

## CHAPTER 6: ECONOMIC DEVELOPMENT

### 6.1 Introduction

Healthy economies provide jobs and opportunity. Economic vitality enables provision of public services, such as education, transportation, public safety, and parks. Local, regional, national, and international economic forces influence Sultan's economy. Sultan can foster economic development by anticipating and responding to changes in these forces.

Although a variety of factors play a role in a region's business climate, cities can generally influence economic development in either primary or secondary activities. Activities considered as primarily directed to economic development include: allocating land for manufacturing uses, extending public services to business sites, maintaining an efficient transportation system, streamlining permit issuance, and providing tax credits or incentives. This is often considered a supply side approach, creating adequate capacity to accommodate economic expansion. Secondary activities to foster economic development include: encouraging high quality schools, supporting affordable housing, and enhancing local quality of life factors by investing in parks and recreation opportunities.

Gathering facts and public opinion was an important part of the 2011 Comprehensive Plan Update. In October and November of 2009, through its consultant EMC Research, Sultan conducted a statistically valid telephone survey. The survey sought the opinions of 300 randomly selected residents to get their views on city services, parks facilities, and economic development. The results of the survey provided guidance to the planning board and city council in developing the new goals and policies for the 2011 Comprehensive Plan Update. The results from the economic development portion of the survey are summarized below.

- Residents oppose a proposal to invest tax dollars in developing a new town center (44% Support / 52% Oppose). The question text did not include how much a new town center would cost the individual, so residents may presume they are responsible for some portion of the estimated \$5M cost.
- Economic growth is a high priority throughout the survey, so it is possible that with more information a town center fund could gain majority support.
- A majority of residents support (51% Favor / 45% Oppose) a proposal for a new sports park, which includes a \$40 dollar cost to the average homeowner. This is a positive sign that even with the cost, the majority of residents are willing to invest in Sultan.
- Opposition to the town center and sports park proposals is highest among older residents and long term Sultan residents, with stronger support among midrange age categories and shorter term residents.
- Residents with higher incomes are more likely to support both proposals, with the margin much closer among other subgroups.

In addition to the survey, Sultan used a variety of public involvement techniques such as penny polling and stakeholder interviews to help identify a number of issues that influence Sultan's economic development policy. This plan strives to address these issues through its

comprehensive policy. The economic development element focuses on strategies to resolve the following considerations.

### **Economic Development**

Residents and business owners mentioned that Sultan and the Sky Valley communities could work better together to develop a collaborative economic development strategy. The strategy would identify the valley's strengths and target actions each community could undertake to enhance economic activity in the valley. Business owners, appointed officials and others strongly favor a more collaborative economic development strategy including coordinated actions.

There is a regional chamber of commerce and a Snohomish County Economic Development Council (EDC), but, according to community members, those two groups seem either too busy or are concerned with other priorities to provide much assistance to Sultan. The Chamber is active promoting existing businesses and developing informational material about the valley, but its mission and budget does not support the type of economic development planning Sultan desires.

### **Economic cycles happen**

Residents and business owners confirmed that market forces are strong and can impact communities without mercy. The City may find ways to buffer the severity of the impact, but the community seems wary of the extent of government involvement. According to comments received, any attempt by the City to intervene must be tempered by fiscal solvency and an overall respect for the market's power to dictate the community's economic context.

### **Business friendliness**

Comments about business friendliness appeared to be more than simply a complaint about regulation in general and more about finding ways to facilitate doing business in Sultan. Business owners and developers mentioned that the processes required to obtain permits, get information from city staff, and resolve code conflicts were often cumbersome and time consuming.

### **Design matters**

The way a development project is designed and located on its property can have major impacts on a community. Community members appreciate the impact design can have on the overall community, but there was little consensus on whether the City should impose design standards and, if so, what those standards should include.

### **City's role**

Residents seem generally split on how active the City should be in imposing and enforcing rules and regulations. Some felt that as an ideal, the best government was the least government. Others noted that market whims and local apathy have tended to serve Sultan's fortunes poorly, and favored a more proactive role for the City – a role that sets policy directives, adopts rules and enforces community standards.

### **Pace of recovery**

While the national and regional economy is clearly beyond Sultan's control, some residents and business owners believe that the economic downturn can provide the City important lessons in

fiscal discipline. This belief was related to making investments in public facilities on-pace with actual development. Some community members noted that there will likely be another surge of demand for residential lots and homes once the oversupply of these nearer I-5 are consumed. Using those residential properties may take time, but once done, Sultan may experience much higher rates of growth.

