential employment sectors that will flourish in the Lake Stevens environment given its location to Everett, US2, and the I-5 corridor.
- 9.5.2 Coordinate with other appropriate regional agencies to help advance economic development goals and policies.
- 9.5.3 Develop economic development recruitment strategies that take advantage of Lake Steven’s community attributes and assets.
- 9.5.4 Coordinate and balance the economic development strategies and techniques in growth centers that complement the existing growth centers for maximum economic benefit.