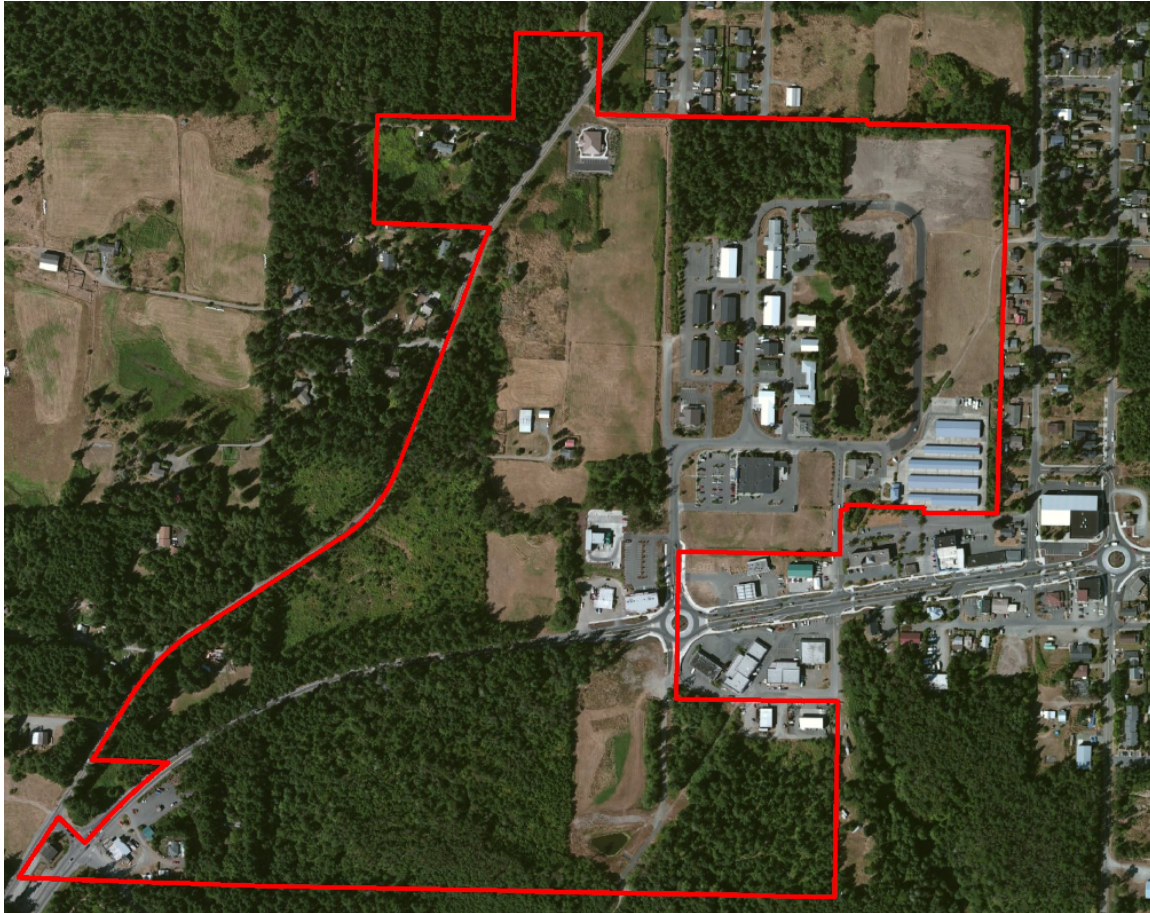


# **PORT TOWNSEND: Howard Street Corridor Economic Feasibility Study**

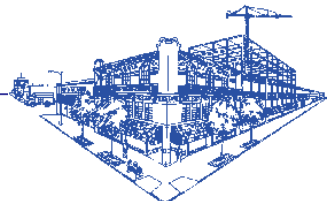


**Prepared for:  
City of Port Townsend**

**January 30, 2015**

**E. D. Hovee & Company, LLC**

Economic and Development Services



# ECONOMIC FEASIBILITY STUDY SUMMARY

The City of Port Townsend is submitting a request to the State of Washington Community Economic Revitalization Board (CERB) for \$2 million in gap funding as part of a \$7 million Howard Street extension, water/sewer and regional stormwater facility improvement project. When completed, the project will provide 82.5 acres of fully served, employment land including *shovel-ready* industrial acreage not currently available elsewhere in the Port Townsend or Jefferson County.

This *Howard Street Corridor Economic Feasibility Study* is aimed to outline a clear strategy offering realistic prospects for improved community economic development and vitality while also addressing CERB funding requirements. Securing needed employment sites is pivotal for:

- **Creating net new jobs** to offset the 15% loss of employment experienced in Jefferson County from 2006-13, reduce rates of unemployment which are currently one-third above the statewide average, and provide opportunities for improved labor force participation.
- **Increasing wage levels** to above the current Jefferson County median wage of \$19.33 per hour (which is currently below the comparable statewide wage rate) by targeting a mix of employment sectors which together will pay above the current median.

Conceived as a **multi-use work district**, the Howard Street corridor also will improve options for the large base of self-employed individuals in Jefferson County and provide substantial added tax revenue to the City, other local taxing jurisdictions and State of Washington. At full build-out extending over up to 20 years, Howard Street can be expected to provide opportunities for up to 80 businesses locating or expanding in the work district and up to 1,465 net added jobs – representing a nearly 19% increase in employment county-wide.

Relocation and expansion of **Mount Townsend Creamery** – a regionally recognized artisanal cheese manufacturer – represents a lead private business investment that depends on extension of Howard Street infrastructure. This investment can serve as a catalyst to facilitate follow-on investments by a range of industrial shop, high wage office, and supportive retail – including local plus destination on-site store space within manufacturing facilities.

**Marketing the work district** as a one-of-a-kind place to do business will involve the cooperative engagement of existing players in area-wide economic development – with lead initiative via the City of Port Townsend. The district is proposed to be positioned as a place where “we speak craft” – building on the reputation of existing specialty design and manufacturing firms.

**Successful implementation** will involve re-shaping the City’s comprehensive plan and zoning framework to provide more flexibility for complementary business uses. Other pivotal elements can be expected to include drawing on the resources of local ambassadors, educational partners, and initiatives for improved workforce quality. The City will also be making a commitment to monitoring results – including mid-course corrections to address unforeseen issues or emerging opportunities as they arise.

## Howard Street Target Industries

- Craft consumer good production
- Machining, manufacturing & specialty trades
- Research, engineering & design
- Wholesaling & mail order
- Business support services
- Supplies & equipment
- Warehousing & storage
- Amenities & services

# CERB MINIMUM REQUIREMENTS

The Washington State Community Economic Revitalization Board (CERB) approved a \$48,750 grant to the City of Port Townsend in September 2014. The purpose of the funding award was to conduct a feasibility study to evaluate the economic benefit provided by planned zoning changes and street, water, sewer and stormwater infrastructure investments proposed for the Howard Street employment-focused work district in Port Townsend.

This economic feasibility is intended to address topics including market analysis and strategy, zoning and land use reviews, identification of measurable economic outcomes and data collection processes along with projected employment figures. This study is also aimed to serve as documentation for a Prospective Development Construction Program application to be submitted by the City of Port Townsend to CERB in February 2015.

What follows is a summary statement of responses to the following **minimum requirements** that this planning study is to address for the CERB application for the Prospective Development Construction Program.

## ***a. A product market analysis linked to economic development.***

Detailed components of a product market analysis are provided by the Section IV Sectors and Concepts plus Section 5 Market & Financial Feasibility portions of this economic feasibility report. To summarize, the City of Port Townsend is planning a \$7 million Howard Street road extension, water/sewer and regional stormwater facility improvement project. When completed, the project will provide 82.5 acres of fully served, shovel-ready industrial land that is not currently available elsewhere in the City of Port Townsend or Jefferson County.

The product market analysis provided with the feasibility study is aimed to outline a clear strategy offering realistic prospects for improved community economic development and community vitality. Securing badly needed employment sites is pivotal to:

- Create new jobs to offset the 15% net loss of employment experienced in Jefferson County from 2006-13, reduce rates of unemployment which are one-third above the statewide average (as of November 2014), and provide opportunities for improved labor force participation.
- Increase wage levels to above the current Jefferson County median wage of \$19.33 per hour (which is currently below the comparable statewide wage rate) by targeting a mix of job sectors which together will pay above the current median.

Conceived as a multi-use work district, the Howard Street corridor also will improve options for the large base of self-employed individuals in Jefferson County and provide substantial added tax revenue to the City, other local taxing jurisdictions and State of Washington. At full build-out over up to 20 years, Howard Street can be expected to provide opportunities

for up to 80 businesses locating or expanding in the work district and up to 1,465 net added jobs – representing a nearly 19% increase in employment county-wide.

Relocation and expansion of Mount Townsend Creamery – a regionally recognized artisanal cheese manufacturer – represents a lead private business investment that depends on extension of Howard Street infrastructure. This investment can serve as a catalyst to facilitate follow-on investments by a range of industrial shop, high wage office, and supportive retail – including local plus destination on-site store space within artisanal manufacturing facilities.

In summary, Port Townsend needs added employment and improved wage opportunity. Accommodating the job needs of Port Townsend and Jefferson County requires general (non-marine) industrial land with municipal infrastructure services not currently available elsewhere in the city or county. As the only major source of vacant and underutilized industrial land within the city limits of Port Townsend, the Howard Street work district can meet this need for shovel-ready sites when street and utility improvements are completed.

***b. A market strategy containing action elements linked to timelines.***

The market strategy is summarized by the Section VI Marketing Strategy and with greater detail provided as Appendix B to this report.

Marketing the Howard Street work district as a one-of-a-kind place to do business will involve the cooperative engagement of existing players in area-wide economic development – with lead initiative via the City of Port Townsend. The work district marketing strategy focuses on action elements of:

**1. Positioning:** defining what makes Port Townsend and the Howard Street corridor different from competitors. Key elements of market re-positioning begin with the value proposition that “we speak craft,” building on the reputation of existing specialty design and manufacturing firms who have already forged unique regional and global market niches from the Port Townsend area.

**2. Planning:** the features and benefits that will draw people and companies to this district, and how to go about putting these in place. A pivotal premise is that the really creative places today are those that combine design, technology and production – with supporting amenities and services. Greater flexibility with local Comprehensive Plan and/or zoning revisions is anticipated to accomplish this objective.

**3. Promoting:** how best to get organized and reach the customer, anticipating labor and other issues before they come up. This means a lead marketing agent supported by other economic development organizations, marketing to those already familiar with Port Townsend, drawing on the resources of local ambassadors, searching for added higher education partners, and improving workforce quality.

All of these action elements will be initiated upon securing full project funding, with CERB as the remaining outstanding funding source yet to be determined. Pending receipt of CERB funding, infrastructure construction is scheduled to get underway in mid-2015. Prior to completion of the Howard Street infrastructure extension project, the City will work with its marketing partners to refine the market positioning and branding strategy.

In 2016, Mt. Townsend Creamery will begin operations at its new Howard Street location, once infrastructure is completed. This “success story” will be used with collateral marketing materials and web site presence to encourage subsequent business expansion and location decisions for the Howard Street corridor. Also in 2016, the City of Port Townsend will complete the update of its Comprehensive Plan with revamped zoning to support and implement the work district concept.

By 2017, the City together with its marketing partners will have all of its branding and marketing materials including ambassadors program fully in place. The City also intends to seek partnerships with education and work force partners to address critical issues of workforce availability and quality. And over a 10-year period, the City is committed to actively monitoring results, with mid-course corrections to address unforeseen issues or emerging opportunities as they arise.

Business development and related marketing will extend over a period of up to the next 20 years – to achieve Howard Street work district build-out by 2035.

