

CHAPTER 4

ECONOMIC DEVELOPMENT ELEMENT

Introduction

In accordance with RCW 36.70A.070(7), the Town of La Conner has added an Economic Development Element to the Comprehensive Plan. La Conner is a noted tourist attraction, drawing visitors from around the U.S. and Canada. The Town's unique waterfront environment, vibrant arts and cultural community, and historical authenticity are important attributes that make La Conner a destination for visitors throughout the year. The Port of Skagit County has also built a strong marine related industrial base.

GOALS AND POLICIES

GOAL A

Promote a stable and diversified economy offering a wide variety of services and employment opportunities to the citizens of La Conner.

Policies

- 4A-1 Encourage business investments that provide economic and employment opportunities to meet the employment needs of La Conner residents and those residing in nearby areas.
- 4A-2 Accommodate home-based businesses that are consistent with the character of adjoining properties and neighborhoods.
- 4A-3 Promote a collaborative, interdependent local economy.
- 4A-4 Encourage diversity in the range of goods and services to meet local and regional needs, including those of the traveling public.
- 4A-5 Continue to coordinate with and seek economic development assistance from the Economic Development Association of Skagit County (EDASC), Washington State Department of Commerce (DOC), La Conner Chamber of Commerce and other entities in the economic development area.

- 4A-6 Give special attention and a clear preference to identifying and promoting economic activities that are based on our area's economic traditions, including maritime and water related, agriculture, outdoor recreation and art.

GOAL B

Achieve a balance between commercial and industrial interests to avoid over-concentration in one particular segment of the economy.

Policies

- 4B-1 Expand and recruit additional commercial services that primarily serve the needs of the residents of the Town and surrounding areas.
- 4B-2 Encourage light industrial uses within designated zones.
- 4B-3 Encourage a diversity of uses within the industrial zone, with an emphasis on emerging technology based enterprises, as well as traditional industrial uses that have always been associated with La Conner.
- 4B-4 Encourage adaptive reuse of existing structures.
- 4B-5 Identify development impacts and appropriate mitigation measures.

GOAL C

Encourage economic development that conserves natural resources and open space, protects environmental quality, and enhances our community's quality of life.

Policies

- 4C-1 Buffering by means of landscaping, or by maintaining recreation and open space corridors should be done between incompatible adjacent uses, including commercial and industrial uses.
- 4C-2 Provide a townwide strategy to address weather and climatic impacts that would adversely impact residents and businesses of the Town.

GOAL D

Promote economic activities that increase the number of living wage or family wage jobs in La Conner and help to diversify the economy.

Policies

- 4D-1 Encourage diverse job options for persons interested in full-time and part-time employment.
- 4D-2 Encourage diverse entrepreneurial opportunities for persons desiring to own their own business.
- 4D-3 Facilitate the retention and expansion of existing local business and start-up of new businesses, particularly those providing family-wage job opportunities.
- 4D-4 Ensure that industrial and commercial zones are sufficient to ensure substantial diversity in local economic activity.
- 4D-5 Encourage office uses within industrial and commercial zones.
- 4D-6 Encourage economic development that creates a net positive fiscal impact for the local community through analysis of all direct and indirect costs and benefits to the community, including consideration of public capital investment.

GOAL E

Support La Conner as a visitor destination by preserving and enhancing the unique qualities of our community.

Policies

- 4E-1 Preserve and enhance activities that rely on the area's traditional enterprises of maritime, agriculture, outdoor recreation and art.
- 4E-2 Support efforts to develop, refurbish, and maintain scenic open space.
- 4E-3 Support cultural and heritage resources that are attractive to both local residents and visitors.
- 4E-4 Support community and private efforts to improve visitor services.
- 4E-5 Encourage siting of visitor services at locations that can be served with the necessary public infrastructure and that are compatible with neighboring uses.

GOAL F

Attract a diversified base of light industry consistent with local quality of life and environmental values.

