Economic Development Element Supporting Analysis

BACKGROUND AND CONTEXT

As required by Washington State's Growth Management Act (GMA), this section will summarize the local economy by presenting statistics on population, employment, businesses and employment sectors, current real estate market conditions, and the local revenue base.

Employment Growth Targets

The King County Countywide Planning Policies (CPPs), adopted to implement the GMA, establish employment growth targets for each of the jurisdictions within the county. The employment target is the amount of job growth the jurisdiction should plan to accommodate during the 2006-2031 planning period. Shoreline's growth target for this period is 5,000 additional jobs.

In the past, Shoreline was considered a "bedroom community" from which residents travelled elsewhere for higher-wage jobs and more complete shopping opportunities. Recognizing new and innovative ways to support the local economy will assist efforts to plan for the addition of 5,000 new jobs. The quality of Shoreline's economy is affected by reliable public services, the area's natural and built attractiveness, good schools, strong neighborhoods, efficient transportation options, and healthy businesses that provide goods and services. Maintaining the community's quality of life requires a strong and sustainable economic climate.

2012-2017 Economic Development Strategic Plan

After a year-long collaborative process, the City of Shoreline's Office of Economic Development adopted the 2012-2017 Economic Development Strategic Plan. The Strategic Plan seeks to achieve Sustainable Economic Growth by supporting placemaking projects that realize the 6 Council Guidelines for Sustainable Economic Growth:

- Multiple areas – improvements and events throughout the city that attract investment;
- Revenue – growing revenue sources that support City programs;
- Jobs – employers and business starts that create more and better jobs;
- Vertical growth – sustainable multi-story buildings that efficiently enhance neighborhoods;
- Exports – vibrant activities and businesses that bring money into Shoreline; and
- Collaboration – broad-based partnerships that benefit all participants.

POPULATION AND EMPLOYMENT

Overview

Within a total land area of 11.7 square miles, encompassing 14 neighborhoods and 2 major transportation corridors, the City of Shoreline has approximately 53,000 residents and 16,400 jobs.

Shoreline's major employment centers include two sizable retail developments on the Aurora Corridor: Aurora Village (anchored by Costco and Home Depot) and Aurora Square (anchored by Sears and Central Market). There are additional neighborhood retail concentrations on 15th Avenue NE, Ballinger Way, and in Richmond Beach. Shoreline

Community College and the Fircrest Campus are two of the city's other major employment centers.

In order to understand the city's economic strengths and weaknesses, Figure EDA-1 compares the demographics and household income of Shoreline with King County, and with the Seattle-Tacoma-Bellevue Metropolitan Statistical Area, encompassing King, Snohomish, and Pierce Counties.

Figure EDA-1
Demographics and Household Income

	Shoreline	King County	Seattle-Tacoma-Bellevue MSA
2010 Population	53,007	1,931,249	3,439,809
Median Age	44.1	37.1	36.8
Labor Force Population (Population, age 16-64)	36,302	1,353,507	2,372,574
Labor Force Population, Percent of Total Population	68.5%	70.1%	69.0%
Median Household Income	$66,476	$67,711	$64,821

Sources: 2010 US Census

Population Trends and Forecasts

Population growth and household creation within the city generate demand for new residential development. Population growth, income growth, and job creation within local and extended trade areas provide much of the support for new commercial and retail development. Household creation is discussed in the Comprehensive Plan Housing Element Supporting Analysis. Population and income growth trends and forecasts are summarized in the following tables.

