

## **APPENDIX 3-5**

### **Skagit County Comprehensive Plan – Chapter 11 Economic Development Element**



# ECONOMIC DEVELOPMENT PROFILE

## INTRODUCTION

This profile includes a summary of analysis and strategies that support the goals and policies in the Economic Development Element. The source of this information is the *Skagit County Comprehensive Economic Development Strategy*, maintained by the Skagit Council of Governments. This profile, together with the economic development chapter containing goals and policies, fulfills the County's obligations under the GMA to include an economic development element in the Comprehensive Plan.

## BACKGROUND SUMMARY

### DEMOGRAPHIC PROFILE

As of 2005, Skagit County's population was estimated at 110,900 by the state Office of Financial Management (OFM). This represents an average annual increase of 1.5% since the 2000 Census, significantly slower than the 2.6% average annual population growth rate the county realized during the 1990s. The county's largest cities are Mount Vernon (over 26,200 residents in 2000), Anacortes (14,600), Sedro-Woolley (8,700) and Burlington (6,800). Growth projections for 2025 allocate the highest growth rates to Mount Vernon and Sedro-Woolley, and the significantly smaller East County towns of Concrete and Hamilton. Table 1 below shows average annual growth rate.

**Table 1 Skagit County Population Trends (1980-2000)**

Jurisdiction	1980	1990	2000	Average Annual Growth Rate	
				1980-1990	1990-2000
Cities & Towns					
Anacortes	9,013	11,451	14,557	2.4%	2.4%
Burlington	3,894	4,349	6,757	1.1%	4.5%
Concrete	592	735	790	2.2%	0.7%
Hamilton	283	228	309	-2.1%	3.1%
La Conner	660	686	761	0.4%	1.0%
Lyman	285	275	409	-0.4%	4.0%
Mount Vernon	13,009	17,647	26,232	3.1%	4.0%
Sedro-Woolley	6,110	6,333	8,658	0.4%	3.2%
Unincorporated Area	30,292	37,841	44,506	2.3%	1.6%

Skagit County	64,138	79,545	102,979	2.2%	2.6%
State of Washington	4,132,156	4,866,663	5,894,121	1.6%	1.9%

Source: Skagit County OEDP 2000, U.S. Census Bureau.

Average annual population growth is generally expected to slow for all jurisdictions after 2000. Annual projected growth rates from 2000 - 2025 range from around 1.0% (Anacortes, La Conner, and unincorporated regions of the County) to 2.1% for Mount Vernon and 3.1% for the County’s unincorporated urban growth areas (UGAs). The County average annual growth rate is projected to be 1.5% through 2025. Table 2 below shows populations projections through 2025 for Skagit County.

**Table 2 Skagit County Population Projections (2025)**

Jurisdiction	2000 Population	Location	Adopted 2025 Allocation	Increase by 2025 Number	Percent
<b>Cities</b>					
Anacortes	14,647		18,300	3,653	25%
Burlington	8,728	I-5 Corridor	12,000	3,272	37%
Concrete	960		1,350	390	41%
Hamilton	309		450	141	46%
La Conner	761		950	189	25%
Lyman	409		550	141	34%
Mount Vernon	28,332	I-5 Corridor	47,900	19,568	69%
Sedro-Woolley	10,358	I-5 Corridor	15,000	4,642	45%
Subtotal Cities & UGAs	64,504		96,500	31,996	50%
<b>UGAs</b>					
Swinomish	2,664		3,650	986	37%
Bayview	1,700	I-5 Corridor	5,600	3,900	229%
Subtotal UGAs	4,364		9,250	4,886	112%
Total Urban	68,868		105,750	36,882	54%
Total Rural	34,110		43,330	9,220	27%
Total Skagit County	102,978		149,080	46,102	45%

Source: Growth Management Act Steering Committee, March 2003.

The county’s housing costs have responded to its rapid 1990s growth rate, with median home values rising 88% in that decade (compared with 70% for the state as a whole). Rents have also increased dramatically, more than double the rate of any other I-5 corridor county. This is in part due to the county’s low rental costs in 1990. More information on housing costs is located in the Housing Profile.