### ***c. Identification of targeted industries.***

As defined by Section IV Sectors & Concepts and then further detailed with the Section VI Marketing Strategy , targeted industries are identified as covering:

- **Craft consumer good production** – as artisan food, fashions and furnishings.
- **Machining, manufacturing and specialty trades** – including machining of not only wood but metals, composites and ceramics.
- **Research, engineering and design** – both screen-and-paper including software firms.
- **Wholesaling and mail order** – which may include an on-site showroom for destination customers.
- **Business support services** – direct support professions like law, accounting, tax, management consulting and web design, as well as printing.
- **Supplies and equipment** -- which sometimes become “exporters” in their own right.
- **Warehousing and storage** – inside and outside, increasingly utilized as creative spaces for small and start-up firms operating out of inexpensive buildings with shared services.
- **Amenities and services** – as varied as restaurants, gyms, daycare centers, banks, trade schools, hobby spaces, medical clinics, occupational therapists, and car rental agencies.

As further described by Section IV, industrial shop activity is estimated to account for 40% of the added development resulting in over one-quarter of net added jobs in the Howard Street work district. Professional / technical office may represent about 35% of space developed and just under one-half of the job total; related retail/service uses account for the remaining one-quarter of building space and employment. The combined result of this strategy will be a wage profile that exceeds the current typical worker wage in Jefferson County.

**d. Identification of the group responsible for implementing the marketing strategy. Describe the group's capacity to complete the responsibility.**

The City of Port Townsend, in partnership with the Team Jefferson Economic Development Council and the Jefferson County Chamber of Commerce will jointly implement the Howard Street work district marketing strategy prepared with this economic feasibility study. Partnership opportunities also will be sought with other interested and supporting agencies including the Port of Port Townsend, Jefferson County, and State of Washington Department of Commerce.

Marketing strategy coordination will be conducted through the office of the Port Townsend City Manager as a signature City initiative. The City and its marketing partners have existing staffing resources available for start-up and on-going marketing in cooperation with work district property owners, developers and brokerage firms.

**e. The site's appropriateness by addressing, at minimum, appropriate zoning, affect to the state or local transportation system, environmental restrictions, cultural resource review, and the site's overall adequacy to support the anticipated development upon project completion.**

Existing conditions for the Howard Street corridor study area are described in Section II of this report – covering a current infrastructure assessment together with a land use and zoning review.

The site's adequacy to accommodate the amount of development and job creation projected is addressed by the development concept outlined by Section IV to this report. Section V covers market and financial feasibility from the perspectives of both firms and developers that would develop in the district and from the City's capacity to implement the proposed Howard Street improvement.

To summarize, the Howard Street work district is:

- Currently zoned for industrial and commercial activity with land use refinements expected to occur with Comprehensive Plan updating in 2016 consistent with the work district vision.
- Directly served by major street arterials with proposed Howard Street extension anticipated to better serve internal district circulation and access.

- Not associated with any identified environmental or cultural resource conditions that would have a material effect on development planned, assuming drainage improvements and wetland mitigation as part of the Howard Street extension project.
- Anticipated to accommodate 720,000 square feet of industrial and commercial building space through an approximate 20 year build-out period at moderate densities of development – allowing opportunities for subsequent site intensification post-2035.

**f. A location analysis of other adequately served vacant industrial land.**

A location analysis of other adequately served vacant industrial land is provided as part of Section V Market & Financial Feasibility – with discussion of industrial/commercial land availability. While there is vacant zoned industrial land in unincorporated Jefferson County, virtually none has a full range of municipal water and sewer services. Nor is provision of municipal sewer to unincorporated areas of the County encouraged under the provisions of Washington’s adopted Growth Management Act (GMA).

Port Townsend is the only incorporated city in Jefferson County. There are no areas within the City with an inventory of industrial land designated for general industrial use that have any significant acreage of vacant and already fully served industrial land. While zoned for industrial use (as the only area within the City having any significant inventory of vacant land), the Howard Street corridor does not yet have full availability of street, water and sewer infrastructure. These constraints will be removed with implementation of the CERB project as proposed.

In summary, there is no other alternative for fully served general purpose industrial land within Jefferson County or Port Townsend except for properties within or immediately adjacent to the Howard Street work district proposed for CERB-funded infrastructure.

**g. Total funding for the public facilities improvements is secured or will be secured within a given time frame.**

Anticipated cost of the Howard Street extension project is estimated at \$7 million – including street together with water, sewer and storm drainage utility infrastructure. Sources of funding are proposed to include:

- CERB – \$2.0 million (with \$1.7 as loan and \$0.3 million [15%] in grant funding).
- TIB Grant - \$2.3 million (already awarded).
- STP Funds - \$1.0 million (already awarded).
- City of Port Townsend -- \$1.7 million (already in hand and available).

Taken together, matching funds total \$5.0 million (or 71%) of City project infrastructure costs). CERB funding represents the remaining 29% needed for infrastructure completion.

In addition to City provided municipal infrastructure, the Jefferson PUD No. 1 will be responsible for communications, power and lighting infrastructure. The PUD is contributing to the project by providing conduit and utility vaults and pulling wire at no cost to the City.

***h. An analysis of how the project will assist local economic diversification efforts.***

This analysis is provided by the Sections IV Sectors & Concepts and Section VI Marketing Strategy portions of this report. Implementation of CERB-funded infrastructure will provide shovel-ready general industrial land for Port Townsend that has not been available in recent years. This land will be explicitly targeted for a combination of sectors that together will generate jobs paying above the median wage in Jefferson County. Assurance that this implementation occurs as planned will occur through monitoring as described in Section VII Economic Outcomes pursuant to protocols to be implemented with requisite county and state agencies.

Existing economic characteristics of note include the following:

- Relatively small average firm size is relatively small at just seven employees per establishment – about half the statewide average.
- Countywide employment that is heavily skewed to retail and service industries.
- Under-representation of typically higher-wage traded sector jobs in industrial sectors including construction, manufacturing, wholesale trade, and transportation – and in high wage service sectors that often includes traded sector activity such as information, finance/insurance, and professional/technical services.
- A countywide all sector average annual wage of \$34,500 per year that is only 65% of the statewide average – due in large part to under-representation of traded sector employment.

A pivotal objective of the Howard Street work district is to better diversify the local economic base by expanding higher wage traded sector activity which is focused on firms that make products or services sold to customers regionally and globally. Key targets are industrial shop uses and higher wage office sectors including financial, technical and professional services. This will include a complement of supportive retail services due to the growing importance of amenities and services to draw lifestyle companies and workers – and to sell products manufactured on-site to destination travelers as well as serve local customers.

***i. Indicate the specific issues that will be addressed.***

Issues to be addressed by the CERB funded project are:



- Securing shovel-ready industrial vacant land in Port Townsend that is fully served with street, water, sewer and drainage infrastructure – which otherwise is unavailable elsewhere in Port Townsend and Jefferson County.
- Creating net new employment necessary to offset the 15% loss of employment in Jefferson County experienced from 2006-12, reduce rates of unemployment which are currently one-third above the statewide average, and improve labor force participation.
- Increasing covered employment wage levels to above the Jefferson County median wage of \$19.33 per hour (currently 12% below the statewide median) by targeting a mix of job sectors which together will pay above the current median.
- Also improve economic opportunities for the self-employed who represent one-quarter of all workers in Jefferson County and who have annual incomes estimated at less than 30% that of wage and salary workers covered by unemployment insurance.

The manner in which these issues are to be addressed is described throughout the economic feasibility report.

***j. List one or more economic outcomes that you expect from the proposed CERB project.***

Outcomes anticipated are integrally linked to the issues identified with item (i) as described above. These outcomes are expected to include:

- Securing for the first time in recent years an inventory of shovel-ready general industrial land that allows for creation of above median wage jobs.
- Creating 1,465 jobs within a work district over 20 years as part of a strategy to address as yet unrecovered job loss from the Recession and match anticipated countywide population growth both currently and over the next 20 years.
- Create net new jobs which on balance provide a median wage anticipated to be at least 16% above the current Jefferson County median – and potentially up to a 24% increase if occupational job mix targets are fully achieved.
- Similarly offer opportunities for improved incomes for the self-employed who represent 2 ½ times the proportion of the work force as compared to the entire state of Washington.

***k. Describe the specific, quantifiable measures of the outcome(s) that will indicate success. Describe in measurable terms what you expect to be able to show as progress toward the outcome for each year before the whole outcome has been achieved.***

Responses to items (k) – (m) are as outlined by the Section VII Economic Outcomes portion of the economic feasibility study. Outcome targets are anticipated to occur over an approximate 20-year time frame from the date of CERB project completion.

Outcomes specified by this feasibility study are proposed as follows:

- 1,465 net added jobs within the Howard Street work district.
- 720,000 square feet of net new industrial and commercial space with approximately 40% for industrial shop, 35% for office and 25% for related retail / service building area.
- Up to 80 new businesses locating to or expanding in the work district – including about 35 industrial shop, 25 high wage office use, and 20 related retail/service businesses.
- Work district median wage that exceeds the overall Jefferson County median by an estimated 16%-24%.
- Added gross business revenues of \$200 million per year (in 2014-15 dollars) with associated increases in sales and B&O tax revenues consistent with rates as may be applicable in the future.
- Added property valuation of \$65+ million (in 2014-15 dollars) with associated increases in property tax revenues for taxable properties consistent with tax rates as may be applicable now and in the future.

Development is expected to occur incrementally over an approximately 20 year period with job and revenue impacts to lag construction completion by about one year. All outcomes will be measured on a cumulative basis. On average, cumulative values are targeted to increase by about 5% each year, with year-to-year variations affected by broader regional and national economic conditions.

***l. Describe what data you will collect to determine whether the outcome is being achieved.***

Datasets that will be collected and maintained for the geography of the Howard Street work district as a means to assess progress to desired outcomes are proposed to include:

- Square footage of new building space developed
- Type of use/occupancy – manufacturing, distribution, office, retail, other uses
- Employment
- Payroll and median wages
- Incomes of self-employed county-wide  
(a collateral measure of interest not tied exclusively to work district outcomes)
- Gross/taxable business revenue with associated sales and B&O tax revenues
- Assessed valuation and property tax revenues

***m. Describe the data collection procedure including when data will be collected, from whom and by whom.***

As proposed by the Section VII Economic Outcomes portion of the economic feasibility study, the City will establish protocols that include designation of a City department with

the overall responsibility for data collection and management together with interagency agreements involving Jefferson County and the State of Washington for data sets that are within their respective purviews.

Data compilation is proposed to occur consistent with agency reporting cycles on an annual basis. The term of the data collection process is proposed to be for a period of not to exceed 10 years or as otherwise may be mutually agreed with the State of Washington / CERB program.

Anticipated data collection responsibilities are outlined as follows:

- **City of Port Townsend Finance Department** – business revenues and associated sales and B&O tax revenues.
- **Jefferson County Assessor and/or City of Port Townsend GIS** – building square footage and valuation of new construction.
- **State of Washington Employment Security Department (ESD)** – average and median wage for all work district employment.
- **U. S. Bureau of Economic Analysis (BEA)** – incomes of self-employed.

City business license data might also serve as a data resource, potentially supplementing or replacing ESD data needs to the extent that detailed employment and wage data could be secured.

Business revenue (compiled by the City) and covered employment and payroll information (by ESD) will need to be aggregated in a manner so as not to disclosed confidential information. All parties will be requested to provide information specific to the geographic boundaries of the work district.

ESD data is proposed to be provided in the form of median hourly pay (not currently available except on a county-level for all job sectors combined but not for specific NAICS industrial sectors) as well as for average annual wages (which is currently a part of the normal ESD reporting format).

***n. The estimated median hourly wage of the jobs created when development occurs.***

A pivotal objective of this CERB infrastructure investment is to leverage economic development that will result in wages exceeding the Jefferson County median. Tracking of outcomes is proposed to be through an interagency agreement whereby WA-ESD would provide this data in a form as mutually agreed between the City, ESD and CERB.

Based on analysis with this report using available ESD wage data, it is estimated that the average wage of persons employed in the Howard Street work district will be at least 16% above the current county-wide average annual wage. The increase in median hourly wage (above the current median of \$19.33 per hour) could range from a minimum 16% gain to

the extent that median hourly wages correspond with increasing annual wages up to a 24% increase consistent with illustrative occupations targeted for work district employment.