Figure EDA-2
City of Shoreline and Region

	Historic Population Growth				Annual Percent Change		
	1990	**2000**	**2010**	**2011**	**1990-2000**	**2000-2010**	**2010-2011**
Shoreline	52,109	53,296	53,007	53,200	0.2%	-0.1%	0.4%
King County	1,507,319	1,737,034	1,931,249	1,942,600	1.5%	1.1%	0.6%
Seattle-Tacoma-Bellevue MSA	2,559,164	3,043,878	3,439,809	3,461,750	1.9%	1.3%	0.6%

Source: 1990, 2000, 2010 US Census; OFM April 1, 2011 estimates

Figure EDA-3
City of Shoreline and Region
Forecast Population Growth

					Projected Ann. Growth		
	2010	**2020**	**2030**	**2040**	**2010-2020**	**2020-2030**	**2030-2040**
Shoreline Forecast Analysis Zone Group*	68,097*	69,190	70,273	70,692	0.2%	0.2%	0.1%
Central Puget Sound Region (MSA plus Kitsap County)	3,690,942	4,148,693	4,544,179	4,988,135	1.2%	1.0%	1.0%
King County	1,942,600	2,075,426	2,234,775	2,401,521	0.7%	0.8%	0.7%

Source: 2010 Census; Puget Sound Regional Council 2006 Small Area Forecasts
**Forecast Analysis Zones follow census tract boundaries that include areas outside the city. Due to changes in census tract boundaries, the 2010 total population for Shoreline FAZ group is based on 2006 projections, not the actual Census count*

The data presented above support the following key considerations:

- The city's population growth has been and will continue to be slower than growth in King County and the region.
- While Shoreline's population is older than the population in King County and the Metro Area, 68.5% of the population is of working age, which is only 0.5% lower than the Metro Area labor force population.
- Median annual household income in Shoreline is only $1,200 lower than in King County, and $1,700 higher than in the Metro Area as a whole.

Employment

Employment within the city is a measure of the current level of economic activity, in terms of both number of jobs and the distribution of jobs among employment sectors. Figure EDA-4 shows a breakdown of city employment by sector. The changing nature of jobs in the city is reflected in Figures EDA-5 and EDA-6. Forty-six percent of jobs in 2010 were in the service sector, which includes several sub-sectors. Shoreline's top service sub-sectors in 2010 were Health Care and Social Assistance (2,525 jobs), Administration and Support (1,151 jobs), Accommodation and Food Services (986 jobs), and Other Services (1,147 jobs).

Figure EDA-4
City of Shoreline
Employment by Sector

	1995		2000		2010		Avg. Ann. Growth	
	#	% of Total	#	% of Total	#	% of Total	1995-2000	2000-2010
Construction/Resources	570	4.2%	514	3.2%	558	3.4%	-2.0%	0.9%
FIRE*	***	***	673	4.3%	478	2.9%	***	-2.9%
Manufacturing	189	1.4%	144	0.9%	160	1.0%	-4.8%	1.1%
Retail	3,531	26.2%	2,685	17.0%	2,629	16.0%	-4.8%	-0.2%
Services	4,720	35.0%	6,432	40.7%	7,551	46.0%	7.3%	1.7%
WTU**	451	3.3%	380	2.4%	156	1.0%	-3.1%	-5.9%
Education	2,133	15.8%	2,335	14.8%	2,126	13.0%	1.9%	-0.9%
Government	1,811	13.4%	2,656	16.8%	2,751	16.8%	9.3%	0.4%
TOTAL	13,499	100%	15,820	100%	16,409	100%	3.4%	0.4%

Source: Puget Sound Regional Council "Covered Employment" Database
**Finance, Insurance, and Real Estate*
*** Wholesale Trade, Transportation, and Utilities*
****1995 count combines FIRE and other service-sector jobs*

