

CHAPTER 4

ECONOMIC ELEMENT

INTRODUCTION

In accordance with RCW 36.70A.070(7), the Town of LaConner has added an Economic Element to the Comprehensive Plan. LaConner 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 LaConner 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 LaConner.

Policies

- 4A-1 Encourage business investments that provide economic and employment opportunities to meet the employment needs of LaConner 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 an 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 and seek economic development assistance from the Economic Development Association of Skagit County (EDASC), Office of Community Trade and Economic Development (CTED), the Small Business Development Office, Trade Commissions, 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 areas economic traditions, including maritime and water related, agriculture, 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.
- 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 LaConner.

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.

GOAL D

Promote economic activities that increase the number of living wage or family wage jobs in LaConner 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 LaConner 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 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.
- 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, a bank, art galleries, a museum, and a post office. Morris Street consists primarily of retail shops mixed with residential use, the Town newspaper, gas station 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 2004 totaled \$379,173. The gains since 1990 have been attributed to a number of factors, including a ½% tax increase allotted to the Town, growing tourism, and construction projects. Construction revenue fluctuates from year to year and has a corresponding impact on Town revenues. The slowing economy and events of 2001 have impacted Town revenues. As of April 2002, average monthly revenues for the Town were down 3% from 2001 revenues for the same period, which is a direct indication of a local slowdown in the retail sector. However, sales improved later in the year to end 2002 up 6% from 2001.

While gross retail sales have shown some improvement, a recent (2005) study by the Port of Skagit indicates that the sales are flat or declining when adjusted for inflation. In addition, commercial and retail sales for Skagit County have been increasing at a steady rate. As a percentage of the County retail sales, LaConner's market share has decreased.

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. LaConner 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 LaConner.

Total Industrial Land Use: 37.8 acres of the industrial zone have been developed (14.8% of total 255 acres). A total of 25.4 acres of the Marina facilities at the Port of Skagit County are designated Industrial. The north industrial area is bounded by the Channel on the west; S. Pearle Jensen Way on the south; agricultural land on the east and the Town limits on the north.

Approximately 12.5 acres are located south of town; 8 acres of which are bounded by the Swinomish Channel on the west, Sherman Avenue on the south, Third Street on the east, and Caledonia Street on the north. The 8 acres are privately owned fee simple properties. Approximately 4.5 acres south of the Rainbow Bridge are bounded by the Swinomish Channel to the west, Pioneer Park on the east, and Sherman Avenue on the north.

Economic Trends: Over the past 10 years the number of businesses in the industrial sector has changed very little. Development has been slow and limited by the availability of land. In addition, new businesses within 200 feet of the shoreline were required to be water-dependent and/or water-related in the Shoreline area. 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. LaConner 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 LaConner 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 in 2004 totaled \$379,173. The gains since 1990 have been attributed to a number of factors, including a 1/2% tax increase allotted to the Town, growing tourism, and construction projects. Construction revenue fluctuates from year to year and has a corresponding impact on Town revenues. Based on retail and use tax revenues to the Town, the retail economic base has been growing at the rate of 4.6% per year over the past three years. It has been growing at 0.3% over the past five years, even through a recession.

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 1990 unemployment rate was 3.3% for the Town of LaConner. By 2000 the rate had dropped to 1.9%.

Regional Employment Conditions: The Skagit County unemployment rate in 1992 was 9.1%. In 1995 the rate declined to 7.1%. In 1999 Skagit County's unemployment rate fell to a historical low of 6.3% rising to 6.9% in 2000. 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. Population growth will likely remain higher than the state average, particularly with Boeing and the Navy Homeport in Everett.

Economic Strengths and Weaknesses

Strengths:

1. A stable retail base that has been growing at the rate of 4.6% per year over the past three years, and grew even through the 2001-2003 recession.
2. An expanding leasehold excise tax base that has grown from \$74,842 in 2000 to \$90,996 in 2004, about 5.8% per year, indicating growth in occupancy and moorage rates at the LaConner Marina (Port of Skagit County).
3. Increasing hotel/motel tax receipts, after three years of flat performance.
4. An attraction for visitors from throughout the Northwest, due to LaConner's unique waterfront environment, historical authenticity, and its variety of interesting shops.
5. A local junior college that is both affordable and attuned to the needs of the area for technology training as well as two-year college prep.
6. Connectivity, in terms of cable, wireless, broadband, and DSL availability throughout the Town, with built-in access available in the town-owned Maple Hall/Maple Center complex.

Weaknesses:

1. Poor usage of the existing parking facilities and on-going controversy regarding quantity and availability of parking.
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. Businesses in town do not serve as primary employers of Town residents. Fewer people who live in the Town work in the Town.
5. Long-term, increasing gasoline prices and decreasing disposable income will eventually have a negative impact on the willingness of visitors to travel long to moderate distances to come to LaConner.

Economic Activities Expected to Increase

Commercial: Over the last 10 years LaConner 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 increase as the national economy improves, but cannot be estimated at this time.

Industrial: The Port of Skagit County LaConner 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 LaConner, 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 LaConner 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 4A

Data and Analysis

Employment and Business License Data*

Zone	# of Employees	% of Total Employment	Building Sq. Ft.
Commercial/HPD	425	37	160,605
Commercial	158	14	144,403
Industrial	525	45	194,095
Residential	47	4	31,518

Business Class**	Number of Employees	Building Sq. Ft.
1	813	344,762
2	309	173,759
3	33	12,100
Total	1155	530,621

*Business license applications 2005

**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

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
303,660	317,912	317,977	352,904	375,191	371,959	326,839	347,563	357,497	379,173
Delta	4.7%	0.0%	11.0%	6.3%	-0.9%	-12.1%	6.3%	2.9%	6.1%

Hotel/Motel Tax Revenues

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
47,640	50,111	95,189	105,334	100,571	118,016	102,031	96,643	93,797	116,993
Delta	5.2%	90.0%	10.7%	-4.5%	17.3%	-13.5%	-5.3%	-2.9%	24.7%

38