

# **Economic Development Element**

## **Introduction**

A vital City is made up of economic opportunity, housing choices, quality public services, and an overall environment of prosperity for those who live and work within its boundaries. Places to play and shop; places to work and live; places to dream and expand contribute to a sense of well-being. Economic vitality provides a secure foundation on which the City can grow and meet future needs with confidence.

Granite Falls' geographic location places it in the middle of a regional recreation area; attractions such as hiking, fishing, boating and bicycling bring people from miles away. Browsing and attending outdoor events draws a crowd as well. The City is surrounded by small farms, a children's camp, and other day-in-the-country features.

The two primary economic development goals of the City are to capture more of the tourist dollar by improving the offerings of the downtown shopping area and to attract industries that provide living wage jobs.

As stated in the Vision Statement, the City is "open for business" to companies that provide a living wage. Because of the City's size and relatively level terrain, employees who live in the city can readily walk or bicycle to work. There is a collective attitude and motivation to attract and support new commercial and industrial businesses to locate in the City of Granite Falls.

Granite Falls also is positioned to serve a growing need for new residential development. There is suitable land in the City for additional housing, and the annexation of residential developable lands in the urban growth area will add more housing.

This additional housing brings families to the Granite Falls area in need of services and goods. The City's ability to provide needed services and goods depends on its supply of existing commercial, retail, and service enterprises as well as its potential for expansion to meet future needs.

## **City's Role in Economic Development**

Under the Growth Management Act, cities and counties are asked to include policies on economic development and employment. The GMA suggests examining both the economic base and the tax base and then recommends planning a strategy for future economic development in coordination with the land use, capital facility, and utility elements of the comprehensive plan.

The GMA also recommends that economic development strategies comply with policies regarding critical areas, natural resource lands, and other environmental aspects of the plan.

An economic development strategy can attract new business and increase the supply of jobs. It can also provide balance among the many demands on City services and infrastructure. However, without a strategy in place to invest in infrastructure, attract a skilled work force, and encourage business development, the local economy (including its physical and social structure) will decline.

Some of the benefits of such a strategy are:

- Helps align local government decisions with the community's vision;
- Provides alternatives for surviving economic cycles;
- Encourages better cooperation between and among neighboring jurisdictions;
- Facilitates better land use decisions;
- Documents understanding of comparative alternatives; and
- Combines economic and environmental goals into a single strategy

which together provide for a stronger tax base to support future needed government services and investment.

## **Background**

A City's economic base is defined by businesses that trade goods and services with the outside world. The tax base refers to the value of property, gross personal income, and/or expenditures. A City's major source of revenue is the property tax and the sales tax. A City's fiscal planning influences its economic base specifically in its ability to attract and keep profitable businesses on its tax rolls.

During good and bad times, there is a strong need for clear communication between politicians and business leaders. Shared values with regard to community well-being will be reflected in the physical, social, and economic conditions of the City.

An effective Economic Development Element should be consistent with other Comprehensive Plan Elements. For instance, it should be supported by the development of capital and utility facilities and coordinated with transportation needs and land use policies. It should provide certainty and encourage inter-jurisdictional cooperation. The Land use Element should identify areas where future economic activity can occur by designating the locations for commerce and industry.

The historic economic base for Granite Falls depended on timber products and other natural resources. Small farms producing goods for delivery or on site sales in the area around Granite Falls are no longer as prevalent as they once were. Over the past 10 years, industries have located in Granite Falls providing manufacturing jobs that no longer rely on this historic economic base. The City is surrounded by recreational and tourist attractions which provide for opportunities for growth in the local tourist industry

## **Elements of Economic Development**

Improved quality of life, urban amenities, and a clear vision of the City based on a vision of its best and most distinctive qualities.

Jobs follow people. First, businesses that depend on markets follow population. Second, a desirable residential quality of life attracts educated, skilled workers, managers and entrepreneurs. A community attractive to employees is one of the top three most important factors that businesses consider when choosing a location.

## **The Role of Community Design in Economic Development**

There is much to be said about the relationship between the way a city looks and its economic vitality. In a report on this subject, the authors focus on how urban amenities-cultural facilities, parks and open spaces, natural and scenic resources, well-designed buildings, restored historic areas, and healthy civic institutions contribute to the vitality of cities.

The report stresses the interrelationship among a City's quality of life and its ability to retain and attract business investments, increase downtown retail activity, and improve the City's image to residents and non-residents alike. (McNulty, Robert. *The Economics of Amenity: Community Futures and Quality of Life*. Partners for Livable Space, 1985.)