Figure EDA-5

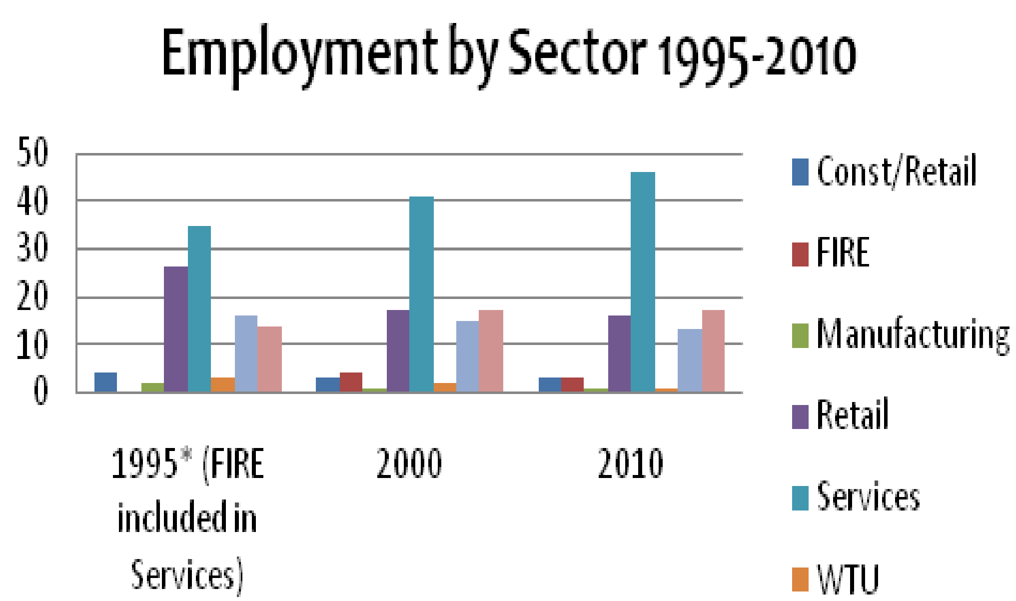
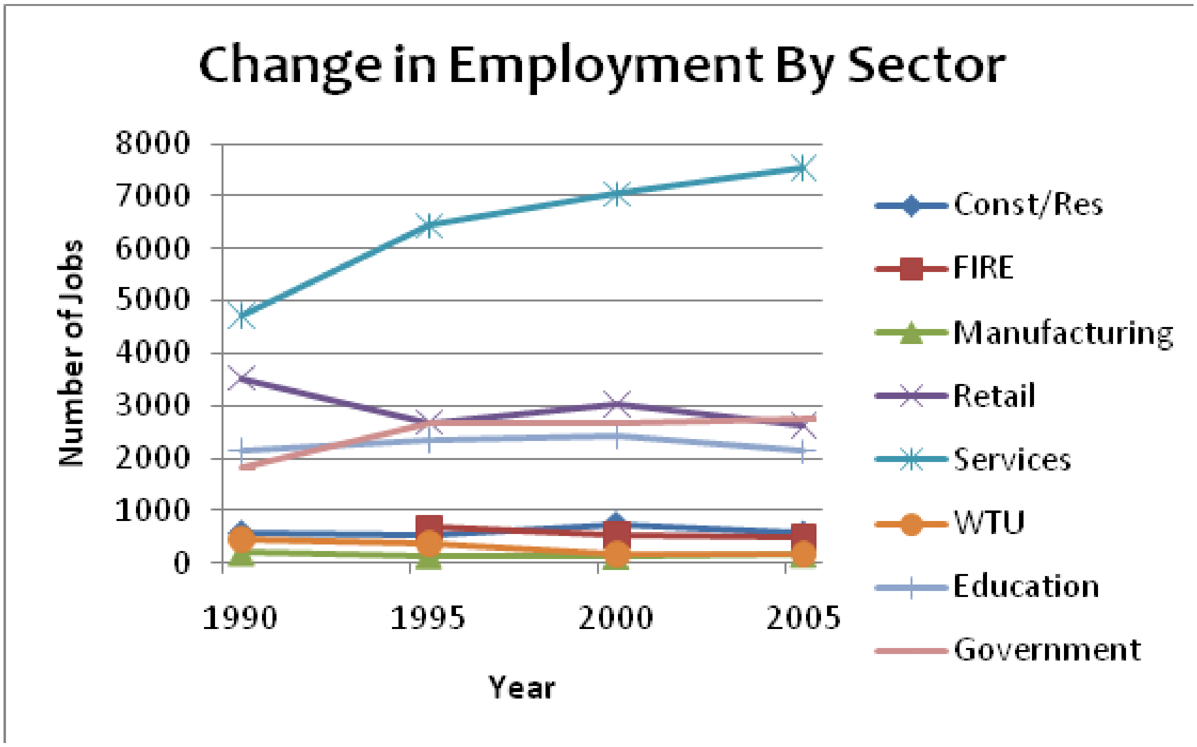