## 6.2 Growth Management Act Requirements

The economic development element holds an interesting status within Washington State law. On one hand, an economic development element is a mandatory element under RCW 36.70A.070, and on the other hand, it's not required until the State Legislature provides adequate funding to develop the element. To further complicate the matter, any such funding must be in place two years prior to the mandated update. As of 2010, no funds have been allocated for an economic development element and no economic development element is "required" until 2018 at the earliest. However, Sultan included an economic development element in its 2004 comprehensive plan and continues that trend in this one.

Under the Growth Management Act, an economic development element will 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) identification of policies, programs, and projects to foster economic growth and development and to address future needs.

## 6.3 Multi-county Policies for Economic Development

Economy is one of the six categories that VISION 2040 uses to organize its regional framework, guiding development of countywide and local planning policies for economic development. VISION 2040 recognizes that the Central Puget Sound region is a complex and diverse system of business, trade, and individual relationships. Creating stable and lasting prosperity requires economic development policy to focus on businesses, people, and places. Below is VISION 2040's overarching multi-county goal for the economy.

*The region will have a prospering and sustainable regional economy by supporting businesses and job creation, investing in all people, sustaining environmental quality, and creating great central places, diverse communities, and high quality of life.*

The goals and policies presented in this plan reference individual multi-county policies (MPP) from VISION 2040. Those policies, as adopted by the Puget Sound Regional Council, are included in Appendix G to this plan. This plan's goals and policies must conform to the multi-county planning policies to ensure Sultan remains qualified to receive PSRC-managed funds.

## 6.4 Countywide Policies for Economic Development

Sultan's economic development goals and policies relate to the countywide planning policy topic Economic Development and Employment. The Economic Development and Employment policy topic frames how the County and its cities and towns address the coordination of economic development with land use, transportation, and housing elements of their comprehensive plans. The county-wide planning policies also provide a framework for the integration of transportation improvements, investments in education, protection of environmentally sensitive areas, and focusing growth in VISION 2040 designated centers. Below is the overarching countywide planning policy goal for Economic Development and Employment.

*Cities, towns and Snohomish County will encourage coordinated economic growth by building on the strengths of the county's economic base and diversifying it through strategic investments in infrastructure, education and training, and sound management of land and natural resources.*

Like the multi-county planning policies, the goals and policies presented in this element are referenced to individual countywide planning policies (CPP). Those policies adopted by Snohomish County are included as Appendix F to this plan.

## 6.5 Small Group Meeting Recommendations

The City of Sultan hosted small group meetings throughout this planning process to discuss the plan's various elements, resulting in a series of recommendations that directly influenced proposed planning policy. The summaries of the small group meetings, as compiled for a September 2010 presentation to the City Council, are included in Appendix D. As related to economic development, some of the small group meeting recommendations included:

### 6.5.1 Business and Job Creation

In general, the small groups felt that Sultan should work on removing barriers to the free market. The barriers discussed include previous comprehensive plan policies that were referred to as "retail before rooftops". The small groups recommended removing the comprehensive plan policies that favor one development type over another. The small groups also identified the need for supplying and appropriately zoning land for a mix of commercial and residential uses.

### 6.5.2 Local Economic Opportunities

The 2008 Comprehensive Plan and implementing development regulation allow large scale commercial development, like grocery stores, in all residential zones. The small groups recommended removing large scale commercial uses, such as grocery stores, as an allowed use in residential zones while continuing to allow small-scale commercial uses like home-based or cottage businesses there. It was also identified that Sultan should consider modifying the existing zoning rules to allow mixed use, residential over retail, in designated mixed use centers that are pedestrian-oriented.

### 6.5.3 Community Investment

The small groups stated very clearly that the City should not take the lead and spur economic development through public investment. However, the small groups recognized that the City can and should play a supporting role in the community's economic development. The small groups

felt that Sultan should support and assist local private groups to develop special improvement, business improvement, and other programs that may help revitalize and enhance downtown.

## 6.6 Existing conditions

### 6.6.1 *Sultan's Economic History*

Historically, forest and mineral resources, manufacturing and associated industries have provided Sultan's "primary jobs". However, long-term strength of a local economy requires diversification of a community's business base and a business development process that accommodates timely and efficient response to changing market conditions and demands. Diversification of the employment base is important to the stability and quality of life in Sultan, as is the business sector's ability to adapt to changing market conditions.