When considering amenities as an economic development tool, these questions help establish a framework:

- Does the City have cultural resources to enhance?
- Are there structures of historic significance with redevelopment potential?
- Is full value being derived from museums, parks, and other leisure activities?
- Are there places in town people are proud of?
- Are there festivals and events that draw out-of-town visitors?
- What are the strong, distinctive features that define the City's identity?

Answering questions such as these helps people understand the City better and provides a context for including design features and amenities in the economic development strategy.

## **Existing Economic Conditions**

Granite Falls is located at the base of the Cascade Mountains in northeastern Snohomish County.

### **Population**

The population of Granite Falls has grown rapidly since 1990, as a result of both real growth and annexation. As Table ED-1 indicates, that growth has significantly slowed over the past decade (2000-2010) during an economic down-turn to the point where the average annual population growth rate is below 1% as compared to an average annual growth rate of over 12% from 1990 to the year 2000.

Over the last ten year census cycle (2000-2010), Granite Falls has grown at an average rate of 4.3% per year. The Snohomish County Tomorrow (SCT) projection average population growth rate of 3.6% for 2011-2035 is slightly lower than the rate since year 2000, but appears to be a good planning target for 2035 based on current trends. The SCT’s 2035 allocated population for the City of Granite Falls is 7,842.

**Table ED-1  
Granite Falls Population Growth**

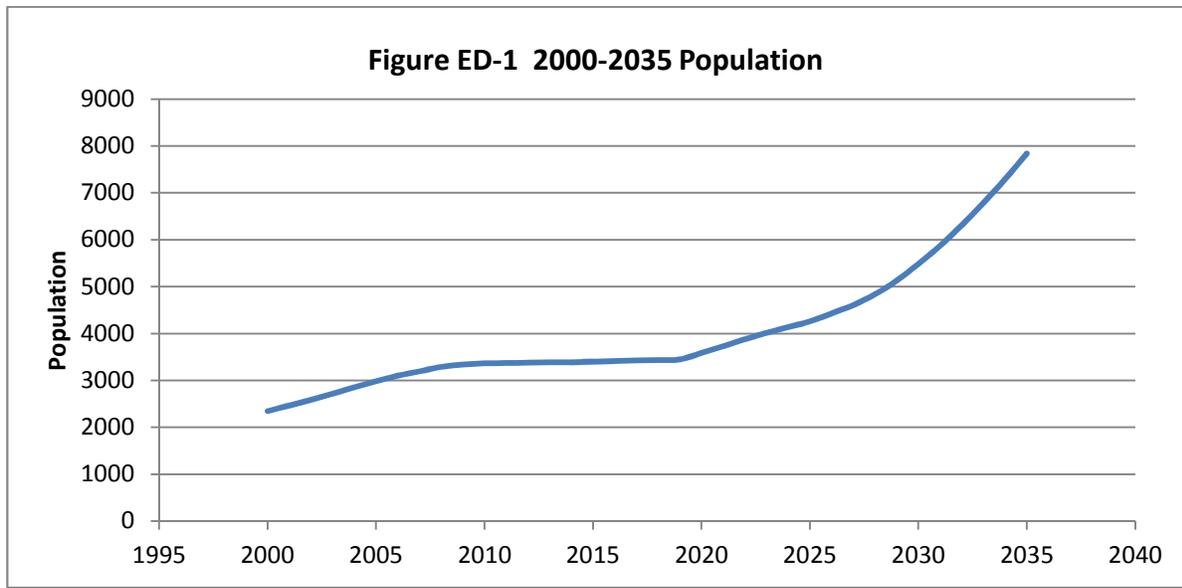
<b>US Census Population</b>	
1990	1,060
2000	2,347
2010	3,364
<b>OFM Est. City Population</b>	
2011	3,370
2012	3,380
2013	3,385
2014	3,390
2015	3,393
<b>Average Annual Growth</b>	
1990 - 2000	12.1%
2000 - 2010	4.3%
2011	0.2%
2012	0.3%
2013	0.15%
2014	0.15%
2015	.09%