**o. If the project is determined to be feasible, the following information must be provided within the final report:**

- 1. Total estimated jobs created (in FTEs).** Approximately 1,465 net added jobs are expected to be created in the Howard Street work district over 20 years following completion of CERB improvements. This equates to an average of 70-75 jobs added annually.
- 2. Describe benefits offered to employees.** Benefits to employees will vary depending on the firm and are not readily ascertainable into the future, in part due to continuing and/or potential changes in state / federal legislation especially as relates to health care and retirement benefits.  
Benefits associated with Mt. Townsend Creamery as an up-front catalyst investment are as described with the Section IV Sectors & Concepts portion of the feasibility study. New business recruitment through the efforts of the City and Team Jefferson as the state approved associate development organization (ADO) will be focused on firms that offer benefits equal or better than the standard for their respective business or industry type.
- 3. Describe the median hourly wage of the new jobs in relation to the median hourly county wage.** The feasibility study targets a mix of business types which combined will pay well above typical wages experienced in Jefferson County.  
Due to prevailing practices within its industry, the Mt. Townsend Creamery is not expected to pay above the median hourly wage in Jefferson County. However, the significance of this project is that it will leverage renewed economic development which has been essentially stalled since 2006 (before the Great Recession). The intent is for this initial *bird-in-hand* investment to serve as a catalyst, building momentum for other higher wage employment to follow.  
On a preliminary basis, using two alternative methods, it is estimated that the median wage associated with the Howard Street work district may range between 16-24% above the current county-wide median of \$19.33 per hour. As the experience of each firm will vary, proposed with the CERB application is the active monitoring of the mix of business types locating in the district each year over the time frame to anticipated build-out.
- 4. The county three-year unemployment rate in relation to the state rate.** Over the last three years for which annual average unemployment rates are known, Jefferson County seasonally unadjusted rates were at 9.9%, 9.6% and 9.0% for 2011, 2012, and 2013 respectively – averaging 9.5% over all three years.  
For Washington state, comparable rates were at 9.2%, 8.1% and 7.0% the – averaging 8.1% over all three years.  
As of November 2014 (the most recent month for which data is available), Jefferson County's unemployment rate was 8.1%, 33% above the statewide rate of 6.1%.

5. **County population change in the last five years.** As of 2014, OFM estimates that Jefferson County has 30,700 residents. From 2009-14, countywide population has increased by 927 residents, a gain of 3.1% in the last five years.
6. **The estimated jobs created represent what percentage of the county's labor force.** As of November 2014, State of Washington ESD data indicates that Jefferson County has a civilian labor force estimated at 11,430 persons. The 1,465 jobs targeted for creation within the Howard Street work district over 20 years represents 12.8% of the current countywide labor force.
7. **The estimated jobs created represent what percentage of the county's unemployed workers.** As of November 2014, ESD data indicates that there were an estimated 930 workers unemployed in Jefferson County.  
The 1,465 jobs created over 20 years would exceed the number of persons currently unemployed countywide (but does not include the estimated 25% of workers currently self-employed throughout the county who typically are not eligible for unemployment insurance).  
The 70-75 jobs created annually within the Howard Street work district represents new economic opportunity for an annual average increment equal to about 8% of the current pool of those currently on unemployment.
8. **Estimated new annual state and local revenue generated by the private business.** State and local sales tax on new construction is estimated at \$5.8 million, received incrementally over the next 20 years as construction proceeds within the Howard Street work district. At build-out, the district is expected to generate \$5.5 million per year in added state and local property, B&O and sales tax revenue. *Note:* All revenues are estimated in 2014-15 dollars.
9. **Estimated private investment generated by project.** The added value of development realized over 20 years is conservatively estimated at \$65 million by build-out (in 2014-15 dollars), consistent with current Jefferson County fair market value assessments. Total private investment can be expected to exceed this amount by another 25-35% due to funding of project indirect or soft costs plus furnishings and equipment.

The remainder of this economic feasibility report provides detailed analysis and documentation for the summary statements related to CERB minimum requirements as outlined above. Topics covered by the full report include a profile of the Howard Street corridor, community setting, employment sector and development concept analysis, market and financial feasibility, marketing the work district, and economic outcomes.

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# I. INTRODUCTION

On September 18, 2014, the Washington State Community Economic Revitalization Board (CERB) approved \$1.4 million in public investments statewide. CERB approvals included a grant to the City of Port Townsend of \$48,750 to conduct a feasibility study to evaluate the economic benefits provided by planned zoning changes and infrastructure investments to serve an employment-focused work district along Howard Street in Port Townsend.

The City of Port Townsend is proposing \$7 million in public infrastructure investment (including \$2 million in CERB grant and loan funds) that will make 82.5 acres of vacant and underutilized employment land suitable for business investment – including provision of what will be the only fully served, shovel-ready industrial property – that currently is not available in the City of Port Townsend or Jefferson County.

This Howard Street Corridor Economic Feasibility Study is aimed to outline a clear strategy offering realistic prospects for improved community economic vitality while also addressing CERB funding requirements. This economic feasibility study begins by describing the background and purpose of the study project, followed by an outline of the organization of this economic feasibility study report.

## PROJECT BACKGROUND & PURPOSE

As the only incorporated city in Jefferson County, the economic vitality of Port Townsend is of pivotal importance not only to the city but to a county of 30,700 residents that extends from the Puget Sound across the Olympic Peninsula to the Pacific Ocean. Employment, incomes and public revenues in Jefferson County were severely affected by the Great Recession of 2007-09 and its continuing aftermath.

Unlike much of the state, Jefferson County has yet to recover from the recession. The county experienced a 15% drop in employment that extended from 2006-12. Only in 2013 did recovery begin to get underway, but only barely. Current county-wide unemployment rates are 33% above the rest of the state; wages and incomes are lower. And neither Port Townsend nor Jefferson County has shovel-ready vacant industrial land – appropriately zoned with full municipal infrastructure as needed to accommodate and attract new higher wage employment.

### **Pivotal Economic Development Role of a Howard Street Work District**

Creation of a Howard Street employment-focused work district represents an integral part of the community's strategy for economic recovery and future vitality. Port Townsend City Manager David Timmons has noted that: "The Howard Street/Upper Sims Way Corridor is one of three economic anchors for the City, along with Fort Worden and the Downtown Waterfront". When completed, Howard Street will be in a position to provide the shovel-ready sites that are essential for added higher wage job development to occur.

The proposed Howard Street Extension project consists of grading and paving of a new roadway, installation of municipal and franchise utilities, drainage, pedestrian improvements, landscaping, and public amenities located in an undeveloped commercial corridor in Port Townsend, WA. This new roadway extension also will improve access to Discovery Road.

As planned, the project also includes clearing and grading, removal of vegetation, and mitigation of roadway impacts in conjunction with an existing wetland buffer. Acquisition of right-of-way and construction staging will be located within project limits.

## Role of CERB Economic Feasibility Study

CERB funding of this feasibility study represents an important first step in the path to local and county-wide economic recovery. As Washington's strategic economic development resource, CERB is focused on creating private sector jobs in partnership with local governments by financing infrastructure improvements.

The economic feasibility study is intended to address topics including marketing analysis and strategy, zoning and land use analysis, identify measurable economic outcomes and data collection processes along with projected employment figures. As determined to be feasible, this study is also aimed to serve as documentation for a Prospective Development Construction Program Application being submitted by the City of Port Townsend to CERB in February 2015.

## REPORT ORGANIZATION

The remainder of this economic feasibility report is organized to cover the following topics:

- **The Howard Street Corridor** – describing current property, infrastructure, and land use conditions
- **Community Setting** – covering area demographics and economic profile
- **Sectors & Concepts** – focused on target sectors and development concepts together with prospects for the Mt. Townsend Creamery identified as a catalyst for area development
- **Market & Financial Feasibility** – as anticipated both for private and public investments
- **Marketing the Work District** – a strategy of public-private steps consistent with this feasibility study for project positioning, planning, promotion, and related action timeline
- **Economic Outcomes** – in terms of jobs, wages, tax revenues and tracking of outcomes

Several appendices are provided with this report. *Appendix A* briefly profiles E. D. Hovee & Company, LLC and Spinnaker Strategies as report preparers. *Appendix B* provides the full work district marketing strategy. *Appendix C* covers supplemental data used with the analysis.

The analysis and findings provided with this economic feasibility study also serve as an information resource for the response to **minimum requirements** of the CERB program – as provided by an up-front summary to this report.



## II. THE HOWARD STREET CORRIDOR

This feasibility study begins with an overview profile of the Howard Street corridor – including a description and analysis of current property, infrastructure, and land use conditions.

### CORRIDOR STUDY AREA

The planned Howard Street work district encompasses an approximately 100 acre area situated at the western end of Port Townsend within the incorporated city limits.

As shown by the map on following page, the area is roughly bounded by the convergence of Sims Way and Discovery Road on the west, Discovery Road to the northwest, extending as far as 11<sup>th</sup>/12<sup>th</sup> Streets on the north, east to the vicinity of McPherson / Thomas Streets, and south of Sims Way to the edge of designated commercially and manufacturing zoning districts. The district includes property designated for manufacturing, commercial, public space and commercial / mixed use. Adjoining residential areas to the west, north and south are not included within the corridor study area boundaries.

### Property Ownerships

City provided GIS data indicates that the district comprises tax 109 parcels, ranging in size from well under an acre to just over 14 acres in size. Average tax parcel size is just over one acre.

As depicted by the map on the following page, the number of distinct property ownerships is considerably less, at about 50 owners after accounting for multiple properties under common ownership. One owner – the Port Townsend Business Park (PTBP) – has 21 adjoining parcels under single ownership. The greatest amount of acreage under a single owner is over 18 acres (with two parcels) that comprises the large industrial / commercial area as yet undeveloped south of Sims Way and immediately west of Howard Street.

Based on assessor and GIS data, 30+ acres are currently developed with on-site buildings totaling about 180,000 square feet of building area. The remaining nearly 70 acres are undeveloped. For sites that have buildings, over all intensity of development is estimated at a floor area ratio (FAR) of about 14%. This indicates a relatively low level of urban site use.