Sultan sits at the confluence of the Sultan and Skykomish Rivers. This location was ideal for the processing of local materials harvested or mined from the surrounding areas. It was these resource based employment sectors that drove the economy from 1905 to 1985. Since 1985, employment has grown in manufacturing and service sectors, with jobs also clustering along the US 2 corridor, responding to increasing use of trucks and the highway's popularity to tourists and commuters. More recently, residents have seen the historic downtown lose vitality. Storefront vacancies, downtown's declining appearance, and absentee landlords, are symptomatic of disinvestment, a likely result of the historic downtown being located within the flood hazard area of the Sultan River and increasing commercial popularity of US 2. As Sultan's economy continues its shift away from resource based industries to the service, manufacturing, and tourism sectors, Sultan residents still wish to preserve the community's small town character.

### 6.6.2 *Existing Employment*

According to PSRC there were a total of 879 jobs in the City of Sultan (2009 Covered Employment Estimates, PSRC). PSRC derives its employment summaries from the Quarterly Census of Employment and Wages (QCEW) administrative records employers report and uses the dataset for March of each year as a representative month when seasonal fluctuations are minimized. This employment number excludes self-employed workers, proprietors, CEOs, and other non-insured workers. "Covered employment" represents 85-90% of total employment, which means that there are approximately 100-150 "non-covered employees". The unit of measurement is jobs, rather than working persons or proportional full-time employment (FTE) equivalents, so part-time and temporary positions are included. Generally, employment in Sultan across all major employment categories has decreased since 2006. The decrease is likely due to the national recession. Table 6-1 presents a breakdown of employment by category from 2006 to 2009.

Table 6-1: Sultan Employment

	2006	2007	2008	2009
Const/Res	68	67	44	44
FIRE	16	19	15	15
Manufacturing	231	241	264	211
Retail	77	81	85	72
Services	228	246	247	210
WTU	42	39	65	42

Government	49	56	54	48
Education	246	245	250	237
<b>Sub-Total</b>	<b>958</b>	<b>995</b>	<b>1,023</b>	<b>879</b>
<b>Non-covered Employees*</b>	<b>169</b>	<b>175</b>	<b>180</b>	<b>155</b>
<b>Total</b>	<b>1,127</b>	<b>1,170</b>	<b>1,203</b>	<b>1,034</b>

*Const/Res = Construction and Resources*

*FIRE = Finance, Insurance and Real Estate*

*WTU = Wholesale Trade, Transportation, and Utilities*

Source: Puget Sound Regional Council, "Covered Employment Estimates" for 2006-2009

\* An additional 15% added to cover sole proprietor, self-employed, CEOs and other non-insured workers

The 2005-2009 American Community Survey (ACS) estimates 2,413 people (75% of the population over age 16) are in Sultan's labor force. The ACS also estimates a 6.7% unemployment rate. However, the Bureau of Labor Statistics, who maintains unemployment numbers for counties and cities with populations over 25,000, estimates Snohomish County's unemployment rate at 9.8% for September 2010. Since the ACS includes pre-recession data and the PSRC job data indicates a significant job loss since 2008, it's likely that Sultan's unemployment numbers are closer to the County's unemployment numbers. Based on this assumption, approximately 2,175 Sultan residents were employed in 2009.

According to the 2005-2009 ACS, 66% of Sultan workers drove to work alone, 15% carpooled, 5% took public transportation, and 2% used other means. Among those who commuted, the average travel time was 33 minutes. An analysis of Sultan's "commute shed" shows that Sultan's residents worked in the following areas:

- 46% worked in Snohomish County
- 42% worked in King County
- 13% worked in Monroe
- 11% worked in Seattle
- 8% worked in Sultan
- 4% worked in "other locations"

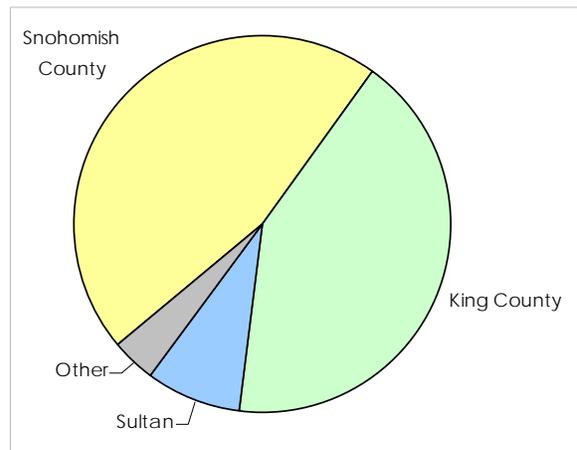


Figure 6-A: Sultan's Commute Shed (Source ECONorthwest, 2010)