Figure EDA-6



Key considerations from employment data:

- Non-government employment in Shoreline is predominantly oriented toward services and retail. These two sectors comprised 62% of total employment as of 2010.
- Employment growth has been concentrated in services, which was the fastest growing sector between 2000 and 2010.
- The other non-government sectors in which employment grew in the last decade were manufacturing and construction/resources. Despite growth, the two sectors together account for only 4.4% of total employment.
- Total employment in Shoreline continued to grow over the past decade, though at a much slower pace than in the previous five years.

Peer Comparison: Household Characteristics

A comparison of Shoreline with peer cities can give further indication of the relative economic strengths and weaknesses of the city. Four cities were selected for a peer comparison: Lynnwood, Tukwila, Marysville, and Kirkland. These are the cities in King and Snohomish Counties that are most similar to Shoreline in terms of total number of "activity units," defined as each city's total population plus total number of jobs.

Figure EDA-7
Peer Cities Selected For Comparison

	Population 2010	Employment 2010	"Activity Units"
Lynnwood	35,836	22,889	58,725
Tukwila	19,107	43,126	62,233
Shoreline	**53,007**	**16,409**	**69,416**
Marysville	60,020	11,431	71,451
Kirkland	48,787	30,942	79,729

Sources: 2010 Census, PSRC "Covered Employment" Database

Income levels and employment characteristics of Shoreline's households, while not necessarily reflective of the quality of jobs in the city, can indicate the extent to which the city is able to support new businesses and future development.

Figure EDA-8
Shoreline and Peer Cities
Income and Employment

City	Median Household Income	Unemployment Rate	Poverty Rate
Lynnwood	$47,920	8.5%	12.6%
Tukwila	$44,271	10.5%	23.8%
Shoreline	**$67,076***	**6.7%**	**8.3%**
Marysville	$64,399	7.0%	9.5%
Kirkland	$84,995	5.0%	5.5%

Source: U.S. Census Bureau, 2006-2010 American Community Survey
**Discrepancies with other data in this analysis are due to the use of ACS 5-year estimates, which are required for comparison with peer cities. Three-year estimates are used elsewhere to capture more recent trends.*

Peer Comparison: Jobs-Housing Balance

Encouraging employment growth within the city may improve Shoreline's jobs-housing balance. Jobs and housing are "balanced" at approximately 1.5 jobs per household. Jobs-housing balance is "a means to address travel demand by improving accessibility to jobs, as well as to goods, services, and amenities" (PSRC, Vision 2040). The creation of new jobs through economic development can help alleviate a mismatch between jobs and housing, reduce commute times, and create more opportunities for residents to work and shop within their own community.

Figure EDA-9
Shoreline and Peer Cities
Jobs-Housing Balance

	Employment 2010	Housing Units 2010	Jobs/Housing Unit Ratio	Mismatch (Deviation from 1.5)
Lynnwood	22,889	14,939	1.53	0.03
Tukwila	43,126	7,755	5.56	4.06
Shoreline	**16,409**	**22,787**	**0.72**	**-0.78**
Marysville	11,431	22,363	0.51	-0.99
Kirkland	30,942	24,345	1.27	-0.23
King County	1,099,639	851,261	1.29	-0.21
Snohomish County	235,371	286,659	0.82	-0.68

Sources: 2010 US Census; PSRC Covered Employment Database

The peer comparisons presented above support the following key considerations:

- Despite being of similar size, the economic characteristics of the peer cities vary considerably. Shoreline has the second highest median income and the second lowest unemployment and poverty rates among peer cities.
- Shoreline and Marysville share the characteristics of "bedroom communities" in that both cities have substantially more residents than jobs. However, Shoreline has a lower jobs-housing mismatch and better transportation access than many suburban bedroom communities.
- There are currently only 0.72 jobs for every housing unit in the city, highlighting the need for job growth and employment-supporting development.