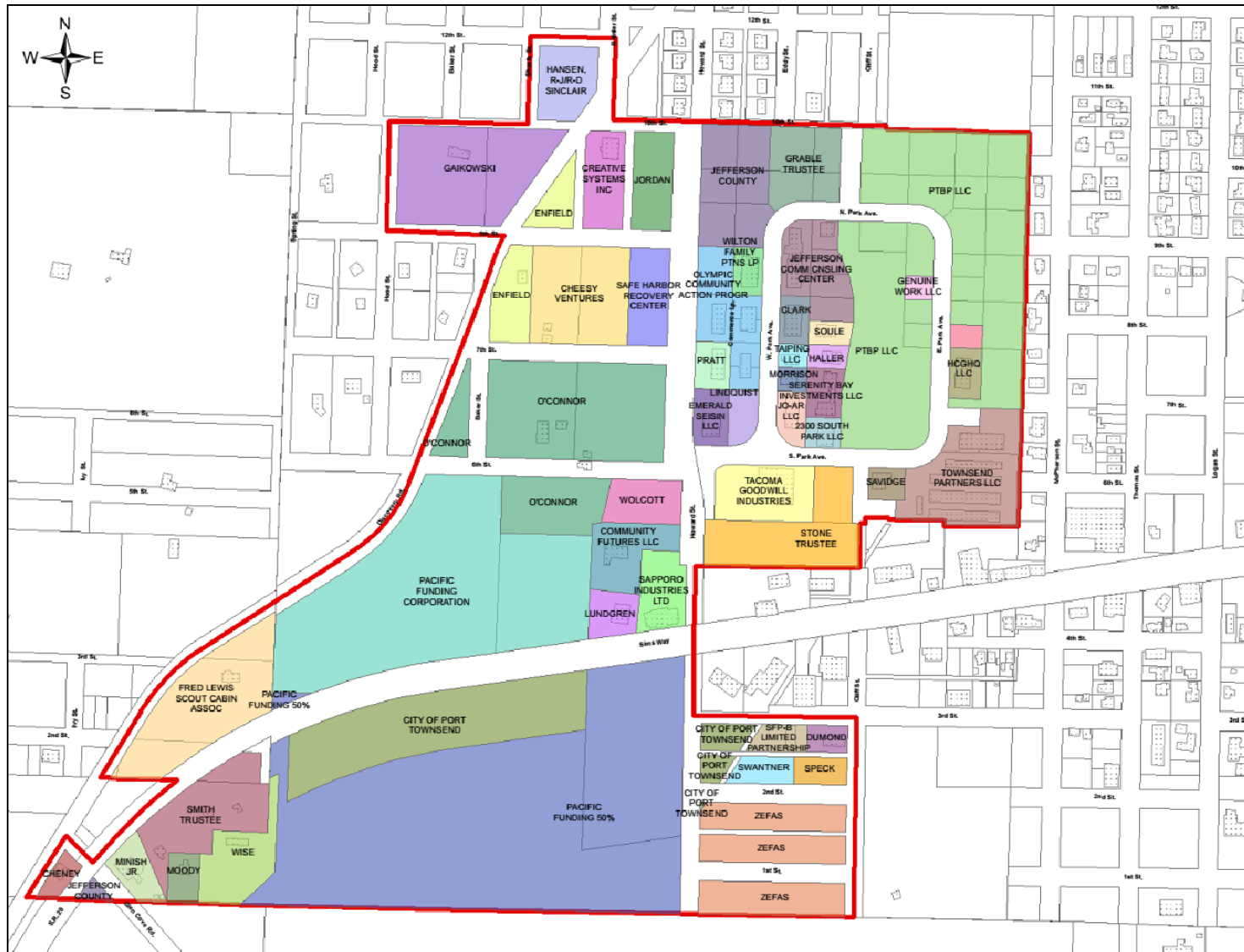
### Development Status of Howard Street Corridor Study Area

Developed Status	Building Area (SF)	Land Area (Acres)	Land Area (SF)	FAR*
Sites with Buildings	180,203	30.6	1,332,936	14%
Sites without Buildings	0	69.6	3,033,083	0%
Total Area	180,203	100.2	4,366,019	4%

\* Note: FAR denotes Floor Area Ratio, which is calculated as building square feet (SF) *divided by* land area (SF). Building areas are per GIS/assessors data that in some cases may be incomplete or dated.

Sources: City of Port Townsend, E. D. Hovee & Company, LLC.

## Howard Street Corridor Consolidated Property Ownerships



Sources: City of Port Townsend, E. D. Hovee & Company, LLC.

## Vacant & Underutilized Lands

Another way of considering the intensity of land utilization is by comparing the value of property improvements to land value (based on tax assessed values). This information is provided by the chart below and the map on the following page.

Based on improvements valuation, just under 78 acres is given no improvements value – whether due to no structures or with structures that add no value to the property. Many, though not all, of the sites with improvements value are clustered in or near the business park.

An estimated 22+ acres do have improvements value assigned to the property, according to the City provided GIS data. Most of the land area with improvements (close to 17 acres) is relatively well improved – with structures and other site improvements assessed at a value that exceeds land value.

Sites with no improvements value together with sites where improvement valuation is less than one-half of land value (i.e., I:L < 0.5) are expected to provide the greatest opportunity for added development once the Howard Street work district has full street plus municipal and franchise utility infrastructure in place. These two categories of vacant plus underdeveloped sites comprise 82.5 acres – or better than 4 of every 5 acres in the corridor study area.

### Howard Street Corridor Study Area Improvement to Land (I:L) Valuation

I:L Category	Land Area		Real Market Valuation	
	Acres	% of Total	Current RMV	% of Total
No Improvements Value	77.82	78%	\$6,717,050	33%
< 0.5	4.68	5%	\$830,521	4%
0.5 - 1.0	1.13	1%	\$482,577	2%
1.0 +	16.6	17%	\$12,608,310	61%
<b>Total</b>	<b>100.23</b>	<b>100%</b>	<b>\$20,638,458</b>	<b>100%</b>
<b>Total Non-Vacant</b>	<b>22.41</b>		<b>\$13,921,408</b>	<b>67%</b>

Sources: City of Port Townsend, E. D. Hovee & Company, LLC.

Total assessed valuation of the 100 acre study area is currently \$20.6 million. In effect, over 60% of the district's land value is associated with only 17% of the land area. Conversely, sites with no improvement value account for 78% of the district's land area but only 33% of total assessed valuation.

When considered on a per square foot basis, the assessed valuation of sites with relatively high improvements valuation (I:L > 1.0) are associated with total site valuation of about \$17 per square foot of land area. By comparison, properties with no improvements value are assessed at just under \$2 per square foot.

## Howard Street Corridor Land Use Intensity (Improvements to Land Value Ratios)



Sources: City of Port Townsend, E. D. Hovee & Company, LLC.

## INFRASTRUCTURE ASSESSMENT

Getting employment sites to developable or *shovel-ready* status requires public infrastructure, notably an in-place street system plus municipal and franchise utilities of water, sewer, storm drainage, communications and power. This full complement of infrastructure is not yet in-place for the Howard Street work district.

### Street Infrastructure

The principal street corridor serving the planned work district is Sims Way (SR 20), running east-west as the major traffic route into Port Townsend’s downtown (situated to the east of the Howard Street district). Secondary access is provided by Discovery Road (at the northwest boundary of the district) – with access to the city’s residential areas via 19<sup>th</sup> and Blaine Streets.

Major portions of the street network through the district are platted but not yet constructed to City standards. Of principal importance is the need to complete Howard Street north from 7<sup>th</sup> Street through to Discovery Road – to become the new transportation spine of this planned work district. Other streets awaiting completion are 6<sup>th</sup>, 7<sup>th</sup>, and 9<sup>th</sup> Streets, anticipated to be improved as development occurs. At the south side of the district, a new street is currently being constructed west of Howard and south of Sims Way to serve a planned commercial development.

## Utility Infrastructure

In addition to having an as-yet incomplete street network, inadequate utility infrastructure is a second major reason that it has not been possible for the Howard Street study area to develop to date. Specific details are noted as follows:

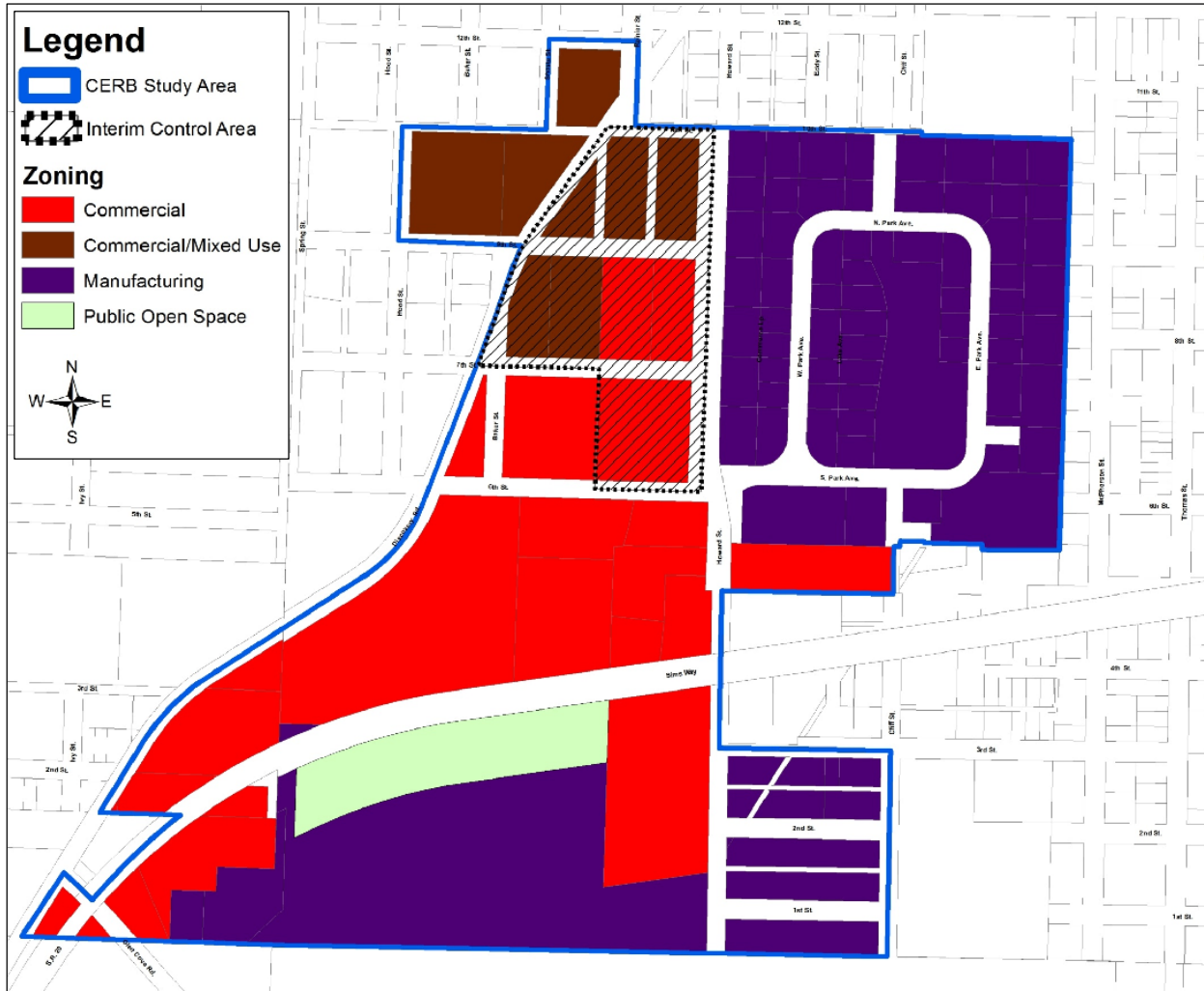
- The existing business park property is fully served by sewer, water, and storm drainage. Parcels immediately adjacent to the Sims Way/Howard Street roundabout also are served by sewer and water, as is a parcel in the far northeast corner of the study area.
- The remainder (or majority portion) of this planned work district is not served at present by sewer or storm drainage. Hard pan soils are a limiting factor to building in the corridor; a regional stormwater system will allow for build-out to urban densities.
- Municipal water also is not fully available. Water services are available on the perimeter of the study area – but not for most of the internal areas/parcels.
- On-site stormwater management for dense commercial development in this area is very challenging (with large areas of land required for stormwater retention) due to poorly draining soils. The regional stormwater solution being considered would move the stormwater off-site, outside the study area, to an area where the soils can better infiltrate the runoff.

## LAND USE & ZONING REVIEW

As illustrated by the following map, properties in the 100 acre study area are currently zoned pursuant to one of the four following land use designations:

- Manufacturing (M-C) / 49.3 acres – allowing a mix of light industrial and some commercial uses, just off the major travel corridors, either south of Sims Way or in the northeast quadrant of the study area.
- Commercial (C-II) / 36.3 acres – serving a wide range of general commercial uses situated on the major travel corridors of Sims Way or the west side of Howard Street.
- Commercial/Mixed Use (C-II/MU) / 9.7 acres – allowing for residential and commercial uses in the northwest portion of the study area as a transition to lower density residential areas immediately adjacent.
- Public Open Space (P/OS) / 4.9 acres – situated on the south side of Sims Way west of Howard Street.

## Howard Street Corridor Study Area Zoning



Sources: City of Port Townsend, E. D. Hovee & Company, LLC.

At just over 49 acres, the M-C Manufacturing zone accounts for almost one-half of the study area’s land area and close to 80% of building space already developed. The C-II Commercial designation represents 36% of district land area but only 17% of building space developed to date. With much vacant land, development intensity (FAR) is low across all zoning designations.

