

# ECONOMIC DEVELOPMENT ELEMENT

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## **Introduction**

*A solid economic foundation is fundamental to our quality of life. Economic growth and activity provides jobs and income for our citizens, the goods and services that we use daily, and revenues that fund local government services and programs. (Snohomish County Countywide Planning Policies, 2014)*

This element provides a policy structure for the mutually-supportive objectives of fostering a strong local economy and seeking to maintain and improve those factors that contribute to a high quality of life in the community. These overarching objectives are supported and incorporated throughout the Comprehensive Plan. The building blocks that provide incentive to live, work, and invest in the community—infrastructure and services; land use compatibility, stability, diversity, and opportunity; cultural and recreational facilities; a broad range of housing choices; and environmental stewardship—are addressed in other elements. The focus of the Economic Development Element is on the city’s vision and potential for greater prosperity for all segments of the community and support for countywide and regional plans to achieve it.

## **Policy frameworks**

The Growth Management Act requires that an economic development element include:

- A summary of the local economy such as population, employment, payroll, sectors, businesses, sales, and other information as appropriate;
- A summary of the strengths and weaknesses of the local economy defined as the commercial and industrial sectors and supporting factors such as land use, transportation, utilities, education, workforce, housing, and natural/cultural resources; and
- An identification of policies, programs, and projects to foster economic growth and development and to address future needs.

The City’s economic planning efforts are also guided by economic development policies contained in the regional policy framework of the Puget Sound Regional Council’s Vision 2040 Regional Growth Strategy and in the Snohomish County Countywide Planning Policies. The policy direction of these documents is incorporated into this element as appropriate to the circumstances and planning context of Snohomish.

## **Economic factors**

Economic development is fundamentally the promotion of the community’s standard of living, a notion closely tied to quality of life. The wealth of the community and the vitality of the economy increase when more money flows in through commercial sales and new investments. The standard of living increases when individual households as well as businesses share in the benefits of increased wealth and vitality. Desirable outcomes of economic development include

attracting more and better local employment options, increasing municipal revenues to enhance public services and facilities, improving the physical environment of the city, drawing a wider variety of shopping and entertainment opportunities, and diversifying the range of businesses within the community to provide a more stable economic base and greater variety in employment opportunities.

By virtue of its size, location, demographics, resources, and even history and political and social context, each locality and its economy has advantages and challenges that offer either opportunities or limitations for economic growth and diversification. In certain instances, advantages and challenges may be represented by the same circumstance. The following local factors will influence future economic development opportunities and limitations for the city.

Location. Despite convenient regional access from two highways, US 2 and SR 9, Snohomish is challenged by its location away from the I-5 corridor. Certain industries may choose not to locate in the city due to the advantages of operating closer to population and industrial centers along the corridor. However, the city has leveraged its unique and picturesque location to become a tourist destination where visitors from the regional population centers and beyond can come to get away from the big city. As well, limited competition allows city businesses to draw on a consumer market area significantly larger area than the city limits, capturing a market share well above its resident population.

The city's physical context between the fields of the Snohomish and Pilchuck River valleys and its separation from the heavily urbanized metropolitan areas to the west contributes to its continued small town flavor and to residents' quality of life. Quality of life factors will continue to draw new residents and new investment to the city.

Population. The current estimated 2014 population is 9,270 with approximately 1,360 additional persons estimated to reside in the City's unincorporated urban growth area (UGA). The Snohomish County Countywide Planning Policies identify a 2035 population growth target of 14,494 for the city and UGA. This represents an increase of about 36 percent above the current population.

As described in the Housing Element, the city's age profile has shifted in recent decades to an older population. From 2000 to 2010, the city experienced a moderate reduction in the number of residents in their thirties and early forties, and a significant increase in the age cohorts from 45 to 69 years. A less pronounced increase is also evident among residents of 10 to 24 years over the same period. According to the United States Census Bureau, the city's median age increased from 34.2 years in 2000 to 39.7 years in 2013. Apart from potential development of new housing for smaller households, it is unclear what affect an aging population will have on future economic opportunities in the city.

The city has also seen increases in educational attainment of its residents since 2000. According to Census Bureau's American Community Survey estimates, the percentage of residents with at least a high school diploma rose from 84.3 percent of those 25 years and over in 2000 to 93 percent in 2013. This is slightly greater than the rate of 91.1 percent for Snohomish County overall. The percentage of residents 25 years and older who have attained a bachelor's degree or

higher is estimated to have marginally increased from 22.8 in 2000 to 24.3 in 2013. Countywide, 28.9 percent of residents hold at least a bachelor's degree.