Policies

- 4F-1 Encourage value-added resource based products, particularly with agriculture, fisheries and marine activities.
- 4F-2 Encourage low cost, easily accessible, state-of-the-art telecommunications infrastructure in order to attract and maintain businesses relying on these facilities and to provide these services to residents.
- 4F-3 Encourage business recruitment and development of firms, which will diversify the local economy.
- 4F-4 Maintain sufficient industrial land to accommodate a mix of business, light industry that is consistent with market requirements, and other opportunities.

ECONOMIC TRENDS

Commercial:

This zone includes land used for retail and wholesale trade, offices, hotels, restaurants, service outlets, gas stations, and repair facilities. Morris Street and First Street are the Town's high-density commercial areas. The Skagit Port facilities have a medium level of commercial density. Maple Avenue has some non-conforming commercial uses in the residential area.

Total Commercial Use: 54 acres (21% of total 255 acre land area).

Heavy Commercial Use: The historic central business district on First Street consists of approximately 3.5 acres along the Swinomish Channel. This area contains mixed use residential as a secondary conditional use, retail sales establishments, restaurants, art galleries, a museum, and a post office. Morris Street consists primarily of retail shops, a grocery store, and restaurants; mixed with residential use; and service businesses.

Neighborhood Commercial Use: Approximately 3.4 acres are used for businesses along Maple Avenue. This does not take into account home-based businesses.

Economic Trends: Sales and Use Receipts in 2017 totaled \$460,868. Sales and Use receipts increased sharply between 2013 and 2015 as the region came out of the economic downturn that impacted the entire country. They have been in decline since then and it is unclear if this is a trend or simply a correction. Town Council is working with local merchants to determine the cause and come up with strategies to address it if necessary. While the Sale and Use receipts have been sluggish, the Hotel Motel revenues have been increasing during the same period. Appendix 4-A includes tables showing historic revenues from both Sales and Use and Hotel Motel.

Market Area: The Town draws some retail business from local residents and small neighboring towns, but the majority of retail income is generated by visitors from larger metropolitan areas, such as Seattle and Vancouver, B.C. La Conner is a noted tourist attraction, drawing visitors from around the U.S. and Canada throughout the year.

Industrial:

This category includes land used for light manufacturing, processing, and warehousing. There is no heavy industry in La Conner.

Total Industrial Land Use: In south La Conner, the industrial environment is that shoreline area bounded on the west by the OHWM of the channel, on the south by the Town's southern boundary, on the north by the south side of Sherman Avenue and on the east to a point 200 feet landward of the OHWM of the Swinomish Channel. In the north end of town, from the north side of South Pearle Jensen Way north to the northernmost town boundary, and between the

OHWL of the Swinomish Channel (including the OHWL of the north and south basins of the Port of Skagit County) on the west and a line 200 feet landward.

Economic Trends: Over the past 20 years the number of businesses in the industrial sector has changed very little. Development has been slow and limited by the availability of land. Consistent with the adopted Shoreline Management Program the industrial areas are intended to:

- Provide for the reasonable accommodation of fishing and boating related industrial activities focused in areas that are removed from the retail, residential, and historic portions of the Town's shorelands.
- Ensure that development, redevelopment and operations of uses in the industrial environment employ best practices to avoid or mitigate any adverse impacts on the ecological functions and values of the Town's marine shoreline.

A major loss of industrial employment in the south end of town was experienced in 1992 with the closure of Moore-Clark, a fish food processing plant with approximately 33 employees.

The Skagit County Port facilities have steadily increased occupancy and currently have 19 businesses within the Port facilities employing 280 full-time personnel.

Market Area: The market for industrial products is regional and worldwide, and is not dependent on the local population. Access to materials, transportation, markets, and suitable labor are the most important determinants of industrial location. La Conner is located 11 miles from the nearest interstate highway and four miles from a main arterial. The majority of the Industrial Zone lies within the La Conner Shoreline area. The Shoreline Management Act reduces the ability of the Town to attract non-marine industry to the area bordering the waterfront. New rules provided by WAC 173-16 offer prospects for water-enjoyment types of development.

