

Chapter 6: Economic Development Element





CHAPTER 6: ECONOMIC DEVELOPMENT

A VISION FOR ECONOMIC DEVELOPMENT

Lake Stevens will embrace a sustainable local economy by supporting a varied job sector for residents, promoting excellent shopping and service options, providing a stable and predictable permitting process and fostering accountable government oversight of public funds.

INTRODUCTION

Prior to 2006, the Lake Stevens city limits contained only the downtown commercial area and the Hartford industrial area as its retail service and employment centers. Implementation of the annexation strategy afforded the city with greater economic opportunities including the addition of the Lake Stevens Center along SR-9 and the 20th Street SE regional transportation corridor. After annexation, the city adopted subarea plans and planned actions for these two new areas increasing retail, service, and employment opportunities while supporting the city's financial sustainability.

The city monitors its long-term financial position using a 6-year forecast to ensure fiscal responsibility. Economic Development is a priority and budget decisions are made based on benefit and viability. In 2015 the city created a staff position solely devoted to business recruitment, tourism and strategy analysis.

The city's economic strengths and attractions are the beautiful lake and the special events that take place because of the unique venue, a family-friendly environment, a school district with a great reputation and a community grounded in civic involvement.

PLANNING CONTEXT

State Planning

In accordance with RCW 36.70A.070, each comprehensive plan shall include a plan, scheme or design for an economic development element establishing local goals, policies, objectives and provisions for economic growth and vitality and a high quality of life. The element shall include: (a) a summary of the local economy such as population, employment, payroll, sectors, businesses, sales and other information as appropriate; (b) 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 (c) an identification of policies, programs, and projects to foster economic growth and development and to address future needs. A city that has chosen to be a residential community is exempt from the economic development element requirement of this subsection.

Regional Planning

Puget Sound Regional Council houses an Economic Development Board that addresses Economic Development on a regional scale. The city of Lake Stevens has a smaller role to play in the region as it relates to large-scale employment; however, the city provides other unique opportunities that will support the region and Snohomish County economic condition. Multi-County Planning Policies directly relate to economic development and recognize the need of each jurisdiction to attain fiscal responsibility in Washington State and in the PSRC four county regional context.

County Planning

Countywide planning policies support economic development while balancing other land use and growth objectives. Often because jurisdictions are directly adjacent to each other there is competition for retail and employment recruitment. Each jurisdiction, including Lake Stevens, has a vital role to fill to support Snohomish county economic growth. The city is engaged with organizations such as Economic Alliance of Snohomish County to ensure it fulfills its economic role.

Lake Stevens Planning

Over the past five years, the city of Lake Stevens has invested in strategies and programs to support economic growth, including the subarea planning and planned actions, and will continue these planning efforts. The city has also taken on a leadership role in efforts to coordinate utility and other service provider investment so that public dollars are spent judiciously and wisely for the benefit of the community.

ECONOMIC DEVELOPMENT STRATEGY

In 2010, the city completed a Citywide Economic Development Plan. The plan assessed the entire city (including the urban growth area) to better understand the economic conditions, characteristics, qualities and drivers affecting the city and each of its major commercial and mixed-use subareas (Downtown, 20th Street SE Corridor, Lake Stevens Center, Hartford Industrial District), also referred to as Growth Centers. The plan provided a base of economic information and collected the visions for the Growth Centers. The plan analyzed the fiscal realities of the city in order to help prioritize where the biggest effect would likely be found in terms of stabilizing and enhancing revenues. The plan also assessed the strategic value of each Growth Center and how they interrelate to each other and the city as a whole. The



reports include a retail forecast, fiscal outlook, market profiles, an economic assessment and action plan.

Fiscal Conditions and Relation to Land Use

The city commissioned an Economic Development Strategy, and a 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 and made some comparisons to surrounding communities. Residential forecasts by the Puget Sound Regional Council (PSRC) suggest 11,585 households will be added to the market area by 2035. 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 2035.

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). 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 is 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, typically sees labor exported 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.

Annexations have added a significant number of housing units to the city, totaling more than 1,000 in 2005, nearly 1,500 housing units in 2006, and approximately 470 in 2007. The 2009 annexation added 4,110 new housing units - the largest increase in new housing units through annexation. Housing construction continues to contribute to housing growth bringing the current number of housing units in the city up to 10,784 in 2012, with a total population of 29,170 as of 2014. The number of jobs located in city limits continues to grow as well. Current employment estimates indicate the city has 3,594 jobs.