Nearly half of Sultan's working population travels to King County, and fewer than ten percent work in the community in which they live. Of Sultan's 2,175 working residents, only 175 work in town. With 2,175 jobs in Sultan, it is apparent that many of those who work in Sultan live elsewhere. More than 2,000 Sultan residents leave town to go to work, and more than 700 residents from other communities come to Sultan for their jobs.

## 6.7 Trends and projections

The central Puget Sound region, which includes the City of Sultan, is a major center in the Pacific Northwest for information technology, aerospace, finance, insurance, health care, business and professional services, recreation, and tourism. The Regional Growth Strategy (VISION 2040) and the Countywide Planning policies all emphasize and enhance Sultan’s role as a continued partner in this larger regional economy. According to VISION 2040, the central Puget Sound region will see its largest job growth in the services sector, including professional business, health, and “other” (includes occupation like restaurants, private education, and nonprofit organizations), while seeing smaller growth rates in tourism. Generally, the Puget Sound Region will see a decrease in manufacturing across the region.

As indicated above in Table 6-1, the City of Sultan lost 144 jobs between 2006 and 2009. This job loss was likely due to the national recession. Despite the recent evidence of job loss, the City is using the employment projections in the County’s Buildable Lands Report as extended because it represents the currently best available projections. As with the population projections, the City plans to work with the County in its 2013 BLR update to adjust and modify employment allocations.

Figure 6-B shows employment growth to 2040. The medium range forecast shows Sultan gaining an additional 1,515 employees by 2030. If trends for the central Puget Sound and Snohomish County continue, most of the additional employment growth will occur in the services industry. The land capacity analysis presented in the Land Use Chapter indicates Sultan has the capacity to accommodate this job growth.

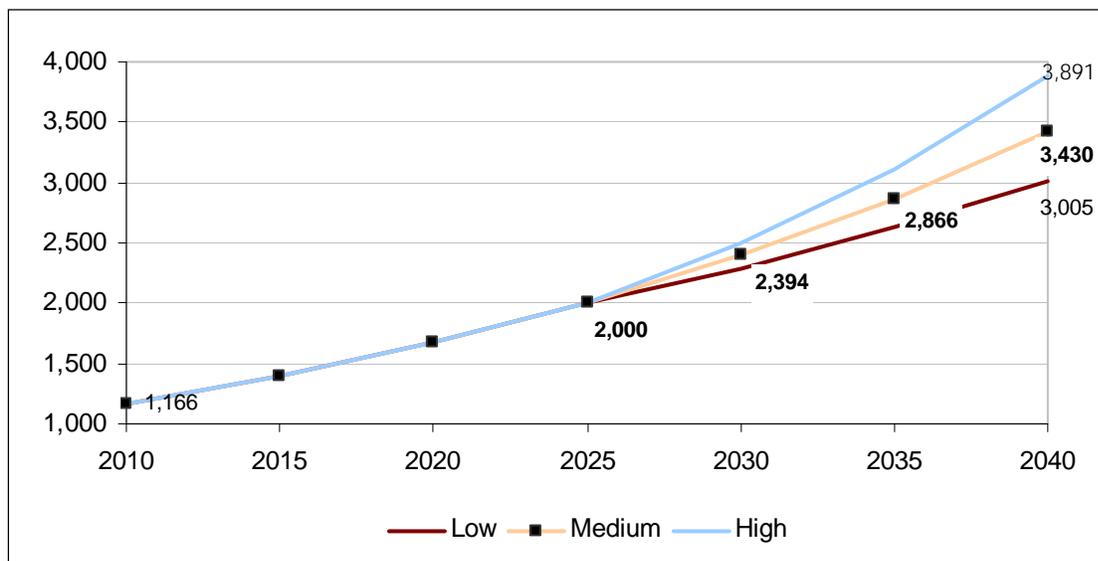


Figure 6-B – Employment Growth (source: ECONorthwest, 2010)

### 6.7.1 Age, Educational Attainment, and other Economic demographic characteristics

According to the 2005-2009 ACS, Sultan had a population of approximately 4,200, with 48 percent female and 52 percent male. The median age was 35.2 years, and 29 percent are under the age of 19, with more than six percent over age 65. Figure 6-C shows the percent of

population by age category. The age distribution is generally consistent with Snohomish County and Washington State age distribution figures except for under 19 years of age, which may indicate a higher percentage of young families with children within Sultan.