### Howard Street Corridor Zoning Designations

Zoning Designation	Building Area (SF)	Land Area (Acres)	Land Area (SF)	FAR
C-II	30,702	36.3	1,582,099	2%
C-II/MU	8,802	9.7	423,839	2%
M-C	140,699	49.3	2,148,815	7%
P/OS	0	4.9	211,266	0%
<b>Total Area</b>	<b>180,203</b>	<b>100.2</b>	<b>4,366,019</b>	<b>4%</b>
Interim Control Area	8,295	9.9	429,502	2%

Sources: City of Port Townsend, E. D. Hovee & Company, LLC.

## Current Plan Designations

Additional detail regarding each of the plan designations and associated permitted or conditional uses is provided as follows:

**Manufacturing (M/C).** Port Townsend has five marine-related and general manufacturing zoning districts. The M/C mixed light manufacturing and commercial districts is intended to accommodate “small-scale manufacturing businesses, along with associated and subordinate on-site retailing” – including “specialty crafts or artisans” which combine both manufacturing and retail on one site.

Permitted outright are a broad range of light manufacturing and related service-industrial uses together with commercial retail and/or wholesale sales of goods manufactured on the premises. Heavier industrial uses such as building construction yards/offices, food mills, wood and metal products, seafood processing, plastics/stone/glass, and transportation equipment manufacture are not allowed.<sup>1</sup>

Unless associated with on-site manufacturing, retail and food service are generally not allowed, although small scale food services establishments such as coffee houses or restaurants without drive-thru services may be allowed on a Conditional Use basis. However the retail sales of goods or products manufactured on the premises are allowed as permitted uses.<sup>2</sup>

Office uses whether for private or governmental activities are also precluded (except for “essential public facilities” as designated by the Washington State Office of Financial Management). Noted is that the Port Townsend Business Park was developed as Planned Unit Development which provides greater flexibility for up to 20% office and retail use which is no longer allowed under the current zoning code for the M/C zone.<sup>3</sup>

Maximum density of development is an FAR of 2:1 – meaning up to two square feet of building floor area for every one square foot of lot area. Maximum allowed building height is 35 feet. Provisions are also made for preservation of existing trees and/or new trees consistent with City Standards for Tree Conservation.

**Commercial (C-II).** As one of four commercial zoning designations in Port Townsend, the C-II General Commercial zone accounts for more area of the city than any other commercial district and is found at various locations along Sims Way. The zone is intended to provide for a broad range of commercial retail, food service, office/service, recreational/cultural, public facility and other uses aimed to serve a “local and citywide market.” Also allowed is multi-family residential above ground floor commercial.

Non-commercial printing is a manufacturing uses that is permitted outright. Some food-related manufacturing also is allowed to occur outright, as with bakeries, confectionaries, artisan cheesemaking, and microbreweries – provided that on-site manufacturing is subordinate and accessory to a primary retail use.

A variety of other light industrial uses may be considered on a Conditional Use Permit basis. Excluded from this zone are residential treatment and nursing/convalescent uses, adult entertainment facilities, hospitals, lodging except hotels/motels/hostels. “Regional retail” may be permitted if the structure and use meet the definition for “regional retail” – on sites of 10-25 acres.<sup>4</sup>

Maximum gross floor area of a commercial structure is 60,000 square feet – with a maximum of 40,000 square feet on the ground floor level. Maximum height is 40 feet if more than 2 stories and limited to no more than 3 stories. Minimum ground floor ceiling height is 12 feet if the structure is two floors or more.

**Commercial/Mixed Use (C-II/MU).** As one of two mixed use zoning designations in Port Townsend, this district allows for a broad range of commercial uses together with upper floor multifamily units at up to 24 units per 40,000 square feet and in a manner that promotes a compact growth pattern while facilitating pedestrian access. Industrial uses are precluded as are commercial uses with major impacts including adult entertainment, formula retail (per Chapter 17.54 PTMC), and churches.<sup>5</sup> To date, development under this designation in the Howard Street area has been limited to the Creative Solutions building.

Other uses such as convenience stores, marijuana retailing, microbreweries, and schools may be considered on a Conditional Use basis. Allowed density ranges up to a maximum floor area ratio (FAR) of 3:1; the maximum amount of commercial floor space in any one structure is 60,000 square feet. Maximum building height is two stories or 40-50 feet (depending on proximity to or inclusion of residential development).

**Public Open Space (P/OS).** As noted, close to five acres of the Sims Way corridor is designated as Existing Parks and Open Space. Uses with structures are generally limited. Conditional Use Permit processes are in place for uses such as community centers, conference centers, museums, recreation facilities, educational institutions, government/non-profit offices. This economic feasibility analysis assumes no additional construction of employment generating uses on the subject open space property.

## Interim Zoning

On July 7, 2014, the Port Townsend City Council adopted interim land use regulations for a portion of the study area – between 6<sup>th</sup> and 10<sup>th</sup> Streets and from Howard Street to Discovery Way. As amended in September, the ordinance provides a “refined use table to prevent non-supportive uses from developing along the corridor.”

Interim regulations are in place for up to six months and currently proposed to be extended another six months – pending integration of land use considerations with results of this economic feasibility study. At present, the ordinance has been extended to July 8, 2015.

The initial July ordinance precluded office development within the Interim Control Area (ICA). This was amended in September 2014 to provide interim standards related to limitation of



vehicular access to the new Howard/Rainier Street alignment, restrict office development to no more than 50% of developable area within each platted block of the ICA, and address building orientation, location and parking.

Within the portions of the ICA zoned for mixed use, residential developments are to have ground floor commercial use. With both the mixed use and zoning designations, several categories of retail are limited to businesses where the majority of merchandise for sale is produced on-site.

## Zoning Code Alternatives

What is known as use-based (or Euclidean) zoning remains the predominant form of land use regulation in Washington state as well as nationally. Port Townsend's municipal code reflects a use-based approach with distinctions between residential, commercial, manufacturing and public/open space uses.

Three other approaches to codification of zoning regulations are suggested for consideration. The first represents potential implementation of an existing provision of the Port Townsend Comprehensive Plan; the other two represent alternatives that have been utilized in recent years across the U.S., albeit in more limited fashion to date within the state of Washington:<sup>6</sup>

- **Commercial Manufacturing Planned Unit Developments (CM-PUD)** represents an overlay designation within the City's Comprehensive Plan that allows business and industrial park development to vary from the prescriptive standards including use mix of the current zoning code for commercial and manufacturing development. As described by the Comprehensive Plan: "The (PUD) designation is intended to promote innovative and well-designed commercial and light manufacturing developments which are supportive of the City's economic development strategy."<sup>7</sup>
- **Performance zoning** is focused more on limiting impacts of development (such as traffic, noise, glare, odors) on neighboring properties than on the determination of which uses are to be permitted outright or conditionally. Nationally, performance zoning was first used in industrial areas to control effects such as vibration, noise, glare, or heat that reached beyond the property line. There are no Washington communities identified that have pure performance zoning and use of this tool as an overall framework for local zoning appears to be declining elsewhere across the U.S. or switching to more of a hybrid approach (combined with traditional use-based zoning).<sup>8</sup>
- **Form-based zoning** regulated development is focused on the form, scale, and detailing of buildings, blocks and streets, often as a means of community *place-making*. Lists of permitted uses as a means to regulated development are minimal to non-existent. Form based zoning is most prevalent in areas with a clearly established character intended to be maintained (as with historic downtowns) or with as yet undeveloped areas being master planned or with a well articulated vision for future development – especially in non-traditional mixed use settings. Form-based codes have been used across other parts of the U.S. but have been slow to come to the Pacific Northwest.

The CM-PUD approach offers the advantage of a provision that is already built into Port Townsend's Comprehensive Planning framework. Further refinement might be anticipated to better meet the economic development opportunities and challenges identified by this economic feasibility study – including needs for cost-effective and affordable industrial space, appropriate application to Howard Street commercial and/or manufacturing zones, and review of appropriate minimum lot size.

Performance and form-based zoning offer the distinct advantage of avoiding traditional segregation of varied employment uses. This is important as there is demand for a greater mix of uses that may also prove to be more marketable and create more livable communities.

More flexible use mechanisms also respond better to businesses that no longer conform well to traditional business distinctions (as may be classified, for example, by standard business and industrial classification listings). Both in urban neighborhoods and small communities, businesses often conduct more than one type of business activity under one roof.

As is being experienced in Port Townsend, a single business may conduct a mix of manufacturing, wholesale, retail and office related functions on-site. And the mix of these functions may change over time.

A disadvantage of performance and form-based regulatory methods is that they can consume more time to formulate (often involving considerable community discussion) and then to administer. In situations where a new technique is added on to existing zoning as a hybrid ordinance (as with a zoning overlay), the complexity for the applicant may be increased and the flexibility lessened.

Despite these limitations, this economic feasibility study identifies the realization of more flexible land use regulation as integral to development feasibility, facilitation of property owner plans, and the higher wage job objectives of the State of Washington's Community Economic Revitalization Board (CERB) funding program. Revisiting land use regulation is also anticipated as a means to replace interim zoning controls now temporarily in place with a regulatory framework that will be sustained through implementation of the Howard Street corridor vision.

## **Zoning for Howard Street Corridor Economic Vitality**

Planning for the Howard Street Corridor extends back almost one decade to community workshops to help defined the Upper Sims and Howards Street Vision in 2006 and 2007. A rezone and zoning overlay approach was envisioned for implementing land use provisions of the vision. The combination of rezone and overlay provisions anticipated would also require a Comprehensive Plan amendment as well as amendment to the Port Townsend Municipal Code (PTMC).

Recent developments currently suggest three potential optional approaches for work district land use regulations to achieve employment use objectives consistent with CERB funding objectives:

- Modify the 2007 approach to process planning revisions as an **overlay district** only, for example with implementation of the CM-PUD concept. This might involve a PTMC amendment without the need for a Comprehensive Plan Amendment. The amendment process pursuant to PTMC 20.04.090 could be accomplished over an approximate 4-5 month time period.
- Proceed with a more extensive process for **amending the Comprehensive Plan**. In most years this process would begin in March and end in September/October. However, if amendments were included as part of the 2016 GMA mandated periodic update process (per PTMC 20.04), the process could take approximately 18 months.
- Proceed through **an exception to the annual amendment process** (based on PTMC 20.04.030(3)). This exception may be considered under conditions specified as: *Initial adoption or amendment to an identified subarea plan or functional plan that does not modify the comprehensive plan policies and applicable designations. Plans adopted under this subsection must clarify, supplement, or implement jurisdiction-wide comprehensive plan policies, and may only be adopted if the cumulative impacts of the proposed plan are addressed by appropriate environmental review.*

Sections IV and V of this economic feasibility study address the types of land use regulatory revisions that might be useful to facilitate the economic feasibility of development and job creation with implementation of CERB funded infrastructure improvements. Unclear at this time but a topic for further consideration is the question of which of the land use processes outlined above is most appropriate for the Howard Street Corridor.

This draft report makes no recommendation as to a specific plan refinement process or amended regulatory mechanisms. The planning process and the specific zoning tools used selected should support objectives for economic feasibility consistent with CERB requirements as well as provisions of Port Townsend's planning framework and associated GMA update requirements.

# III. COMMUNITY SETTING

In addition to the assessing current characteristics of the Howard Street corridor study area for which infrastructure improvements are proposed, it is useful to also understand the broader community setting. This is of particular importance for this feasibility study as the jobs created within a Howard Street work district will serve needs for added employment in Port Townsend and unincorporated Jefferson County.