*Source: US Census Bureau State of Washington Office of Financial Management.*

The Office of Financial Management (OFM) has provided high, medium, and low projections. Snohomish County Tomorrow (SCT) used the medium numbers for the purposes of planning and thereby reached the Granite Falls allocation number for population of 7,842. Based on SCT numbers, the initial projected population growth chart issued in 2012, when work on updating the Comprehensive Plan began, showed a relatively steep curve indicating an accelerated growth between 2012 and 2025. To date (January 2015), it hasn’t happened and it doesn’t appear likely to occur over the next two or three years (2018). The actual growth rate was between 0.1% and 0.3% since 2012 (see Table ED-1, above) rather than the 3% to 5% range originally anticipated. It takes an approved preliminary plat (residential subdivision) two to three years to achieve final plat approval, have all the infrastructure constructed, and houses built and ready for occupancy. The City has only one preliminary plat (327 lot Suncrest Farms) approved at this time, and the final plat and construction plan approval process has yet to be initiated by the developer. There are no known pending preliminary plat applications. Also, there are not any approved or pending multi-family developments that would have an impact on the population growth rate. A multi-family development takes at least two years to be approved and constructed.

King County is much closer to total build-out than Snohomish County because a substantial amount of the state’s growth over the past 20 to 30 years has occurred there. In King County, the cities near Puget Sound and the I-5 corridor were the first to see significant growth, and the cities further east were impacted by growth a few years later as the more western cities in King County began to reach total build-out. The same growth pattern is now occurring in Snohomish County. The City of Everett and the Snohomish County cities along the I-5 corridor are having to now “build up,” i.e. plan for and construct higher residential buildings than in the past, because there is very little vacant or underdeveloped buildable land left to accommodate growth. As a result, the cities of Arlington, Marysville, and Lake Stevens are experiencing an increasing rate of development, but are not yet near total build out.

Therefore, based on these assumptions and observations, the curve in Figure ED-1 2000-2035 Population, below, and the corresponding growth rate reflect a slower growth rate (shallow curve) initially with an accelerated rate (steeper curve) beginning during the 2020 – 2025 time period. This is when it is anticipated that the Suncrest Farms subdivision will start to come online (homes will be available), and build out will start to be achieved in neighboring cities.



**Employment**

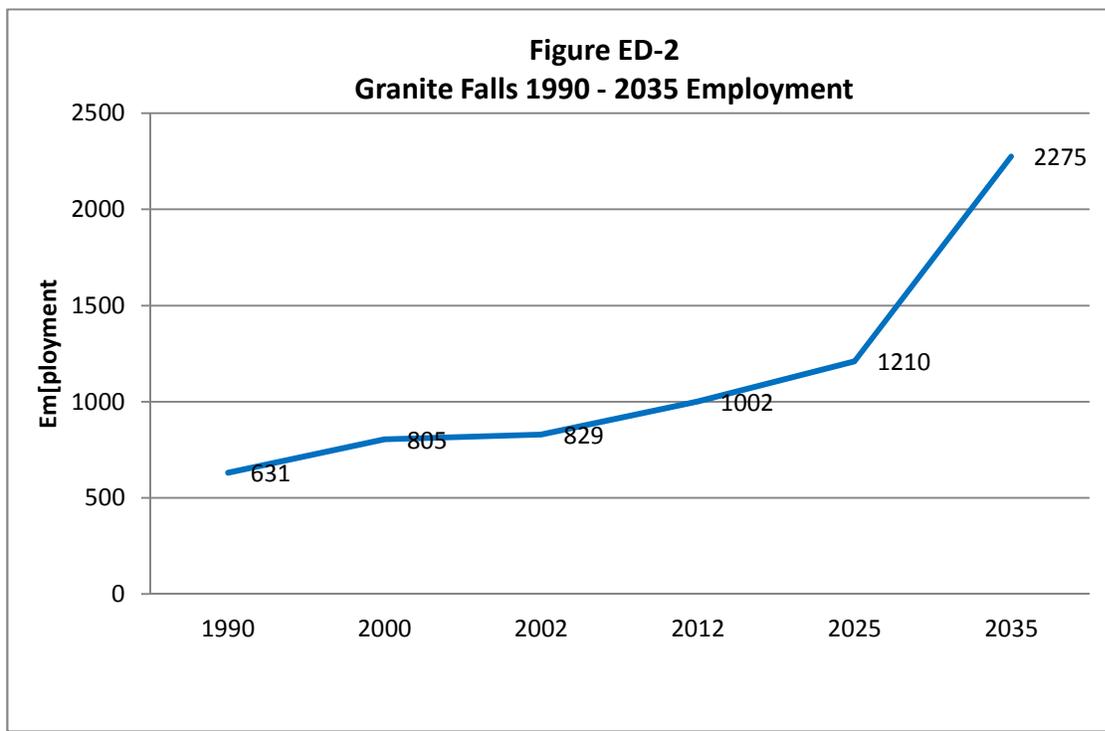
Granite Falls has a diverse economy relying on both resource based businesses such as gravel and wood products, and retail serving both tourists and local residents. There are approximately 10 gravel quarries in and around the City. It is located on the popular Mountain Loop tourist route.