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 percent of the job base and Construction/Resource jobs 16 percent. Each of the remaining five sectors average around four percent 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 and 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 plans 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 .** 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. The city should coordinate with higher education providers to collaborate on mutually beneficial actions.
- **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 who 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 Lake Stevens Center and the 20th Street SE Retail and Business Corridor provide the greatest opportunity.

Based on the analysis of the city's existing growth, the city may need to look to land outside its UGA sometime in the future 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 are:

- 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 6.1: IMPROVE THE CITY’S ECONOMIC CONDITIONS FOR A HEALTHY VIBRANT, AND SUSTAINABLE COMMUNITY WITH A HIGH QUALITY OF LIFE.

Policies

- 6.1.1 Maintain responsible financial stewardship.
- 6.1.2 Invest in and promote public infrastructure and services that are cost effective and efficient that support Economic Development goals.
- 6.1.3 Preserve and protect the natural beauty including the lake and the spectacular mountain and scenic views.
- 6.1.4 Seek grant opportunities when possible.

GOAL 6.2: MANAGE COMMERCIAL GROWTH IN CENTERS.

Policies

- 6.2.1 Direct non-residential growth to the city’s centers: Downtown, 20th Street SE Business Corridor, Lake Stevens Center, and Hartford Industrial.
- 6.2.2 Establish a vision and implementation plan for each of the centers through subarea planning.
- 6.2.3 Identify the role each center has in the city’s economic balance.

GOAL 6.3: ENHANCE RETAIL AND PERSONAL SERVICES GROWTH TO ADDRESS THE COMMUNITY’S NEEDS AND EXPAND THE CITY’S RETAIL SALES TAX BASE.

Policies

- 6.3.1 Focus business recruitment efforts toward the needs of the Lake Stevens community demographic.
- 6.3.2 Use available retail recapture data for advancing recruitment targets.
- 6.3.3 Develop a Business Retention and Expansion program to foster and grow local business.
- 6.3.4 Create destination shopping experiences where feasible, such as downtown, that take advantage of the community assets.



6.3.5 Develop incentives to entice businesses to locate in Lake Stevens

GOAL 6.4: SUPPORT EMPLOYMENT GROWTH IN THE CITY.

Policies

6.4.1 Develop zoning for employment/business areas that is flexible to support employment growth and large employers.

6.4.2 Cultivate relationships with executives living in the community who may be looking to move business into the area.

6.4.3 Allow for an appropriate amount of industrial/business zoned land capacity to improve the city's jobs-to-household balance

GOAL 6.5: ENHANCE AND SUPPORT TOURISM IN LAKE STEVENS.

Policies

6.5.1 Grow the city's tourism through special events that are consistent with the community's values.

6.5.2 Promote tourism using multiple media outlets and highlight the community assets.

GOAL 6.6: PARTICIPATE AND FOSTER PUBLIC AND PRIVATE PARTNERSHIPS.

Policies

6.6.1 Engage with other public agencies to partner in projects that would benefit the public and support.

6.6.2 Allow for opportunities to create public/private partnerships when feasible.

GOAL 6.7: PROVIDE A PREDICTABLE DEVELOPMENT ATMOSHPHERE.

6.7.1 Create streamlined process for development projects that meet the city's land use goals.

Goal 6.8 SUPPORT BUSINESSES AND JOB CREATION, INVESTING IN ALL PEOPLE, SUSTAINING ENVIRONMENTAL QUALITY, AND CREATING GREAT CENTRAL PLACES, DIVERSE COMMUNITIES AND HIGH QUALITY OF LIFE.



Policies

- 6.8.1 Promote economic activity and employment growth that creates widely shared prosperity and sustains a diversity of family-wage jobs for the city’s residents.
- 6.8.2 Support business startups, small businesses and locally owned businesses to help them continue to prosper.
- 6.8.2 Address unique obstacles and special needs – as well as recognize the special assets – of disadvantaged populations in improving the region's shared economic future.
- 6.8.3 Foster appropriate and targeted economic growth in distressed areas to create economic opportunity for residents of these areas.