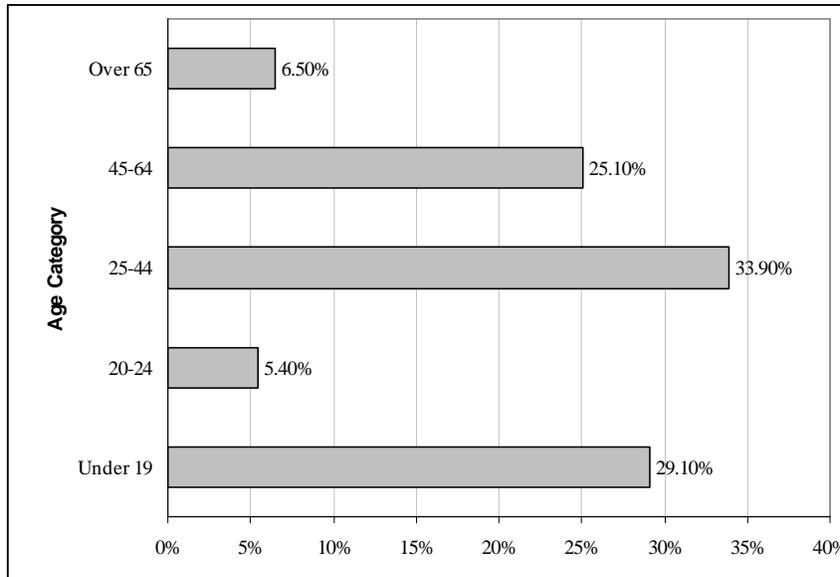


Figure 6-C: Percent of Population by Age Category (source: 2005-2009 American Community Survey)

Based on demographic data provided by PSRC, the central Puget Sound Region has a high percentage of degreed persons when compared to other U.S. metropolitan regions with more than 35% of people 25 and older holding a bachelor's or higher, which is the third highest per capita in the nation (Puget Sound Trends, No. D10, January 2006).

However, Sultan has a lower percentage (20%) of 25 and older holding a bachelor's degree or higher but has a significantly higher percentage (86%) of high school graduates than Washington State (66%). These numbers would indicate that Sultan has a relatively smaller pool of people for jobs that require a bachelor's degree or higher but a larger pool for jobs requiring a high school diploma. Figure 6-D summarizes educational attainment by highest degree obtained by persons 25 years old or older.

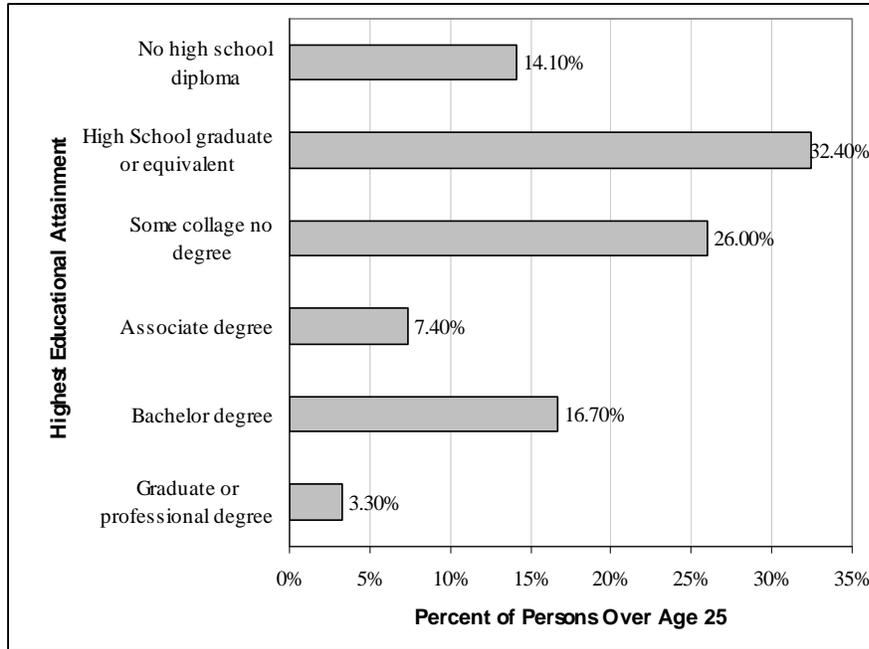


Figure 6-D: Highest Degree Attained (source: 2005-2009 American Community Survey)