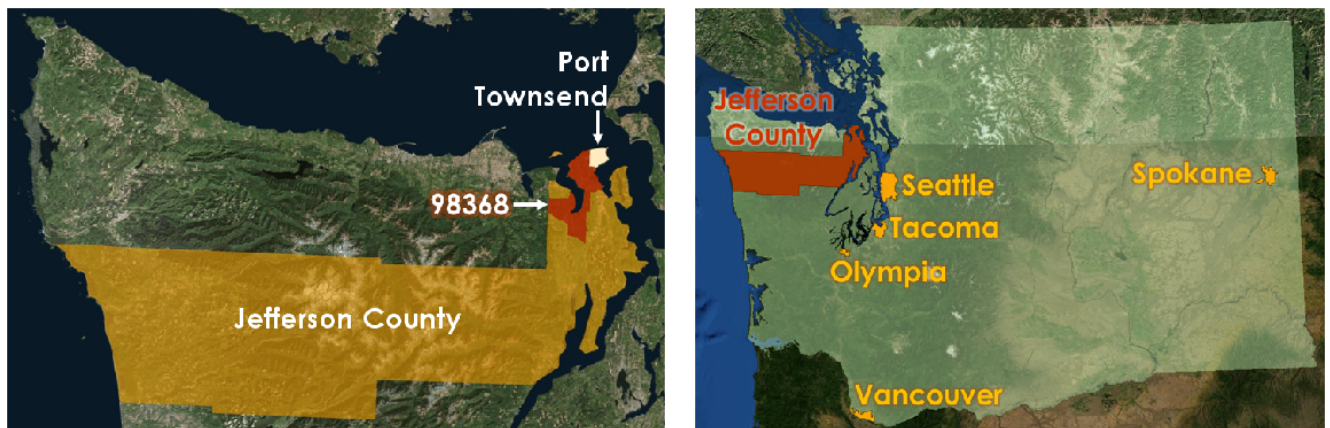
This discussion starts by identifying market areas of interest, followed by consideration of community demographics and economic profile of pertinent market geographies.

## MARKET AREAS OF INTEREST

As depicted by the following map, four geographic market areas of interest are identified with and utilized with this analysis:

- **City of Port Townsend** – as the jurisdiction in which the Howard Street Corridor project study area is located.
- **98368 Zip Code** – a geography that includes the City of Port Townsend together with surrounding unincorporated area.
- **Jefferson County** – as a larger geographic area from which Port Townsend businesses draw both customers and labor force.
- **Washington State** – as a much larger geography to compare with local and county economic performance.

### Geographic Setting



Source: U.S. Census, Washington State Department of Transportation, and Esri.

The market geographies utilized with this feasibility study vary in terms of data availability and relevance to the topic being considered. Data is typically most readily available on statewide and county levels. Some data such as employment information also is more readily obtained on a zip code basis rather than based on city jurisdictional boundaries.

## COMMUNITY DEMOGRAPHICS

This economic feasibility focuses on demographic information that is most useful to assess market opportunities and issues associated with creating added business, employment and higher wage opportunities for Port Townsend and area residents. Population trends and forecasts are considered, followed by pertinent demographic considerations. More detailed population and demographic data is provided with Appendix C to this report.

### Population Trends & Forecasts

As of 2014, Port Townsend has an estimated population of 9,355 residents. This represents about 63% of the 14,900 residents of the 98368 zip code and 30% of the 30,700 residents of Jefferson County.

**Historic Growth Rates.** As depicted by the top graph to the right, the population of Port Townsend increased by close to 1% per year from 2000-10, dropping to about half that growth rate in the last four years to 2014.

From 2000-10, rates of population growth for Jefferson County and the state exceeded those of Port Townsend. Since 2010, population growth has slowed appreciably for the county to about the same growth rate as for Port Townsend (as Jefferson County’s only incorporated city).

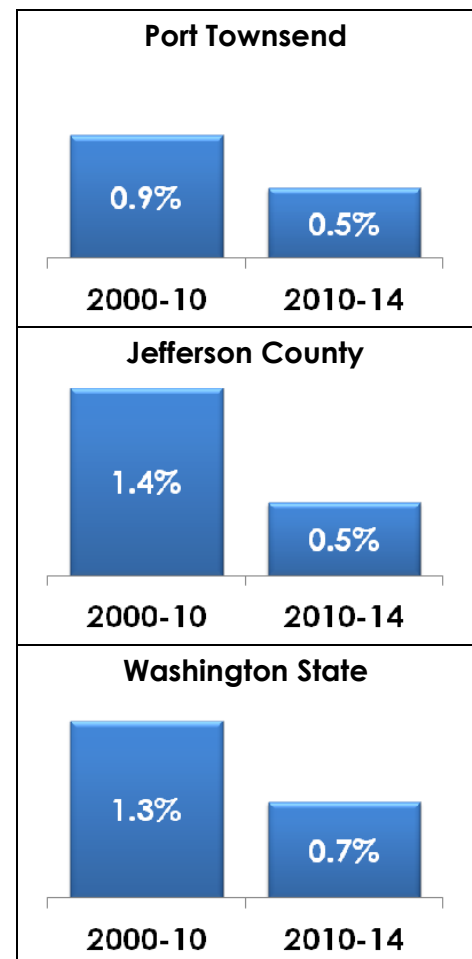
As of 2014, OFM estimates that Jefferson County has 30,700 residents. From 2009-14, countywide population has increased by 927 residents, a gain of 3.1% in the last five years.

Population growth statewide has also dropped, though remaining above rates experienced locally and regionally.

**Forecast Growth Rates.** Looking forward, multiple views as to prospective population change are clearly evident:

- Currently adopted Comprehensive Plans reflect population growth rates projected to average 1.97% per year from 2000-2024 for Port Townsend and a 1.78% annual growth rate for Jefferson County. Neither the City nor the County has come close to realizing these projected rates of growth – at least through 2014.
- The City and County are anticipating update of their Comprehensive Plans in 2016 consistent with statewide Growth Management Act

**Population Growth Rates (2000-14)**



Source: Washington State Office of Financial Management (OFM).

(GMA) schedule requirements. This will include application of updated population growth projections.

- To assist with the planning process, the State of Washington Office of Financial Management (OFM) published updated county-level population projections in 2012. Projections cover three alternative series of low, medium and high growth potential – with each county in the state required to select a growth target within this range.
- For Jefferson County, final selection of an updated population growth rate is anticipated to occur as part of the Comprehensive Plan update process in 2016.
- The range of potential population growth outcomes as provided by OFM prepared forecast alternatives for Jefferson County is considerable. With the medium range series project, population countywide would be expected to increase at just 1.10% per year from 2015-35 – a pace of growth somewhat below the overall 1.21% average growth rate experienced from 2000-14 (but closer to what has been experienced since about the peak of the last pre-recession growth cycle)
- With high growth, the pace of population growth could pick up appreciably to nearly 1.76% per year – reflecting rates of growth not experienced since 2000. With a low growth scenario, OFM projects the possibility of essentially no growth in Jefferson County over a 20-year time horizon.

Understanding past and potential future population growth is important if Jefferson County and the City of Port Townsend are to provide employment for residents who need wage and salary income as well as for sole proprietors. The Howard Street work district can be expected to increase business activity with associated added employment that offers opportunity not only to replace jobs lost since 2006 but also to serve employment needs associated with continuing resident population growth in the years ahead.

Both job recapture and population growth needs can be served effectively with this work district up to at least the point of development build-out. As described in the next section of this feasibility study, development of this district can reasonably be expected to take up to 20 years from the time that the district is fully served with municipal infrastructure.

Pending county-wide adoption of a new population growth rate target, this economic feasibility study assumes application of a 1.10% annual average population growth rate to 2035. As noted, this is consistent the current medium range OFM projection for Jefferson County that also is currently serving as a preliminary target for the Comprehensive Plan update process. An added note is that a projected 1.10% growth rate matches the average annual rate of county-wide population experienced from 2005 (prior to the Great Recession) forward to 2014.

Before proceeding with more detailed consideration of a specific Howard Street work district development concept, it is useful to complete this background discussion with further analysis of demographic and economic trends for city/county data as available in comparison with trends being experienced statewide.

## Demographics

Demographic factors of note for this market feasibility assessment are compared for the geographies of the city, county and state:

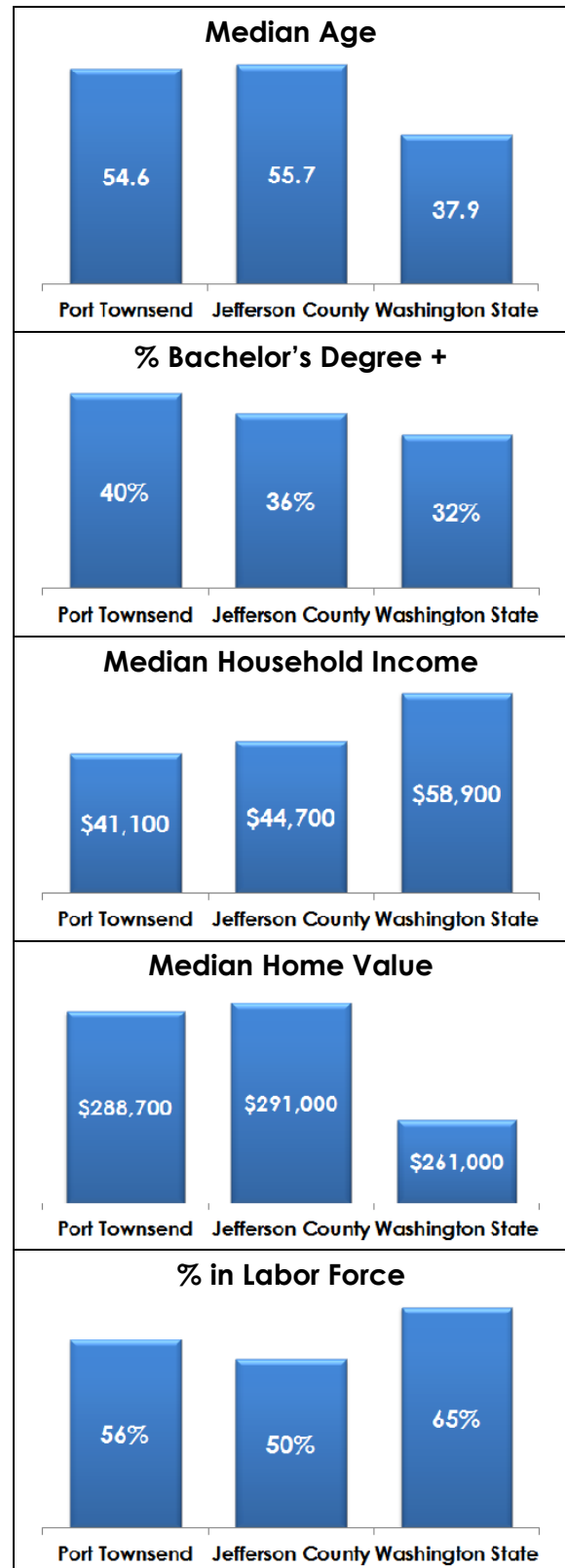
- As depicted by the top graph to the right, **median age** of the population for Port Townsend (54.6 years) and Jefferson County (55.7) is well above that of the entire state (37.9). An estimated 27% of Port Townsend residents are age 65 and over, almost double the statewide average of 14%.
- Residents are extremely **well educated** compared to the state. About 40% of Port Townsend and 36% of all Jefferson County adults have a Bachelor's degree or better, well above the statewide average of 32%.
- At just over \$41,000 per year, **median household income** for Port Townsend residents is 8% below the countywide and 30% below the statewide median.
- Conversely, **median home values** at close to \$290,000 for Port Townsend and Jefferson County are about 11% above the comparable statewide median, one indicator of affordability issues facing area residents.
- For Port Townsend, a relatively low 56% of persons age 16+ is in the **labor force**. The proportion is even lower at 50% countywide. Statewide, the comparable figure is 65%.

Of those employed, 26-27% of Port Townsend and 25% of workers county-wide are self-employed, more than double the 10% statewide average.

A remarkable 35% of workers get to work by means other than driving alone – well above the statewide figure of 27%. This includes a 14%+ share of those who work at home, 6% who walk and 5-6% who bike to work.