REVENUE BASE

Sales Tax and Property Tax

The revenue base of the City is another measure of the strength of the local economy. A strong revenue base supports the necessary public facilities and services for an attractive place to live and work. Two major elements of the revenue base are taxable retail sales and the assessed valuation for property taxes. Shoreline's taxable sales and assessed valuation are compared to those in the peer communities and King County as a whole in Figures EDA-10 and EDA-11.

Figure EDA-10
Shoreline and Peer Cities
Taxable Retail Sales

	Sales, 2001 (in millions)	Per Capita	Sales, 2010 (in millions)	Per Capita	Avg. Ann. Growth
Lynnwood	$1,720	$51,000	$1,778	$50,000	0.4%
Tukwila	$1,858	$108,000	$1,635	$86,000	-1.3%
Shoreline	**$582**	**$11,000**	**$660**	**$12,000**	**1.5%**
Marysville	$394	$15,000	$722	$12,000	9.2%
Kirkland	$1,307	$29,000	$1,456	$30,000	1.3%
King County	$36,113	$21,000	$39,275	$20,000	1.0%

Source: Washington State Department of Revenue

Figure EDA-11
Shoreline and Peer Cities
Assessed Valuation

	AV, 2001 (in millions)	Per Capita	AV, 2010 (in millions)	Per Capita	Avg. Ann. Growth
Lynnwood	$2,649	$78,000	$5,237	$146,000	10.9%
Tukwila	$3,005	$174,000	$4,970	$260,000	7.3%
Shoreline	**$4,193**	**$78,000**	**$6,739**	**$127,000**	**6.7%**
Marysville	$1,428	$53,000	$4,437	$74,000	23.4%
Kirkland	$5,964	$130,000	$11,312	$232,000	10.0%
King County	$187,181	$106,000	$340,324	$175,000	9.1%

Source: Municipal Research and Service Center of Washington (2001 data is the earliest available from this source).

Taxable Sales and Assessed Valuation data support the following key considerations:

- Compared to the peer cities and King County, Shoreline has a relatively low revenue base. Among peer cities, Shoreline had the second lowest per capita taxable sales and second lowest per capita assessed valuation in 2010.
- Growth in assessed valuation has been moderate over the past decade, averaging a 6.7% annual increase. This could be due to a relative lack of new construction in comparison to a younger community, such as Marysville.
- Retail sales growth has averaged 1.5% annually. This is the second highest rate of increase among the peer cities, and higher than King County as a whole.

Other Revenue Sources

Other sources of revenue for the City include the gambling tax, utility tax, permit fees, and other fees. Gambling taxes are collected at a rate of 10% of gross receipts for card rooms in the city. Projected gambling tax revenue for 2012 equals 6% of the total forecasted general fund operating revenues. Thirteen percent of total forecasted general operating revenues are expected to come from the utility tax, and 8% from license and permit fees. This compares to 32% from property taxes, and 20% from sales taxes. The remaining revenue comes from contract payments, state and federal grants, and other sources.

REAL ESTATE MARKET CONDITIONS

Retail

Retail development meets two important economic development objectives. It provides the goods and services needed by residents and businesses, and it provides a major source of tax revenue. Figure ED-10A above shows that retail sales have grown over the past decade, yet they are still lower than sales in the peer cities used for comparison.

While Shoreline is home to many retail establishments, there is a significant amount of sales "leakage" in some retail categories. Leakage refers to a deficit in sales made in the city compared with the amount of spending on retail goods by Shoreline residents. Figure EDA-12 shows the retail categories with high levels of leakage, suggesting potential major retail opportunities in these categories. New retail development or re-development of existing retail may better meet the shopping needs of Shoreline residents and increase sales tax revenue for the City.