Incomes have also risen rapidly in comparison. In 2002, county median household income averaged \$42,400. This was 93% of the statewide median income, up from 91% in 1990. The largest household income gains were seen in Burlington, La Conner and Sedro-Woolley. Poverty declined in almost all Skagit County jurisdictions during the 1990s, with the exception

of Concrete, Hamilton and La Conner. Table 3 below shows household income and percentage of households below poverty level.

**Table 3 Household Income & Households Below Poverty Level (1990, 2000)**

Jurisdiction	Median Household Income			% HHs Below Poverty Level		
	1990	2000	Increase	1990	2000	Change
Anacortes	\$28,919	\$41,930	45%	11.6%	7.8%	-33%
Burlington	\$22,437	\$37,848	69%	12.8%	12.2%	-4%
Concrete	\$23,529	\$29,375	25%	13.4%	14.2%	6%
Hamilton	\$19,844	\$31,500	59%	16.1%	24.1%	50%
La Conner	\$25,054	\$42,344	69%	6.4%	8.8%	37%
Lyman	\$23,125	\$34,318	48%	13.6%	13.4%	-1%
Mount Vernon	\$27,022	\$37,999	41%	13.2%	13.2%	0%
Sedro-Woolley	\$23,606	\$37,914	61%	13.7%	11.9%	-13%
Skagit County	\$28,389	\$42,381	49%	11.5%	9.5%	-17%
Washington State	\$31,183	\$45,776	47%	10.9%	9.8%	-10%

Source: 1990 U.S. Census.

## TRENDS

Skagit County remains tied to the natural resource industries that were the basis of its early economic activity – today less so than in past years. This natural resource based legacy led to high unemployment in the 1970s and 1980s, an era that saw downturns in the timber products and food processing industries.

### Employment

The county has diversified since then, with the largest sectors now being retail, government and services. These sectors, along with finance, insurance and real estate, were also the fastest growing sectors during the 1990s. Jobs increased at an average annual rate of 3.2% during that period, down slightly from the 1980s rate of 3.6%. Both rates were higher than population growth rates.

In December 2004, county unemployment was 6.4%, above the average for the state and other I-5 corridor counties. However, the gap between unemployment in Skagit County and surrounding geographies has narrowed over the past several years. All non-agricultural employment sectors except wholesale trade had net increases in employment over December 2003.

When compared to surrounding Northern Puget Sound counties, Skagit County's manufacturing base has done well: 3.7% growth from 1990-2001, versus 0.9% for the Northern Puget Sound, and a jobs decline of -1.0% for the I-5 corridor counties. In fact, the only sectors that grew more rapidly in surrounding counties were wholesale trade, construction and mining – also true for all of the I-5 corridor counties.

The largest factor affecting the Northern Puget Sound region is Boeing, given that transportation manufacturing jobs account for half of all manufacturing jobs in the Seattle metro area. Employee cuts due to the post-September 11 travel downturn and increased competition from Airbus ripple through the state at an estimated rate of 2.8 jobs for every Boeing job. The state’s economic recovery is expected to be tied to manufacturing, high technology and international trade activities. Table 4 below shows Skagit County employment trends by industry from 1980 to 2001.

**Table 4 Skagit County Covered Employment Trends by Industry (1980-2001)**

Employment Sector	Actual Employment Totals				Average Annual Increase (%)		
	1980	1990	2001	Actual Change 1980-2001	1980-1990 (10 years)	1990-2001 (11 years)	1980-2001 (21 years)
Agriculture *	2,132	2,817	3,621	1,489	2.8%	2.3%	2.6%
Mining	17	28	34	17	5.1%	1.8%	3.4%
Construction	1,406	2,302	2,815	1,409	5.1%	1.8%	3.4%
Manufacturing	3,777	4,081	5,813	2,036	0.8%	3.3%	2.1%
TCPU **	1,044	1,427	1,704	660	3.2%	1.6%	2.4%
Wholesale Trade	751	1,092	1,300	549	3.8%	1.6%	2.6%
Retail Trade	4,462	7,129	9,300	4,838	4.8%	2.4%	3.6%
FIRE **	661	945	1,298	637	3.6%	2.9%	3.3%
Services	3,218	5,408	8,789	5,571	5.3%	4.5%	4.9%
Government	4,536	5,782	9,296	4,760	2.5%	4.4%	3.5%
Total Employment	22,004	31,011	43,970	21,966	3.5%	3.2%	3.4%

Note: \* A significant part of the increase in agricultural employment may be attributed to extension of unemployment insurance to cover a higher proportion of agricultural workers, an ongoing process that began in the mid 90s.