Occupations which are well represented with Port Townsend residents, as compared with the entire

### Strategic Demographics (2014)



Source: Claritas.

state, include persons employed in:

- Arts, entertainment, sports
- Community and social services
- Food preparation and serving
- Health practitioners, techs, and support workers
- Life, physical and social sciences
- Management positions
- Office and administrative support
- Sales
- Personal care and service

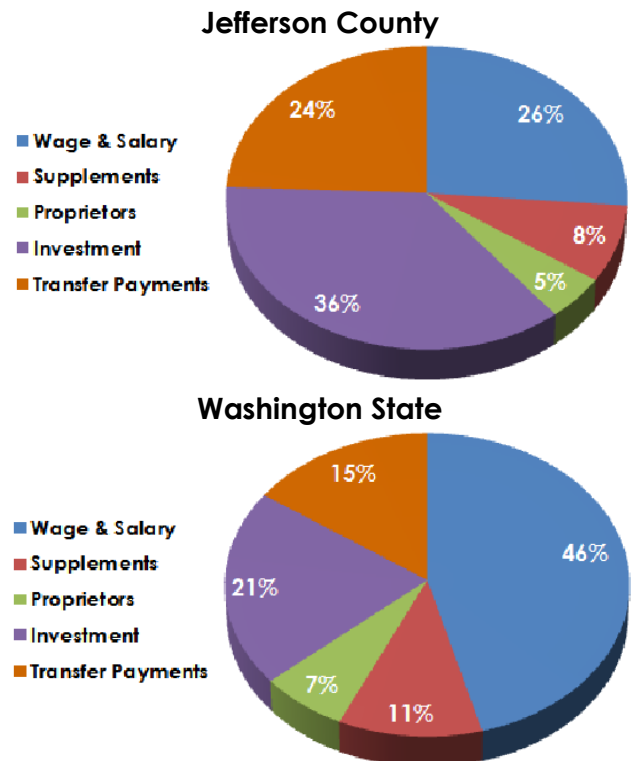
By comparison, city residents (but not those in the county) tend to be underrepresented in occupations such as farming/fishing/forestry, construction/extraction, and production. Residents of both the City and County are also underrepresented in other industrial related occupations such as building grounds maintenance, maintenance repair, transportation and moving. This occupational mix is consistent with an overall lower average wage structure as is further detailed in the Employment Profile section of this report.

## Sources of Personal Income

Due in large part to a high proportion of retirees, investment income represents the greatest share of personal income in Jefferson County – exceeding wage and salary income. An estimated 60% of personal income in Jefferson County is accounted for by investment income together with transfer payments – as compared with 36% statewide.

Wage and salary income represents only 26% of personal income in Jefferson County as compared to 46% statewide. The wage/salary share of income has also been dropping more rapidly locally in recent years than has been the case for the rest of Washington State. The rapidity of this decline is attributable both to stagnant employment and lower average wage levels for those who are employed in Jefferson County.

### Personal Income Distribution (2013)



Source: U.S. Bureau of Economic Analysis (BEA).



## EMPLOYMENT PROFILE

This economic feasibility study focuses on characteristics, needs and opportunities of the labor force – both employed workers and the unemployed.

As of 2013, Jefferson County had 7,787 covered jobs (covered by unemployment insurance). This represents less than 0.3% of the statewide employment base of nearly 3 million, as compared with Jefferson County's 0.4% of population statewide. The 98368 Zip Code which includes the City of Port Townsend and much of the more developed unincorporated portion of the County accounted for 5,549 jobs – over 70% of the countywide employment total.

A review of employment data at the local, county and statewide level reveals four issues that would be addressed by the proposed Howard Street Corridor project:

- High levels of unemployment with a declining job base
- Overconcentration of the employment base in lower paid service jobs with inadequate representation of higher paid industrial employment
- Resulting low median wage
- Limited prospects for future employment growth in the absence of shovel ready industrial sites for development

### Countywide Employment & Unemployment Trends

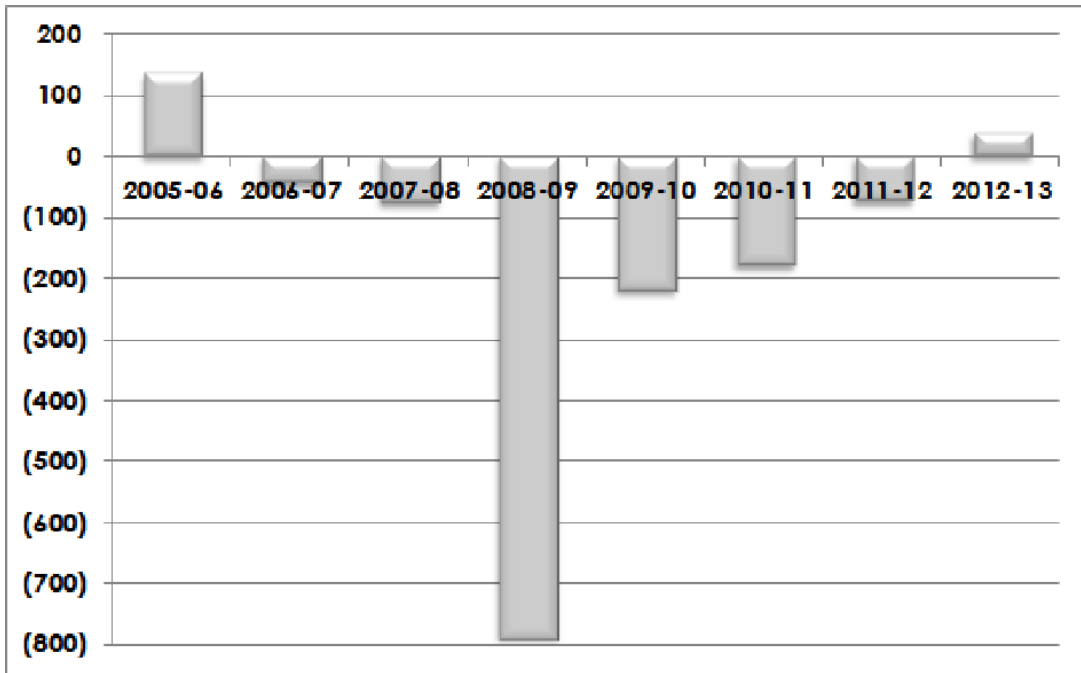
The top graph on the following page portrays year-by-year changes in countywide employment over an 8-year period starting in 2005. Immediately below is a comparison of annual unemployment rates for Jefferson County relative to statewide averages.

As depicted by the first graph, countywide employment peaked in 2006, declining in every subsequent year until experiencing a small rebound in 2013. From 2006-2012, Jefferson County experienced a net loss of over 1,380 jobs – a 15% decline in total employment. Like Jefferson County, the rest of the state was affected by job loss during the recession. However, the duration of employment decline was much shorter. Statewide, job losses were experienced in only over two years (from 2008-10), followed by a net gain of over 150,000 jobs in three years since 2010.

Jefferson County unemployment rates were as low as 4.8% in 2007 at the onset of the Great Recession. Subsequently, local unemployment rose rapidly, peaking at 9.9% in 2010 and 2011. Unemployment remained at 9% or more through 2013. Only in recent months has the Jefferson County jobless rate started to decline – down to 8.1% as of November 2014.

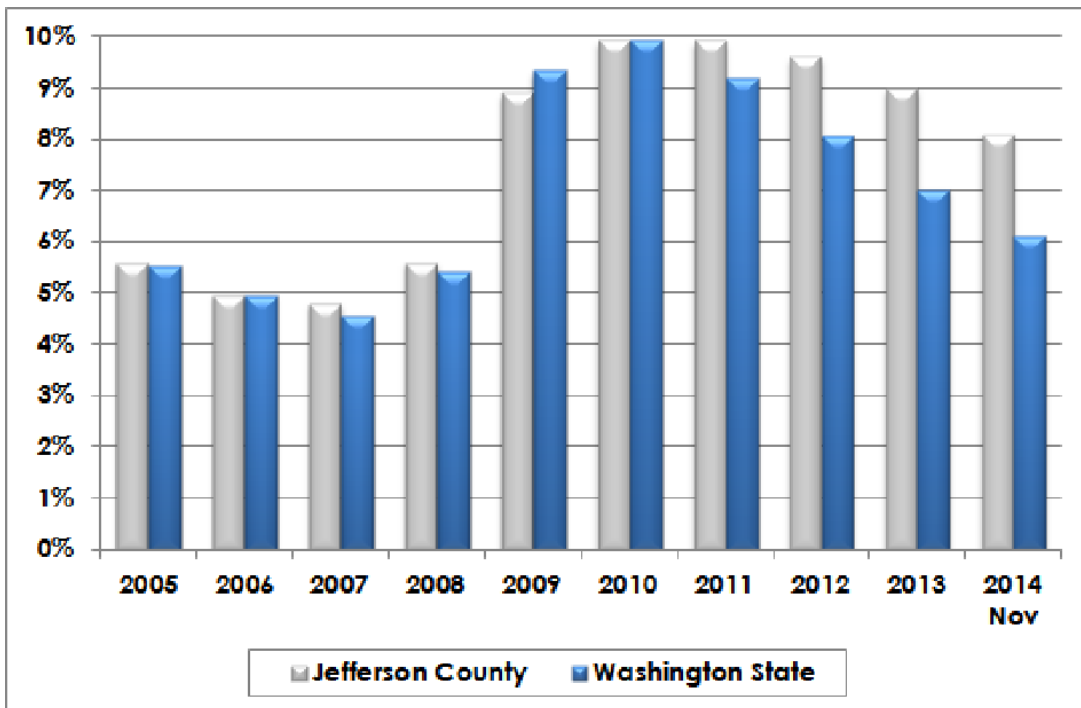
Over the last three years, Jefferson County seasonally unadjusted rates were at 9.9%, 9.6% and 9.0% for 2011, 2012, and 2013 respectively – averaging 9.5% over all three years. For Washington state, comparable rates were at 9.2%, 8.1% and 7.0% the – averaging 8.1% over all three years. As of November 2014 (the most recent month for which data is available), Jefferson County's unemployment rate was 8.1%, 33% above the statewide rate of 6.1%.

### Jefferson County Employment Growth & Decline (2005-13)



Source: Washington State Employment Security Department (ESD).

### Comparative Unemployment Rates (2005-14)



Source: Washington State Employment Security Department (ESD).

Prior to and even into the recession of the last decade, unemployment rates in Jefferson County roughly matched those of the entire state. However, the gap between local and

statewide unemployment increased starting in 2011. Even with the recent 2014 reduction of unemployment, the countywide unemployment rate remains 33% above the statewide rate.

## Employment & Wage Trend

A more detailed look at the current employment and wage profile by industry sector further illustrates the challenge of generating *more jobs and better quality jobs* in Port Townsend and Jefferson County. The chart on the following page provides sector-by-sector detail for 2013. Also noted are changes since 2009 – a period that marks the end of the recession on a national level.

As of 2013, 1,087 firms in Jefferson County had payroll with 7,787 covered employees, with an average wage of just under \$34,500 per year. Despite economic recovery elsewhere nationally and in Washington State, the number of covered jobs in Jefferson County is 5% less in 2013 than it was four years earlier in 2009.

Other employment characteristics of note include the following:

- Average firm size is relatively small at just seven employees per establishment – about half the statewide average.
- Countywide employment is heavily skewed to service industries. Compared to the state, relatively high proportions of local jobs are found in the retail, accommodation and food services, other services and government sectors which account for about 60% of employment countywide versus just over 40% statewide. The only one of these service sectors providing wages above the countywide average is the government sector.
- Traded sector jobs are underrepresented in industrial sectors including construction, manufacturing, wholesale trade, transportation – and in service sectors that often include traded sector activity such as information, finance/insurance, and professional/technical services.
- Traded sector activities generally pay more than the average for all jobs. While manufacturing overall pays above the countywide average, can be considerable variation depending on the type of firm considered. Within Jefferson County, workers in sectors such as food, beverage, printing and fabricated metals tend to be paid below the countywide average while industrial workers in sectors as in transportation equipment and other manufacturing (including paper products) are paid well above average.
- While detailed 3-digit NAICS subsector information is not available for all sectors, similar variation can be noted for other Jefferson County employment sectors as well. For example, within the category of “other services,” the average annual wage ranges from \$11,500 for household workers to \$36,500 for repair and maintenance workers.
- The countywide wage all sector *average annual wage* of \$34,500 per year is only 65% that of the statewide average – due in large part to under-representation of traded sector employment. If government employment is excluded from the average wage calculation, the wage average for all non-governmental sectors in Jefferson County comes in lower at \$29,300 per year.