Employment target and capacity. The Countywide Planning Policies provide a 2035 employment target of 6,941 for the city and urban growth area (UGA). This target represents an increase of 2,070 jobs over the 2011 estimate of 4,871 jobs. According to the 2012 Buildable Lands Report prepared by Snohomish County, the city and UGA had a capacity to accommodate 2,556 jobs, which provides a substantial cushion to allow the market to function within available land capacity. The capacity estimate assumes that 1,326 new jobs could occur through new development and the remainder through the surplus capacity of existing buildings and sites. New development includes intensification of partially used parcels, redevelopment, and construction on vacant lands.

#### Land use planning.

The City has planned for a variety of employment types. Commercial and industrial land use designations account for over 28 percent of the city, with 40 percent of the remainder in residential designations, and the rest in rights-of-way, parks, open space, and agriculture. According to the 2012 Buildable Lands Report, the city had 127 acres of buildable employment lands. The biggest land capacity constraint for future growth is in the Industrial land use designation, areas intended to accommodate heavy industrial uses. Lands within this designation are estimated to be at current economic capacity. The Business Park designation, which is intended for a variety of light industrial as well as commercial uses, represents about half of existing employment land capacity. While additional land designated Industrial and Airport Industry are located within the City's urban growth area south of the Snohomish River, these areas are highly restricted for additional development due to their location in a regulated floodplain. No development capacity is assumed for this area.

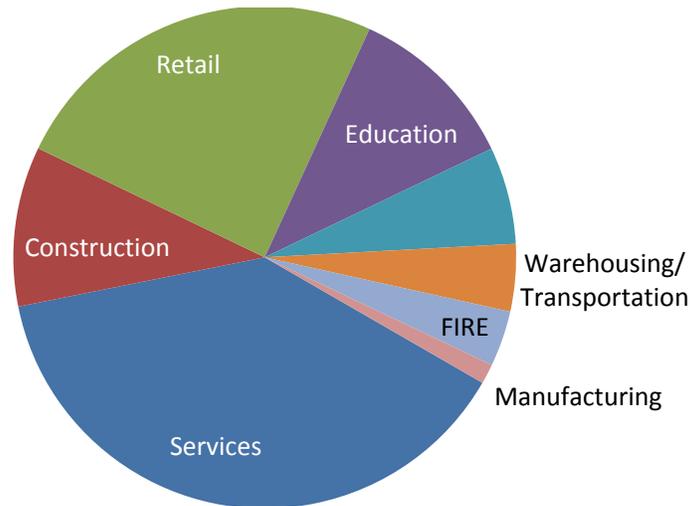
In 2011, the City adopted policies and regulations for the Pilchuck District subarea, an area of about 58 net acres (excluding roadways) in the eastern portion of the city. Parking, height, and other regulatory incentives were incorporated to encourage new investment and redevelopment. To date, little new development has occurred in the subarea.

The former Snohomish County Public Works yard is anticipated to be a future focus of City land use planning efforts in support of economic development. The site, now vacant, comprises about ten acres and has about 700 feet of frontage on Avenue D in the vicinity of 13<sup>th</sup> Street. Redevelopment of the site represents an opportunity to establish an activity node and focal point for the Avenue D commercial corridor.

#### Employment distribution.

Figure ED 1 illustrates the sector distribution of covered employment in the city in 2013. *Covered employment* refers to positions subject to the Washington Unemployment Insurance Act. The data set excludes the self-employed, proprietors and corporate officers, military personnel, and railroad workers. Covered employment represents approximately 85 to 90 percent of all employment, and therefore provides a reasonable description of the relative importance of industry sectors in the local economy.