Figure EDA-12
City of Shoreline
Retail Leakage

	Resident Expenditures	Retail Sales	Sales Leakage	% of Resident Dollars Spent Elsewhere
Health and Personal Care Stores	$45,573,818	$26,814,862	$18,758,956	41.2%
Clothing and Clothing Accessories Stores	$38,482,646	$3,649,709	$34,832,937	90.5%
General Merchandise Stores	$110,346,269	$31,820,134	$78,526,135	71.2%
Foodservice and Drinking Places	$91,161,225	$57,864,320	$33,296,905	36.5%

Source: Robert Weis, PhD

Office

Shoreline has few large office concentrations or multi-tenant office buildings. New office development could provide a location for various service providers, as well as the management and support facilities for businesses with multiple outlets. An inventory of selected buildings offering office space for lease in Shoreline provides an indication of the nature and strength of the local office market (see Figure EDA-13).

Figure EDA-13
City of Shoreline
Selected Commercial Buildings

	Address	Year Built	Stories	Rentable SF	Available SF	Rent/SF.Yr*
Ballinger Gateway	19500 Ballinger Way NE	2004	4	2,911	0	$21 N
Ballinger Way Buildings	19936-19940 Ballinger Way NE	1978	1	10,289	0	$8-$12 N
Interurban Center	17962 Midvale Avenue N	1960	2	17,593	4,160	$15 FS
North City Office Building	17529-17535 15th Avenue NE	1960	2	10,600	2,252	$12 N
Shoreline Bank Plaza	20011 Ballinger Way NE	1975	1	12,042	1,411	$19-$28 N
Shoreline Business & Professional Center	17544 Midvale Avenue N	1962	4	21,362	5,742	$22.50 N
14625 15th Ave NE		1973	1	6,930	6,930	$29 N
TOTAL				**81,727**	**20,495**	

Source: Officespace.com
** FS-Full Service, N-Net Tenant pays expenses*

Residential

The CPPs call for Shoreline to plan for 5,000 new households by 2031, which would equate to 200 new households per year. New residential development will provide shelter for the local workforce, and create new opportunities for families to live in the city. Figure EDA-14 and Figure EDA-15 contain information on residential building permit tallies and new apartment units in order to reflect trends in residential development. Additional information on residential market conditions, including vacancy rates and home values, is included in the Housing Element Supporting Analysis.

Figure EDA-14
City of Shoreline
Newly Issued Building Permits

	Addition/Remodel		New Construction	
	2010	2011	2010	2011
Single-Family	178	161	12	29
Multi-family	10	15	0	1

Figure EDA-15
City of Shoreline
New Apartment Units by Year

	2007	2008	2009	2010	2011	Total	Yearly Avg.
Number of New Units	0	66	289	0	21	376	75.2

Source: Dupre+Scott Apartment Advisors

The data support the following key considerations:

- Significant market leakage exists in multiple retail categories, creating potential opportunities for new retail development in the city.
- The office vacancy rate for buildings listed on Officespace.com is 25%. However, there is little or no new Class A office space in the city available to prospective tenants.
- Permit activity for new residential development increased from 2010 to 2011. An even faster pace of new development would likely be required to meet the goal of accommodating 200 new households per year.

ECONOMIC DEVELOPMENT INITIATIVES

Shoreline's Economic Development Strategic Plan identified significant projects that can dramatically affect the economic vitality of Shoreline. These City-Shaping Placemaking Projects are:

- Creating a Dynamic Aurora Corridor Neighborhood – unleashing the potential created by the City's tremendous infrastructure investment;
- Reinventing Aurora Square – catalyzing a master-planned, sustainable lifestyle destination;
- Unlocking the Fircrest Surplus Property – establishing a new campus for hundreds of living-wage jobs; and
- Planning Light Rail Station Areas – two imminent and crucial opportunities to create connectivity for appropriate growth.