**Table ED-2  
Granite Falls  
Covered Employment –2013**

Construction & Resource	*
Manufacturing	110
Wholesale/Transportation/Communication/Utilities	*
Retail Trade	118
Finance, Insurance, Real Estate, Services	28
Education/Government	381
Services	282
*Other	50
<b>Total</b>	<b>969</b>

*Source: 2013 PSRC Covered Employment Estimates by Jurisdiction.*

SCT 2035 Employment Analysis: SCT also projected employment numbers for 2035, and the following Chart represents these numbers.



The SCT employment allocation target indicates that Granite Falls’ employment is projected to grow by 1,516 jobs to a total of 2,275 in the next 20 years (2015-2035). Given that three to four larger businesses could contribute that amount in a short time, this figure probably reflects a statistical reality, but in small cities, the employment swings can be much greater than statistical patterns might indicate. SCT has placed Granite Falls in the “Small City” category. The other Snohomish County cities that are included in this category are Brier,

Darrington, Gold Bar, Index, Snohomish, Stanwood, Sultan and Woodway. It is unlikely that the current ratio of jobs per resident during the planning period will change. The decision really depends on how Granite Falls chooses to manage its future. Certainly, the City will not ever have a dominant commercial or industrial base due to its location and access issues. There are incubator businesses and niche industries looking for a “small town” quality of life for employees, less expensive property and larger facilities. Access to 1-5 may not be as important for companies with priorities such as these.

One measure used to compare jobs with the size of a city is the jobs per household ratio. The average jobs per household ratio in Snohomish County cities is 0.9 with the high of 2.1 and the low somewhere around 0.2. Using 1,226 households and 759 jobs for 2011, Granite Falls has a ratio of 0.6. Using this ratio, the SCT's 2035 allocated population of 7,842 and an average household size of 2.54, the number of jobs in 2035 would be 1,852 compared to the SCT allocated employment projection of 2,275.

The City of Granite Falls should plan for approximately 1,850 to 2,275 jobs in Granite Falls by 2035.

**Income**

The median household income in Granite Falls is lower than that for Snohomish County, but greater than that for the State as a whole.

**Table ED-3  
Granite Falls  
Median Household Income –2012**

Granite Falls	\$65,389
Snohomish County	\$68,338
State of Washington	\$59,374

*Source: US Census Bureau, American Community Survey 2012.*

**Retail Sales Activity**

Taxable retail sales in Granite Falls totaled \$38.4 million in 2013. As shown in ED-4, more than 75% of that amount is in retail trade and services. On a per capita basis, Granite Falls’ total retail sales are well below those for the State as a whole, and sales for retail trade and services are lower than the State average.

	<b>Granite Falls</b>	<b>State of Washington</b>
Total Retail	\$11,342	\$17,029
Retail Trade and Services	\$8,662	\$9,361

**Table ED-4  
Granite Falls  
Taxable Retail Sales - 2013**

<b>Retail Trade</b>	\$17,986,356
<b>Services</b>	\$11,333,767
<b>Subtotal Retail Trade and Services</b>	\$29,320,123
<b>All Other Sectors</b>	\$ 9,071,505
<b>Total All Industries</b>	\$38,391,628
<b>Population (2013)</b>	3385
Total Retail Sales per Capita	\$11,342
Total Retail Trade & Services per Capita	\$ 8,662

*Source: Washington State Department of Revenue, Quarterly Business Review, 2013.*

Significant amounts of spending by local residents is leaking outside the City. Local businesses have initiated a program to encourage to “buy local.”

**Development Conditions**

The Northeast Industrial Area is located east of the Mountain Loop Highway within the Granite Falls City limits. The area includes several small industrial businesses such as Priceless Granite, as well as Iron Mountain Quarry, FSX Industry, and Cobalt Industry. There is approximately 178 acres of industrial zoned land in this area, but much of it is either vacant or underdeveloped.