\*\* TCPU denotes transportation, communications and public utilities; FIRE is an abbreviation for finance, insurance and real estate.

Source: State of Washington Employment Security Department. Data is for employees covered by unemployment insurance and excludes proprietors.

**Agriculture**

Agriculture is the county’s largest industry, with an estimated 2001 production value of more than \$260 million. Historically, the county has generated 50% of the world’s cabbage seed production, upwards of 85% of the nation’s beet seed production, and 75% of the world’s spinach seed production. Other significant crops include raspberries, strawberries, broccoli, potatoes, tulips, and daffodils. Skagit County ranks fourth in the state for number of dairy cows, and fifth for commercial broiler chickens.

Agricultural trends over the last two reported Censuses of Agriculture (1997 and 1992) indicate both continued strength and some threats to the industry. Total acreage in farmland increased over this time period, and while farms grew larger – resulting in a smaller total number of farms – Skagit County farms are still on average far smaller than farms elsewhere in Washington (an average of 131 acres, versus 523). Farmland is also valued much higher, at

an average estimated market value of \$4,600 per acre (for both land and buildings), versus the statewide average of \$1,200 per acre.

A troubling trend is the economic loss experienced by 50% of all farms between 1992 and 1997. In 2003, a drop in the market value of milk, below the break-even production price, threatens to prolong economic losses, and will likely result in the closure of some of the county's many dairy farms.

### **Forestry**

In terms of land area, forest resources are the county's dominant natural resource (over 53% of county land). The county's timber harvest peaked in 1986; the 2001 harvest yield was 62% or 122 million board feet below the 1986 peak. Forest jobs have dropped by a lower percentage (43%) from their peak in 1989; 685 jobs were reported for 2001.

### **Fishing**

Fishing is a third natural resource industry of importance to the county. However, commercial fisheries activity has declined significantly in recent years, due to low market prices, overfishing, and catch restrictions. Restoration of habitat cooperative projects has been on-going and will continue in the future.

### **Commercial and Industrial Activity**

Ensuring sufficient available land for industrial development is a key objective of economic development and of the county's 2002 Growth Management Indicators Report. In 1996 – the most recent inventory available – there were 2,256 developable industrial and commercial acres, meaning the land is accessible, served by appropriate infrastructure, and lacking significant environmental constraints.

Primary industrial properties in the county include the Bayview Industrial Park (roughly 240 vacant acres), Bouslog Business Park, Skagit Air Industrial Development, Burlington Hill Industrial Park, the City of Anacortes Industrial Park, the former Crown Pacific Mill site (with up to about 60 acres near Hamilton), and 400 commercial industrial acres in south Mount Vernon. As part of the 2005 Growth Management Update, the county and cities have updated the estimated land demand for commercial and industrial uses to the year 2025. These are described in the Land Use Element.

### **Infrastructure**

Skagit County's sewer service is provided by six cities, three communities, and two sewer districts; all entities either have or are in the process of obtaining sufficient capacity through 2015. In 2005, the City of Sedro-Woolley instituted a building moratorium in parts of the city due to insufficient sewer capacity. The county's water supply is also generally good, in terms of groundwater quality. However, many of the county's independent water systems have insufficient fire flows. In 2005, the state Department of Ecology proposed draft rules for "low

flow” water wells that may further affect water availability in the rural area. Many of the capital improvement projects listed in the Capital Facilities Element address this issue.

Transportation infrastructure now serves higher traffic levels, especially of passenger vehicles, than in 1990. This increase is associated in part with new residential and commercial development, and the dispersed pattern of that development, as well as increased tourism. The most significant infrastructure needs are investments to I-5 and Highway 20, and increased bridge capacity over the Skagit River.

## STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

The Comprehensive Economic Development Strategy planning process included an assessment of factors that form the basis for the overall economic development strategy. This assessment produced the following conclusions:

### SKAGIT COUNTY STRENGTHS

Community characteristics that make Skagit County a good place to do business or invest, as well as to live, work and recreate, also are a good basis from which to achieve the community's vision for economic development. These include:

1. *Diverse natural resources make Skagit County a good place to live and continue to provide economic opportunity.*
2. *Location midway between Seattle and Vancouver, B.C., has placed Skagit County at the heart of the Pacific Northwest's most dynamic growth corridor.*
3. *A skilled local workforce is available to support a wide variety of industrial, commercial and institutional activities.*
4. *Skagit County's commitment to environmental protection provides a quality of life not available elsewhere on the Puget Sound/I-5 corridor.*
5. *Strong inter-jurisdictional and public-private partnerships have been forged to facilitate coordinated delivery of public services.*

### COUNTY WEAKNESSES

Local conditions may limit the extent or speed with which countywide objectives for economic development can be realized. Six weaknesses or areas of concern are noted:

1. *Housing is becoming less available and affordable as Skagit County faces increasing population growth pressures.*



2. *Despite strong growth in labor force and the local job base, out commuting has increased.*
3. *Educational attainment and social issues are growing sources of concern in the face of employer demands for a more skilled workforce.*
4. *Physical infrastructure remains inadequate to remedy existing deficiencies and address new needs from growth.*
5. *Faced with difficult and complex issues, it is more challenging to build consensus on a common course for the future.*
6. *Recent job growth has been concentrated in the lowest paying industrial sectors.*

## EXTERNAL OPPORTUNITIES

The following include major characteristics of Skagit County's location and economic potential that are important in the larger region:

1. *Puget Sound and Pacific Rim markets.*
2. *Footloose business and industrial firms.*
3. *Recreation, convention and resort development.*
4. *Value-added natural resource business.*

## EXTERNAL THREATS

Five conditions or concerns that could undermine local economic stability are identified as posing potentially significant issues for Skagit County's economic development both short and long-term:

1. *Federal, state and local regulatory requirements.*
2. *Urban sprawl.*
3. *Federal endangered species listing of Chinook Salmon.*
4. *Passage of Initiative 695 – Reduction of Automobile License Tab Fees.*
5. *National Frozen Foods Relocation.*
6. *Diminishing Public Sector Budgets.*
7. *Potential limitation of water rights.*

## DEVELOPMENT STRATEGY

Skagit County's *development strategy* links the assessment of local economic potentials, goals and objectives with resulting programs, activities and projects described by the *implementation plan*. The development strategy also is an overall guide to future actions, recognizing that specific projects in the implementation plan may change on an annual basis in response to changing needs or opportunities.

This development strategy represents a multi-year course of action for economic development and diversification activities in Skagit County. This *countywide* development strategy also reflects a continuing planning process, which seeks to balance governmental jurisdiction, private business and citizen interests.

This development strategy sets a multi-year course of action for meeting stated economic development goals and objectives as well as countywide planning policies. Growth and development occur in incremental steps, and there are only limited public and private resources to address economic needs and opportunities throughout Skagit County. Consequently, implementation of this strategy by governmental jurisdictions, the Skagit Council of Governments, the Economic Development Association of Skagit County, and private and community interests will also occur incrementally.

The 2003 Comprehensive Economic Development Strategy lists 222 economic development project proposals. This is more than twice the number of projects included in the 2000 update. All projects in this listing may be forwarded for further consideration by the U.S. Economic Development Administration (EDA), the Washington Community Economic Revitalization Team (WA-CERT) and other funding entities.

The County identified five strategic proposals and two joint sponsorship proposals:

<b>Project</b>	<b>Priority</b>	<b>Cost</b>	<b>Funding</b>
1. Three-Bridge Corridor	Mid-Term		Federal, State Burlington Northern Santa Fe, Local
2. Flood Protection/ Salmon Restoration	Mid-Term	\$8,345,000 Feasibility; \$221,000,000 Design & Construction	Federal, State, Local
3. Northern State Complex Development	Mid-Term	\$15,000,000 (Phase 1) Phase 2 to be determined	Federal, State, Local, Private
4. Josh Wilson Road	Long-Term	\$920,000	State, Local
5. Peterson Road	Mid-Term	\$2,500,000	State, Local
1. South Bayview UGA Sewer Extension & McFarland Road Extension		\$1,946,168	Public Facility Grants, Private
2. WSU Mount Vernon Research & Extension Unit Revitalization		\$5,000,000	Public Facility Grants, WSU, Private

The other projects were submitted by the ports and cities.

The County, the Economic Development Administration, and the Skagit Council of Governments should work together to update the Comprehensive Economic Development Strategy and further engage in monitoring of progress.