## 6.8 Strengths, Weaknesses, Opportunities and Threats (SWOT)

The population and employment statistics discussed above suggest certain strengths, weaknesses, opportunities, and threats in Sultan's economic base. On the positive side, Sultan has a large labor force consisting of approximately 75 percent of its population over the age of 16 years. A relatively high percentage of this employment base and resident labor force are engaged in employment sectors (services, education and tourism) expected to expand over the next 20 years. Additionally, Sultan has a high percentage, nearly 86% of its population, with at least a high school diploma.

One of Sultan's most important assets is its proximity to an amazing natural landscape. The confluence of the Sultan and Skykomish Rivers provides world-class fishing for wild populations of Coho, Chinook, Chum, and Pink salmon, as well as Steelhead, Cutthroat and Rainbow trout. In order to capitalize on this unique asset, Sultan can continue to protect the ecological function of these natural resources. Additionally, Sultan can work with community members and other public agencies to preserve and enhance access to these natural assets.

Sultan also has a great park system, with more than 150 acres of parks and open space. The park system attracts visitors from the surrounding region. Each fall more than 500 children come to Osprey Park to watch the salmon spawn on the banks of the Sultan River. Sultan can continue to develop its park system to attract visitors in conjunction with mixed-use centers- discussed below- to capture visitor's dollars.

An item that acts as both a threat and a strength is the US 2 corridor. Its strength lies in the fact that it is a major east-west corridor from the Puget Sound to points east of the Cascade Mountains and an alternative to I-90. The threat lies in that the corridor bisects the community.

With no alternate path to the historic downtown, residents are forced to travel US 2 to access local services. The City can continue to find ways to increase access to local services without requiring residents to use US 2, minimizing local reliance on the highway and reducing congestion.

Posing challenges to Sultan's economy is its high percentage (24%) of residents employed in the manufacturing sector – a sector of employment that PSRC projects to lose jobs over the course of the planning horizon of this plan. Another challenge is the same as in 2008: few residents are employed in town. Only eight percent of employed residents worked within Sultan in 2009. A large portion of Sultan's workers (66%) drove to work in single-occupant vehicles. The average time spent commuting for all commuters was 33 minutes. The 2008 update estimated nearly 12 percent of Sultan's income base was spent on commuting in 2008, and the employment numbers in this update do not indicate that has changed.

Sultan also faces a housing affordability issue. Nearly 38 percent of home owners with a mortgage and 57 percent of renters spend more than 30 percent of their income on housing. This indicates that housing in Sultan is more expensive than many residents can afford according to the Department of Housing and Urban Development affordability index. Policies in this comprehensive plan continue previous efforts to increase housing affordability and reduce commuting costs for Sultan residents.

Sultan continues to suffer a jobs-to-housing ratio imbalance. In 2009, Sultan had approximately 879 jobs and 1,754 households, indicating a job-to-housing ratio of .5. The ideal ratio is one job for each household. Based on PSRC's and Snohomish County's employment forecasts, Sultan's forecast ratio for 2030 is .76. Increasing multi-family units and employment opportunities, especially in service related industries, may increase the jobs-to-housing ratio.

A major opportunity for Sultan lies in its "small-town character", an asset that can serve as a focus for the community's planning. Fortunately, Sultan's historic downtown is an effective template for "small-town character". While some of the issues impacting the downtown cannot be overcome, its development type does provide a sense of place. Creating mixed-use centers that build on the "small-town character" template in the three new centers at US 2 and Rice Road, US 2 and Old Owen Road, and US 2 and 5<sup>th</sup> Street offers an opportunity to project that character forward. This development pattern can take advantage of tourism and recreation and meet future demand for the service employment sectors.