The subject industrial area east of Mountain Loop Highway provides an excellent opportunity for growing existing businesses and attracting new ones. The area appears conducive to industrial uses with relatively little topographic relief, good drainage, and good access with the Quarry Road in place.

The Gun Club property and the Miller Shingle property are key sites within the area and could accommodate much more intensive uses.

The Alternate Route (Quarry Road) completed in 2010 increased the capacity of the freight infrastructure, reduced noise and congestion, and improved safety and access throughout the City. Information used to prepare the Alternate Route plan and EIS should be useful in creating industrial site marketing materials.

Most of the industrial area is not currently served by sewers or natural gas. While some users will not require sewers, the current lack of sewers will limit marketability overall and greatly extend the period of full absorption.

## **Development Potential Competitive Position**

The competitive position of Granite Falls can be expressed in terms of Strengths, Weaknesses, Opportunities, and Threats.

### **Strengths**

- Large areas of undeveloped land within the City's 178 acre industrial area.
- Large individual undeveloped parcels up to 20 acres in size.
- Lower priced land than other urban areas of Snohomish County.
- Less traffic congestion than urban areas after completion of Quarry Road (Alternate Route).
- Proximity of natural resources (minerals, wood products).
- Small town quality of life.
- Rapid response to permit applications.
- Population and employment bases available within commuting range.
- Proximity to outdoor recreation and tourist opportunities.
- Quality public schools.

### **Weaknesses**

- Geographic separation from I-5 Corridor.
- Only one highway corridor connection to I-5.
- Existing businesses are often small in terms of employment levels. It requires more businesses to fill a given amount of space.
- Incomplete infrastructure in several areas of the City limits development opportunities.

### **Opportunities**

- Strong employment growth in region with a local available industrial land base.
- Existing businesses in King County face rising land prices and wage rates.
- Telecommunications improvements make peripheral sites viable.

### **Threats**

- Funding for transportation improvements in emerging areas is tight.
- Competitive sites are available in Whatcom, Skagit, Thurston, Lewis, and Grays Harbor counties.
- Traffic corridors are becoming more congested and travel times are increasing.

### **Potential Industrial Use**

The properties are suitable for a range of industrial uses. The large sites are particularly suited for resource-related manufacturing activities, such as wood or concrete building materials due

to the proximity of raw materials such as water and aggregate. Users who don't require water as part of their manufacturing process could use large parcels without extension of sewers. Smaller sites could accommodate miscellaneous fabricators or construction firms.

### **Supportable Industrial Land Price**

Land prices are affected by the distance of the community from major population centers and highways, the maturity of existing retail concentrations, and the type of property (stand-alone or industrial park sites). We estimate supportable land prices to be:

Stand-Alone Property	\$3.00 - \$4.00 per square foot
Industrial Park Property	\$7.00 - \$9.00 per square foot

These prices assume a reasonable balance between supply and demand over time. Not all properties can achieve these values if all are on the market at the same time. Further, the prices assume that the properties are development sites with any identified deficiencies corrected.

### **Potential Commercial Use**

Granite Falls has sufficient market area population to support one neighborhood shopping center and its associated tenant mix. Further, visitor activities in the area will support tourism related development (retail, lodging, and other services).

### **Supportable Commercial Land Price**

Land prices are affected by the distance of the community from major population centers and highways, the maturity of existing retail concentrations, and the type of property (retail pads or shopping center). We estimate supportable land prices to be:

Retail Pad	\$10.00 - \$12.00 per square foot
Shopping Center	\$7.00 - \$9.00 per square foot

These prices assume a balance between supply and demand over time. Not all properties can achieve these values if all are on the market at the same time. Further, the prices assume that the properties are development sites with any identified deficiencies corrected.

## Job Creation

The number of new industrial jobs in the community will be determined by the pace of land development. Average employment density factors (at full build-out) will fall within range as presented in the Land Use Element of this report.