Sales and Use Trends: Sales and Use receipts increased sharply between 2013 and 2015 as the region came out of the economic downturn that impacted the entire country. They have been in decline since then and it is unclear if this is a trend or simply a correction. Town Council is working with local merchants to determine the cause and come up with strategies to address it if necessary.

Analysis of Economic Conditions

Overall Economic Conditions

Employment Trends by Industry: The Town has shifted away from a natural resource base (farming, fishing and forest products) economy towards retail, service industries, and light manufacturing.

Unemployment Rate: The 2000 unemployment rate was 1.9% for the Town of La Conner. By 2010 the rate had increased to 2.8% and grew to a high of 6.2% in 2014 during the economic downturn. By 2016 (the year for which we have the most current data) it had dropped to 3.6% and as the economy has continued to improve it is likely lower now.

Regional Employment Conditions: In 1999 Skagit County's unemployment rate fell to a historical low of 6.3% and remained relatively consistent rising to 6.4 by 2010. The economic downturn impacted Skagit County more significantly than the Town of La Conner with the County rate topping out at 9.8% in 2013. The 2016 rate for the County had fallen to 7.2%. The county's economic base includes agriculture and food processing, marine-related industries such as fishing, fish processing, and boat building and repair, lumber and wood products, oil refining, and tourism. The county's location on Interstate 5 and proximity to the rapidly growing Seattle-Everett area should continue to be attractive to commuters and new development

Economic Strengths and Weaknesses

Strengths:

1. Increasing hotel/motel receipts.
2. An attraction for visitors from throughout the Northwest, due to La Conner's unique waterfront environment, historical authenticity, and its variety of interesting shops and restaurants.
3. The many museums and galleries provide a rich cultural environment.
4. The smaller size and scale of the existing businesses and absence of Big Box stores and strip malls promotes a small town charm that visitors are expecting from the Town.
5. The Town's lack of traffic congestion makes it an attractive destination for tourists and neighboring towns.
6. The Town has promoted and encourages a pedestrian friendly orientation.
7. The Waterfront/Boardwalk is an important asset for the town.
8. The Town's designation on the National Register of Historic Places adds to its desirability as a tourist destination.
9. A wide range of educational opportunities are available that are both affordable and attuned to the needs of the area.

Weaknesses:

1. Poor usage of the existing parking facilities and on-going controversy regarding quantity and availability of parking while available parking areas are underutilized.
2. Distance from major highway interchanges for shipping and transit inhibits attraction of more industrial businesses.
3. Town revenue dependence on tourism as the economic base for the Town.
4. Employees of La Conner businesses generally live outside of town limits.
5. Lack of infrastructure to host larger groups (corporate retreats) limits the Town's ability to fully realize its potential as a destination.
6. On line shopping is threatening brick and mortar businesses. The Town's reliance on small locally owned specialty shops is particularly vulnerable to this trend.
7. The Town's aging population makes it difficult to accommodate a robust workforce and tends to increase the cost of living for all residents.

Economic Activities Expected to Increase

Commercial: Over the last 20 years La Conner has become a "destination town" known for its unique shops, waterfront ambience, and small town charm. The

Town's close proximity to the Swinomish Indian Reservation and the historic district also draw visitors from around the U.S. and Canada. Sales and Use Tax receipts along with Hotel/Motel tax receipts are expected to continue to increase as the national economy improves.

Industrial: The Port of Skagit County La Conner Marina has developed water-dependent light-industrial businesses in the north industrial area. As mentioned above, the Port has been successful in attracting several marine industries to La Conner, such as Pacific Mariner, TOMCO Marine Group, Maritime Fabrications, and sixteen other related or support industrial and commercial enterprises. While manufacturing has declined as a percentage of the total economy, there has been modest growth of industrial manufacturing capacity in Skagit County.