### 6.9 Goals and policies

The following goals and policies are based on the analysis of existing conditions and the result of workshop planning sessions:

**ED 1 GOAL: SUPPORT BUSINESS AND JOB CREATION**

Support economic development activities to increase employment opportunities that provide family-wage jobs, diversify the city’s business community, and work to provide a sound tax base for Sultan. (MPP Ec-1)

MPP	CPP	Policies	Programs
Ec-2; Ec-5; Ec-21	ED-1	<b><i>ED 1.1 Job creation</i></b> Foster a supportive environment for businesses in Sultan to help create employment opportunities within the Sultan economy.	<b>ED 1.1.1</b> Leverage Sultan’s unique physical location as a recreation destination by supporting tourist related activities.
			<b>ED 1.1.2</b> Participate with other public agencies and private interests in marketing development projects, labor force training programs, and other efforts to attract new businesses to the Sultan area.
Ec-18; Ec-19	ED-8; ED-12	<b><i>ED 1.2 Site identification</i></b> Work with other public agencies and private interests to identify and promote sites that can be suitably developed for a variety of local employment projects including business and industrial parks, office and professional centers, and specialized commercial and entertainment centers.	<b>ED 1.2.1</b> Designate Urban Center Zones for mixed-use office, commercial, and residential uses to maximize local services and promote pedestrian-oriented centers.

MPP	CPP	Policies	Programs
			<p><b>ED 1.2.2</b>                      Work with interested property owners to determine the effective development capacity of sites having employment center possibilities. Determine the costs involved with providing sewer, fire and police protection, access roads, recreational areas, and other Sultan services and amenities. When feasible, calculate the public benefits that may be realized by the creation of local jobs and tax potentials.</p>

**ED 2 GOAL: INCREASE LOCAL ECONOMIC OPPORTUNITIES**

Facilitate local business development efforts, property investment projects and programs that enhance Sultan economic opportunities.

MPP	CPP	Policies	Programs
EC-5; EC-12	ED-2; ED-13	<p><b><i>ED 2.1 Small business development</i></b>                      Encourage local business development opportunities, for small or start-up business concerns that may be owned by or employ Sultan residents.</p>	<p><b>ED 2.1.1</b>                      Promote the local use of small business financing and management assistance programs through direction or referral to available programs.</p>
			<p><b>ED 2.1.2</b>                      Help identify facilities, through a buildable lands survey, or similar studies, that may be used for small business start-ups including older structures that may be suitably reused for business purposes.</p>

MPP	CPP	Policies	Programs
Ec-16; Ec-19	N/A	<p><b><i>ED 2.2 Property revitalization</i></b>                      Assist with special planning and development efforts to reuse older buildings, redevelop vacant properties, and revitalize the existing downtown business district within Sultan.                      Support local marketing efforts, parking and building improvements, special management organizations such as downtown business groups, and other actions that may revitalize properties.</p>	<p><b>ED 2.2.1</b>                      Develop a detailed strategy for marketing and promoting the development of Sultan's commercial and industrial land opportunities.</p>
N/A	N/A	<p><b><i>ED 2.3 Financial programs</i></b>                      Help local private groups to structure special improvement districts including parking and business improvement authorities, local improvement districts, or other programs when such ventures provide public benefits and are appropriate to Sultan's long range goals.</p>	
EC-17; EC-20	ED-5; ED-12; ED-13; ED-14	<p><b><i>ED 2.4 Base employment land allocations</i></b>                      Provide zoning for a suitable supply of commercial, retail, business, office, and industrial lands to encourage a closer balance between jobs and housing consistent with the regional growth strategy.</p>	<p><b>ED 2.4.1</b>                      Annually review and monitor Sultan's Buildable Lands Report, especially as it relates to employment land use to ensure an adequate amount of land for employment uses is available.</p>

MPP	CPP	Policies	Programs
			<p><b>ED 2.4.2</b>                      Zone for an adequate supply of land suitable for commercial activity to encourage local employment, shopping, and other urban service activities to:</p> <ul style="list-style-type: none"> <li>▪ support economic activity;</li> <li>▪ create a closer balance between jobs and housing;</li> <li>▪ reduce the need for residents to travel outside the area for goods and services.</li> </ul>

**ED 3 GOAL: INVEST IN COMMUNITY MEMBERS**

Encourage a diversity of family-wage jobs for the city’s residents. (MMP-Ec-1)

MPP	CPP	Policies	Programs
Ec-9; EC-10	ED-11	<p><b>ED 3.1 Support local</b>                      Support working relationships with the Sultan School District and other public and private educators who provide high quality and accessible training programs that give people opportunities to learn, maintain, and upgrade skills necessary to meet the current and forecast needs of the regional and global economy.</p>	