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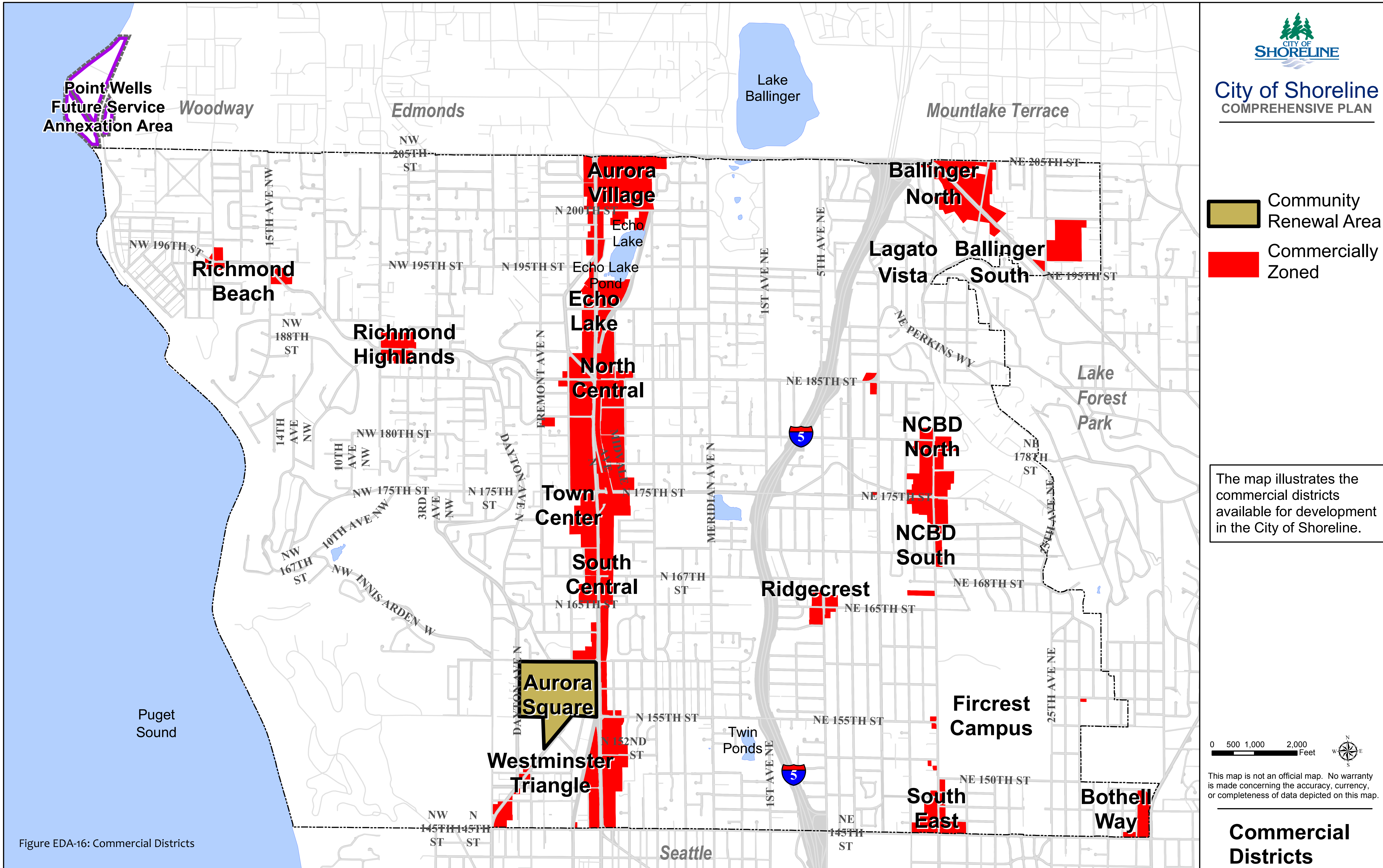

Figure EDA-16: Commercial Districts

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