Public Sector: With the exception of La Conner School District employment, very little change is expected in employment opportunities in this sector over the next 20 years.

Economic Activities in Decline

Industry: The Town experienced a decline in light industry and manufacturing in its south industrial area. One of the largest employers, Moore-Clark, shut down in 1992 resulting in the loss of medium to high wage jobs. This in turn generated a negative multiplier effect on local service industries, and resulted in a net loss of retail sales tax receipts to the Town from products that Moore-Clark formerly sold at retail. The south end industrial area has had difficulty attracting marine related industry. In the north end, the Skagit County Port properties have successfully attracted marine related industries in recent years, which have helped the Town recover from the Moore-Clark losses. The Town is off the main transportation corridor, 11 miles from the nearest freeway. In addition, more convenient and less expensive manufacturing facilities are available in areas closer to Interstate 5.

APPENDIX 4-A

DATA AND ANALYSIS

Employment and Business License Data*

Zone	# of Employees	% of Total Employment	Building Sq. Ft.
Commercial/HPD	315	41	137,176
Commercial	129	17	125,669
Industrial	302	40	220,100
Residential	17	2	23,334

Business Class**	Number of Employees	Building Sq. Ft.
1	491	288,700
2	258	207,252
3	20	8,202
Total	769	504,154

*Business license applications 2018

**Business Class Definitions:

- (1) Class 1 Taverns, restaurant/food purveyors serving liquor, grocery stores with over 2,000 square feet of sales area, manufacturing and other businesses employing 15 or more full-time or part-time employees, recreational vehicle parks, apartment houses/motels/hotels with five or more rental units.
- (2) Class 2 Professional businesses including banking, accounting, medical, dental, legal, travel, realty, advertising, publishing, architecture, counseling, retail, and food sales, lumber yards, petroleum sales, auto and boat repair, boat sales and charter services, commercial rental activities, and manufacturing with less than 15 full-time or part-time employees.
- (3) Class 3 All other businesses as defined, which are not indicated in Class 1 or Class 2. This includes businesses and individuals located outside the Town limits engaged in sales or services within the Town.

Sales and Use Tax Revenues

Sales & Use Tax Revenues		
Year	Revenue	Delta
1995	\$303,660	
1996	\$317,912	4.7%
1997	\$317,977	0.0%
1998	\$352,904	11.0%
1999	\$375,191	6.3%
2000	\$371,959	-0.9%
2001	\$326,839	-12.1%
2002	\$347,563	6.3%
2003	\$357,497	2.9%
2004	\$379,173	6.1%
2005	\$429,177	13.2%
2006	\$445,588	3.8%
2007	\$424,421	-4.8%
2008	\$421,146	-0.8%
2009	\$368,054	-12.6%
2010	\$353,893	-3.8%
2011	\$359,267	1.5%
2012	\$371,322	3.4%
2013	\$411,348	10.8%
2014	\$478,017	16.2%
2015	\$557,170	16.6%
2016	\$480,461	-13.8%
2017	\$460,868	-4.1%

Hotel & Motel Tax Revenues		
Year	Revenue	Delta
1995	\$47,640	
1996	\$50,111	5.2%
1997	\$95,189	90.0%
1998	\$105,334	10.7%
1999	\$100,571	-4.5%
2000	\$118,016	17.3%
2001	\$102,031	-13.5%
2002	\$96,643	-5.3%
2003	\$93,797	-2.9%
2004	\$116,993	24.7%
2005	\$118,950	1.7%
2006	\$122,054	2.6%
2007	\$128,551	5.3%
2008	\$133,692	4.0%
2009	\$108,284	-19.0%
2010	\$145,758	34.6%
2011	\$144,536	-0.8%
2012	\$122,787	-15.0%
2013	\$136,002	10.8%
2014	\$126,351	-7.1%
2015	\$130,025	2.9%
2016	\$139,215	7.1%
2017	\$150,416	8.0%

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