**Figure ED 1: Covered Employment**



Source: Puget Sound Regional Council

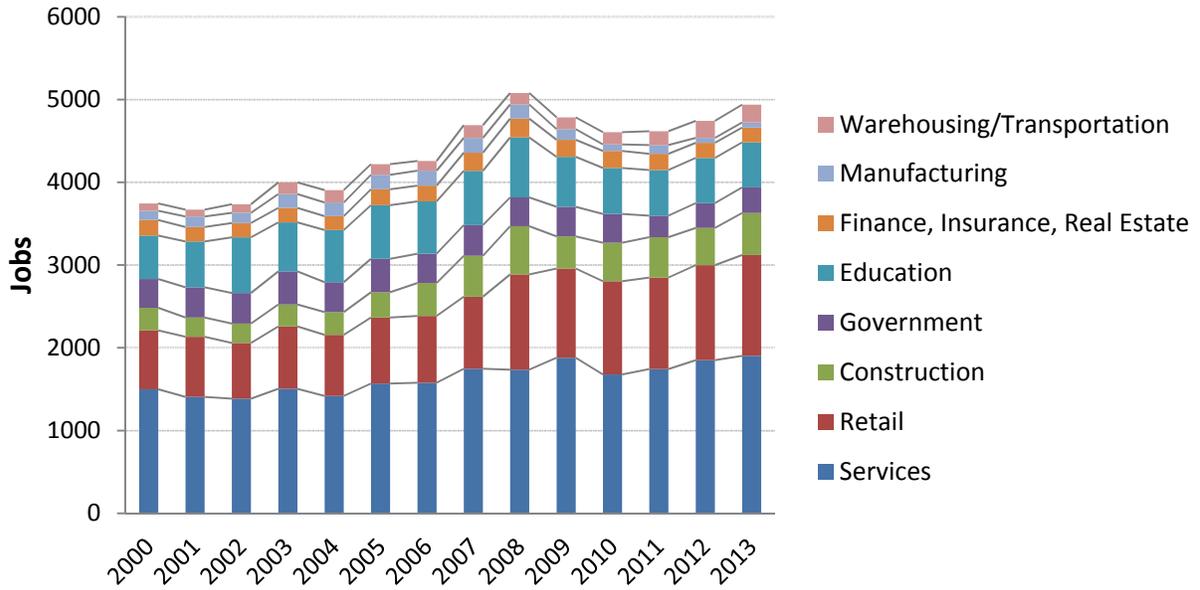
Changes in covered employment since 2000 are shown in Figure ED 2. While there have been no significant changes in the proportionate weight of sectors within the local economy, some relative shifts are evident. Since 2000, sectors with the greatest absolute increases include *retail*, which has grown by 72 percent, followed by *services* (27 percent), *construction* (86 percent), and *warehousing/transportation* (146 percent). The increased strength in *retail* employment is attributable, in large part, to the opening of the Snohomish Station development in 2008. Sectors that have seen declines over the same period include *manufacturing* (44 percent decrease), *government* (11 percent decrease), and *finance, insurance, real estate (FIRE)* (five percent decrease). Losses in *government* employment relate, in part, to the recent recession and its lingering effects as well as to the closure of the Snohomish County Public Works yard at Avenue D and 13<sup>th</sup> Street. Employment in the *construction, government, education, FIRE, and manufacturing* sectors experienced a peak in about 2008 with subsequent declines. According to employment data from the Puget Sound Regional Council, employment had not achieved pre-recession levels by 2013. However, considering the period from 2000 to 2013 overall, employment within the city increased by almost one-third while the number of residents increased by about nine percent.

#### City Employment (residents).

As a comparison to the estimated number of jobs by industrial sector within the city, Figure ED 3 provides Census Bureau estimates of the number of jobs held by city residents in various industrial classifications. According to the census and PSRC estimates, there are about 500 more jobs in the city than employed residents. Considering only covered employment, the difference is even greater as the census data includes about 200 residents who are self-employed and unpaid family workers. These jobs are not addressed in PSRC's figures.

The largest categories of both jobs and employed residents are *service* and *retail*. The predominance of service employment may appear more pronounced in the census data in Figure ED 3 than in Figure ED 2 as public jobs in *education* and *government* are largely included in the

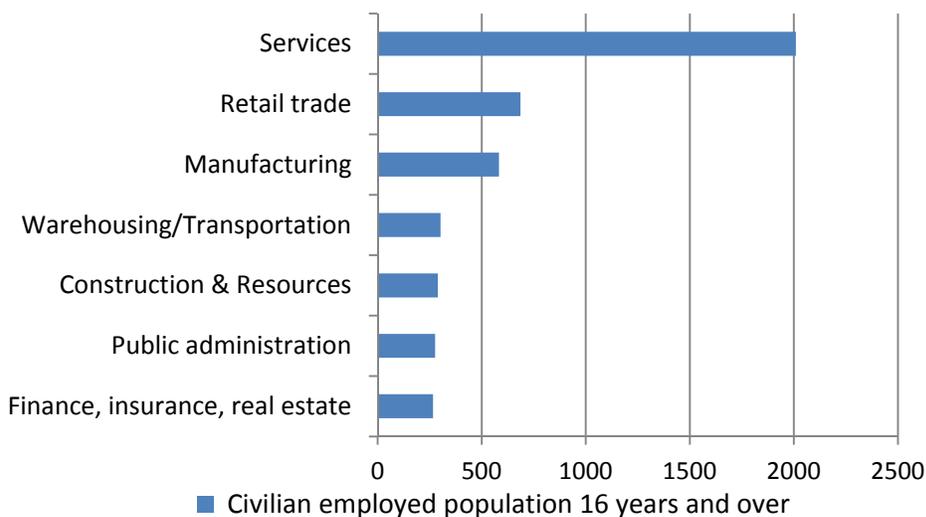
**Figure ED 2: Covered Employment, 2000-2013**