Construction	30 employees/acre
Manufacturing	30 employees/acre
Transportation/Utilities/Communications	28 employees/acre
Wholesale Trade	16 employees/acre

There are approximately 95 acres of vacant and under-developed industrial land development described under Development Opportunities below. Based on a conservative average employment density of 20 employees per acre, potential job creation can be estimated as:

Job Creation - Identified Sites	1,960
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## Development Opportunities

Based on a December 2014 land use survey, there are approximately 178 acres or 43 parcels of industrial zoned land within the City. Of that total, 9.3 acres (9 parcels) are considered fully developed with industrial land uses. 80.3 acres (23 parcels) are only partially developed or contain non-industrial uses such as detached single-family dwellings. The remaining 88.4 acres (11 parcels) are vacant. While several of the properties have critical areas, they are generally isolated and would not preclude development. However, the lack of availability of natural gas and City water and sewer service does limit industrial development. The state stormwater regulations anticipated to be issued in 2016 emphasize on-site infiltration. The permeable soils along the Mountain Loop Highway corridor are conducive to infiltration and thus do not hinder industrial development. A Geotechnical study of the soils and ground water levels will be needed along Gun Club Road to determine the potential for on-site infiltration.

The majority of the industrial zoned parcels are relatively small, 5 acres or less. There are, however, several larger parcels (over 5 acres) that are either vacant or contain minimal development. There are 22 parcels with access to Mountain Loop Highway. Of these, 10 parcels are under an acre in size while 10 others are between 5 and 10 acres. One parcel contains just over 6 acres and one parcel contains 17.6 acres. Of the 15 parcels that are or can be served by Gun Club Road, two are under an acre and six are in the 1 to 5 acre size category. The larger parcels consist of three between 5 and 10 acres, four between 10 and 20 acres, and one vacant parcel containing 20 acres.

## **Actions Required**

Existing properties could be developed on an incremental basis without major infrastructure investment. Even the large parcels along Gun Club Road could be developed without sewer extension and by accessing properties from existing roads. Such an approach will limit the range of potential uses. However, a coordinated public/private sector approach to planning and marketing could expand that range of uses.

- Extension of sewer up Mountain Loop Highway would increase the marketability of those properties.
- With access and utilities addressed, the large parcels could be planned for multiple users. Potential platting approaches should be explored to provide appropriate size and configuration of parcels for a wider array of users. Possible interior road alignments and utility services also should be identified.
- Add signage at both ends of Quarry Road.
- Expand on-line presence.

## **Economic Development Goals (EDG) and Policies (EDP)**

GOAL ED-1 To use the location of Granite Falls as an economic incentive to attract and encourage tourist trade as well as commercial and industrial development.

ED-1.1 Collaborate with county, regional, and state economic development agencies to attract new industry to the City.

ED-1.2 Provide a mix of economic opportunities for those who prefer to work closer to home.

ED-1.3 Cooperate with local businesses and operators of tourist attractions to organize, promote, coordinate and publicize celebrations, festivals and other events to stimulate the local business industry.

ED-1.4 Coordinate and cooperate with the Snohomish County Tourism Bureau, Snohomish County Office of Economic Development, and the cities of Arlington and Darrington in the promotion of the Mountain Loop Recreational Area travel and year-round tourism.

GOAL ED-2 To encourage economic development that is compatible with the natural setting and small town character of Granite Falls.

ED-2.1 Expand or rezone areas for commercial or industrial land uses only as needed. (Consider capital facility capacity requirements.)

ED-2.2 Revitalize existing businesses with incentives to improve exterior appearance.

ED-2.3 Make sure parking supply and transportation circulation enhance economic development.

ED-2.4 Support economic development by:

- Providing basic public services and facilities
- Planning land uses in anticipation of need
- Preserving quality of life and community character
- Forming partnerships with economic development agencies and the local Chamber of Commerce
- Making information available to prospective business developers

ED-2.5 Protect the beauty of the natural environment to maintain a community where residents want to live and work.

ED-2.6 Maintain and enhance the walkability of the downtown and tourist areas within the City.

GOAL ED-3 To take a positive partnership role in retaining and expanding the City's economic base by assisting local firms and welcoming new firms that will enhance the quality and diversity of the economic base.

ED-3.1 Provide assistance to the public, applicants, and developers through an efficient and economical permitting process.

ED-3.2 Plan for infrastructure to:

1. Accommodate redevelopment as well as new development, and
2. Meet or maintain appropriate level of service standards in both residential and non-residential areas of the City.

ED-3.3 Utilize county, state and federal and private organizations with marketing resources, programs, grants, and other information to promote and enhance local economic development.

ED-3.4 New development shall provide for the necessary infrastructure and facilities it requires so as to not place an additional financial burden on the local taxpayer, i.e. "growth shall pay for growth" as required under the Growth Management Act.

ED-3.5 The City shall investigate and implement as deemed appropriate incentives to encourage businesses to locate in Granite Falls.