Source: Puget Sound Regional Council

service sector total. The census categories include only *public administration* to distinguish public sector jobs held by residents. While there are over 1,200 *retail* jobs in the city, only about half this number of residents is employed in the sector. *Manufacturing* accounts for only about 60 jobs within the city but employs over 500 residents. *Finance, insurance, and real estate* sector has a less significant negative balance. Of the 266 resident employees in this sector, no fewer than 89 are employed at locations outside the city. The *warehousing and transportation* sector has a similar net outflow of 88 residents.

**Figure ED 3: Resident Employment**



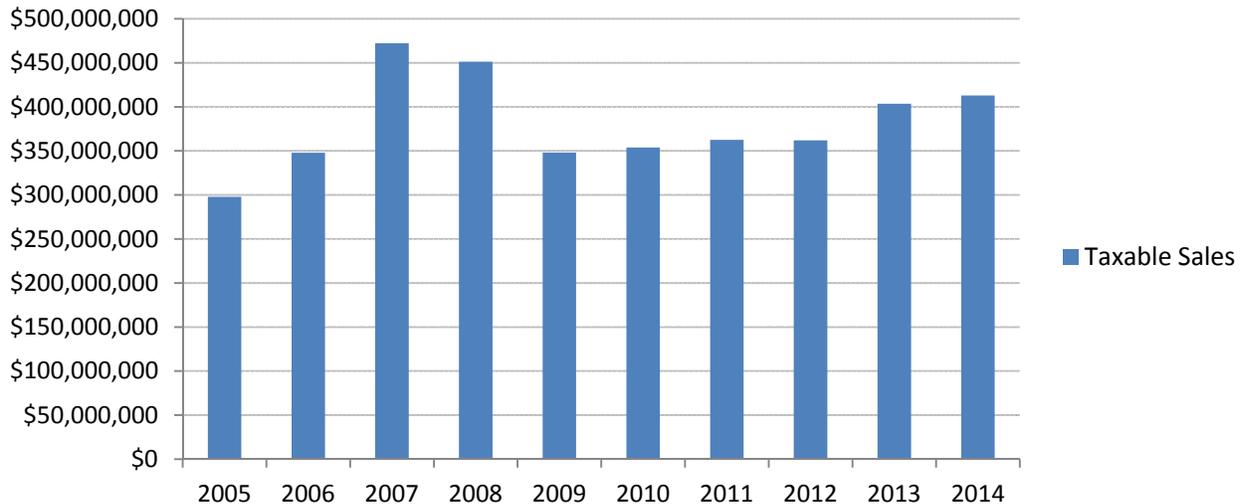
Source: American Community Survey 5-Year, 2009-2013

Taxable sales.

Taxable sales are another measure of the health of the local economy as well as an important revenue source for City operations. Figure ED 4 compares taxable sales for the years 2005 to 2014. The data represented in the chart include consumer and business sales as well as taxable sales related to construction materials used for development within the city. While retail sales are typically sensitive to both soft and robust economic conditions, construction sales are particularly volatile. The exceptional sales in 2007 and 2008 are primarily explained by a high volume of public and pre-recession private development that accounted for over 30 percent of all sales during the two year period.

Excluding construction sales, and with the exception of several years of flat sales in the middle of the economic downturn, the city has experienced gradual year-to-year increases in sales tax revenues over the past decade. As the increase in taxable sales has occurred at a faster rate than population growth within the city, local demand appears to be only a partial explanation.

**Figure ED 4:** Taxable Sales



Source: City of Snohomish; Washington State Department of Revenue

Retail sales are spread across a variety of industries and business types. According to the Washington State Department of Revenue’s records, the four-digit NAICS industrial classifications with the largest taxable retail sales in Snohomish are shown in Table ED 1. The list is limited to classifications for which annual retail sales exceeds ten million dollars. Cumulatively, the nine listed categories represent 58 percent of all taxable sales in the city in 2014.

**Table ED 1:** 2014 Retail Sales by NAICS Classification

Taxable Sales	Business Classification (NAICS)
\$73,476,904	Automobile Dealers
\$42,388,046	Building Materials and Supplies
\$35,837,964	Restaurants
\$31,719,599	Other General Merchandise Stores
\$13,136,120	Clothing Stores
\$12,101,934	Other Miscellaneous Retail Stores
\$11,467,286	Grocery Stores
\$10,189,324	Lawn and Garden Equipment and Supplies
\$10,026,203	Automotive Parts and Accessories

*Source: Washington State Department of Revenue*

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## ECONOMIC DEVELOPMENT GOALS AND POLICIES

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**GOAL ED 1: Increase the employment base, industrial diversity, and range of goods and services available in Snohomish to achieve economic stability.**

**Policies:**

**ED 1.1: Coordinate with businesses.** Work with local businesses and business organizations to support the community's economic development objectives.

**ED 1.2: Livable wage.** Target industries that provide incomes at least equal to the County household median level.

**ED 1.3: Adequate land.** Ensure an adequate supply of appropriately designated land for a range of commercial enterprises.

**ED 1.4: Retail center.** Encourage a broad range of services, retail and professional activities to promote the City as a retail service center.

**ED 1.5: Tourism.** Encourage businesses and civic activities that will promote Snohomish as a year-round tourist destination.

**ED 1.6: River orientation.** Encourage public and private development of new opportunities for riverfront orientation to increase the attractiveness of and activities in the historic downtown area and Pilchuck District.

**ED 1.7 Agriculture.** Encourage agricultural tourism to leverage the City's agricultural context.

**ED 1.8 Craft industries.** Promote awareness of and niche markets for the emerging local craft industries.

**ED 1.9 Economic competitiveness.** Promote local, regional, and statewide initiatives that increase the competitiveness of the local economy.

**GOAL ED 2: Balance the costs and community benefits of regulations that affect economic development.**

**Policies:**

**ED 2.1: Review codes.** Evaluate the City's zoning ordinances for impediments to and consistency with the current economic development vision and market trends and opportunities.

**GOAL ED 3: Foster a high quality of life in the city to attract and retain economic activity.**

**Policies:**

**ED 3.1: Economic development.** Recognize that economic development is critical to maintaining and increasing a high quality of life.

**ED 3.2 Public infrastructure.** Maintain adequate investment in public infrastructure and services to achieve a high quality of life standard for city residents and increase the attractiveness of the community for potential residents and businesses.

**ED 3.3: Recreation.** Maintain, expand, and promote park, trail, and recreational opportunities, as described in the Parks Element, as amenities to attract new residents and businesses.

**ED 3.4: Quality education.** Support efforts by the Snohomish School District and providers of secondary and technical education programs to maintain high quality educational opportunities in the community.

**ED 3.5: Historic resources.** Preserve and promote the historic resources of the city and continue the community character as new development occurs.

**ED 3.6 Civic participation.** Encourage volunteerism and opportunities for civic involvement by residents, business owners, and employees to foster a sense of ownership and membership in the community.

**ED 3.7 Technology tools.** Encourage information and communication technologies that connect citizens to the City organization and connect local businesses to potential customers.

**GOAL ED 4: Use public resources efficiently to leverage economic development.**

**Policies:**

**ED 4.1: Market strategy.** Develop and implement a marketing strategy.

**ED 4.2: Focus resources.** Identify and focus available resources on key areas in the city where economic opportunities are determined to be greatest and City efforts will be most productive.

**ED 4.3: Revitalization.** Assist groups to structure special improvement districts including parking and business improvement authorities, local improvement districts or other programs with which to manage and finance effective revitalization efforts.

- ED 4.4: Partnerships.** Partner with other cities and agencies to promote the interests of the City and its business community.
- ED 4.5: Event management.** Partner with groups to promote civic, cultural and promotional events, while encouraging sponsoring groups to be as self-managing and self-sustaining as possible.
- ED 4.6: Promotions.** Encourage local businesses and trade groups to work collectively on the promotional efforts.
- ED 4.7: Public/private partnerships.** Engage in public/private partnerships where the interests of the community are furthered.