## Jefferson County Employment & Wage Profile (2009-13)

NAICS	Industry description	2013 Annual Averages			% Change (2009-13)		
		# of Firms	Jobs	Wage	# of Firms	Jobs	Wage
<b>TOTAL</b>	<b>Total</b>	<b>1,087</b>	<b>7,787</b>	<b>\$34,497</b>	<b>2%</b>	<b>-5%</b>	<b>9%</b>
11	Agriculture, forestry, fishing and hunting	23	130	\$32,359	5%	8%	33%
21	Mining	*	*	*	*	*	*
22	Utilities	6	41	\$71,561	0%	-24%	-10%
23	Construction	130	421	\$37,861	-13%	-6%	6%
236	Construction of buildings	52	156	\$37,193	-24%	-15%	2%
237	Heavy and civil engineering construction	8	76	\$57,159	0%	15%	-6%
238	Specialty trade contractors	71	188	\$30,815	-3%	-5%	16%
<b>31-33</b>	<b>Manufacturing</b>	<b>57</b>	<b>625</b>	<b>\$53,561</b>	<b>0%</b>	<b>-13%</b>	<b>15%</b>
311	Food manufacturing	6	51	\$18,302	100%	-2%	-5%
312	Beverage and tobacco product manufacturing	5	40	\$16,457	67%	122%	7%
321	Wood product manufacturing	3	4	\$32,114	*	*	*
323	Printing and related support activities	3	29	\$19,035	-25%	-33%	6%
332	Fabricated metal product manufacturing	6	47	\$28,647	-33%	-15%	-11%
336	Transportation equipment manufacturing	10	58	\$44,861	-9%	-54%	8%
337	Furniture and related product manufacturing	5	9	\$26,760	0%	-50%	13%
	Other manufacturing**	19	387	\$69,804	-14%	-4%	19%
42	Wholesale trade	35	160	\$43,019	0%	7%	12%
44-45	Retail trade	131	948	\$24,689	10%	-1%	6%
48-49	Transportation and warehousing	*	*	*	*	*	*
51	Information	21	133	\$39,610	17%	-4%	3%
52	Finance and insurance	24	146	\$36,915	4%	-15%	2%
53	Real estate and rental and leasing	40	136	\$21,835	-7%	-4%	24%
54	Professional and technical services	83	245	\$38,868	5%	3%	12%
55	Management of companies and enterprises	0	0	\$0	*	*	*
56	Administrative and waste services	40	146	\$25,954	3%	0%	-7%
61	Educational services	28	161	\$23,447	17%	13%	16%
62	Health care and social assistance	68	744	\$26,440	-14%	-19%	3%
71	Arts, entertainment, and recreation	14	87	\$14,446	-26%	-32%	-11%
72	Accommodation and food services	98	1,010	\$15,048	-12%	-2%	11%
721	Accommodation	21	233	\$17,764	-22%	-3%	0%
722	Food services and drinking places	77	777	\$14,234	-7%	-2%	16%
81	Other services, except public administration	233	466	\$21,913	35%	-5%	0%
GOV	Government	49	2,149	\$48,048	4%	1%	11%
NEC	Not elsewhere classified	10	41	\$36,058	100%	32%	-19%

Notes: NAICS is the acronym for the North American Industry Classification System.

Sectors highlighted are those that pay above the average annual wage for Jefferson County.

\* Employment and wages not shown to avoid disclosure of data for individual employer.

\*\* Includes textiles, apparel, paper, petro / chemical, rubber / plastic, machinery, computer and miscellaneous manufacturing.

Sources: Washington State Employment Security Department (ESD). Employment data is for workers covered by unemployment insurance. Excluded are sole proprietors and others without coverage.

Taken together, the high wage industry sectors (defined on a 2-digit NAICS basis) of utilities, construction, manufacturing, wholesale trade, information, finance/insurance, professional/technical services, and government account for just over half (51%) of all employment in Jefferson County. Higher wage jobs also appear to be more resilient, accounting for only one quarter of the net job loss experienced countywide from 2009-13.

Annual per worker payroll also increased more rapidly in these high wage sectors – up by \$4,075 (+10%) per worker in four years as compared to a net gain of only \$1,135 (+5%) in lower wage sectors of Jefferson County's existing job base.

## **Median Hourly Wage**

Published QCEW employment data by NAICS industry classification (as described above) readily allows for calculation of average annual but not median hourly wages (which requires detailed information for every employer). However, ESD calculates an overall median hourly wage for all employment categories combined, by county.

When considered on an hourly basis, the *median* wage for Jefferson County is \$19.33 per hour, approximately 88% of the statewide median wage figure of \$22.09 per hour. The current county-wide median wage represents a target that is anticipated to be exceeded with this CERB application. This can occur by targeting overall industry sectors that pay above the median as well as specific individual companies that may serve to leverage other higher wage activity.

## **Self Employed**

Individuals who are self employed, for example, as sole proprietors, are often not covered by unemployment insurance and so are not included with QCEW data. Yet self employed individuals represent an estimated 25% of all employment in Jefferson County, well above the 10% of all workers statewide who are self-employed.

Based on income data of the U.S. Bureau of Economic Analysis (BEA), individuals who are self-employed have annual incomes estimated at less than 30% the incomes of wage and salary employees. By comparison, incomes of the self-employed statewide average 60% that of wage and salary employees (when considered for the entire state of Washington).

Persons who are self employed often work out of their home. This may be especially the case in the Port Townsend / Jefferson County area due to relatively low average annual incomes.

However, some portion of the self-employed makes more than the countywide average or may want to expand into more business-like quarters. These individuals may represent potential candidates for renting industrial or commercial space – as in the Howard Street work district.

Opportunities to get out of the house or garage are greater if small rental spaces with shared services are available. Examples would range from specialty kitchens with services offered on an hourly basis to small office spaces in a multi-tenant office building with availability of shared services as for copier, administrative support and conference/meeting space.

## Employment Outlook

In the State of Washington, 10-year employment forecasts are prepared for economic regions rather than on a county-specific level. Jefferson County is included within the 3-county Olympic Consortium that also includes Clallam and Kitsap Counties. The most recent forecast was prepared by ESD in May 2014 and covers a 10-year time horizon extending from 2012-22.

As depicted by the following chart, this forecast indicates a projected net gain for the three counties of 13,400 jobs from 2012-22. This equates to an annual average job growth rate of 1.1% per year. Job growth is projected to be somewhat more rapid in the first five years with continued economic recovery, then somewhat slower thereafter.

Sectors with above average rates of job growth are projected to include industrial related sectors of construction and wholesale trade. Manufacturing and transportation related functions are projected for below average rates of job growth. Of services with a traded sector component, professional and business services offer the highest growth potential. Traded sector jobs typically pay more and offer higher economic multipliers because they bring in new income and wealth by selling to customers outside as well as inside Jefferson County.

### 10-Year Olympic Consortium Employment Forecast (2012-22)

Employment Sector	2012	2022	Growth 2012-22	Avg Annual Growth
<b>Total NonFarm</b>	<b>112,500</b>	<b>125,900</b>	<b>13,400</b>	<b>1.1%</b>
Natural Resources & Mining	500	500	0	0.0%
Construction	5,000	6,600	1,600	2.8%
Manufacturing	4,000	4,300	300	0.7%
Wholesale Trade	1,800	2,100	300	1.6%
Retail Trade	14,800	15,800	1,000	0.7%
Transportation, Warehousing & Utilities	1,400	1,500	100	0.7%
Information	1,500	1,600	100	0.6%
Financial Activities	4,000	4,400	400	1.0%
Professional & Business Services	8,700	10,700	2,000	2.1%
Education & Health Services	16,200	20,100	3,900	2.2%
Leisure & Hospitality	11,500	13,100	1,600	1.3%
Other Services	4,700	5,000	300	0.6%
Government	38,400	40,200	1,800	0.5%

Source: Washington State Employment Security Department (ESD).

Jefferson County currently accounts for 7% of employment in the 3-county region. If Jefferson County maintains this 7% share, about 940 added in-county jobs could be expected within this 10 year period. Of this total job gain, 335 jobs could be added in industrial and traded sector activities including construction, manufacturing, wholesale trade, transportation/warehousing,

information, financial and business services. All of these sectors pay wages that are above the countywide average for all employment activity.

If high wage government employment is included, total job growth in sectors appropriate to target for the Howard Street Corridor would increase to net growth of 460 jobs over 10 years. If these jobs are accommodated at an overall average employment density of just under 18 jobs per acre as per the development concept of Section IV (including both industrial and commercial office uses), approximately 26 acres of land would be required over 10 years.

If this need is extrapolated forward over a longer term 20-year time horizon (at compound growth rates), the total land need for high wage jobs for Jefferson County would come in at about 55 acres over 20 years. This can be considered as a *minimum need* to serve high wage job growth in Jefferson County over 20 years.

As described with the Development Concept in Section V of this economic feasibility study, the regional forecast approach for the Olympic Consortium likely undershoots the job growth need and potential for Jefferson County in the years ahead. This is for two policy-related reasons: a) the need to recapture jobs lost during and subsequent to the Great Recession; coupled with b) the need to also maintain a healthy jobs-population balance with continued population growth anticipated going forward.

## **Implications for Howard Street Corridor Development**

Several implications of this employment analysis are important for consideration of economic feasibility of Howard Street development:

- While there are early signs of some employment turn-around, the experience of Jefferson County over much of the last decade indicates that this growth is by no means assured. Provision of appropriately zoned sites with suitable infrastructure is pivotal to providing the best opportunity to both facilitate and accommodate job growth if forecast conditions are to materialize.
- Meeting the above median wage targets of the CERB infrastructure funding program means focusing on traded sector activities that bring new wealth into the community together with potential for expanded public sector functions. Together these account for about 50% of regionally forecast growth.
- Within each of these targeted sectors, there may be some mix of low and higher wage business activity. Accommodating this diversity is important with the caveat that the overall high wage goal is achieved. This may include using a below median wage opportunity as the initial catalyst (or “bird-in-hand”) to begin the cycle of renewed development, provided that realistic opportunities for further up-wage job activity are leveraged as momentum for a Port Townsend work district builds over time.

## IV. SECTORS & CONCEPTS

A pivotal component of this economic feasibility study involves the determination of targeted sectors and development concepts for build-out of the Howard Street corridor. Building from the economic and demographic trend review, development concepts will then allow for consideration of market and financial feasibility, marketing strategy and economic outcomes.

### TARGET SECTORS

As is further detailed by the Appendix B Marketing Strategy to this economic feasibility study, business clusters targeted for the Howard Street Corridor are proposed to include:

- **Craft consumer good production** – as for artisan food, fashions and furnishings.
- **Machining, manufacturing and specialty trades** – including machining of not only wood but metals, composites and ceramics.
- **Research, engineering and design** – both screen-and-paper including software firms.
- **Wholesaling and mail order** – which may include an on-site showroom for destination customers.
- **Business support services** – direct support professions as with law, accounting, tax, management consulting and web design, as well as printing.
- **Supplies and equipment** – who sometimes become “exporters” in their own right.
- **Warehousing and storage** – inside and outside, increasingly utilized as creative spaces for small and start-up firms operating out of inexpensive buildings with shared services.
- **Amenities and services** – as varied as restaurants, gyms, daycare centers, banks, trade schools, hobby spaces, medical clinics, occupational therapists, and car rental agencies.

Targeted sectors are intended to align with sectors that have exhibited stronger employment performance in recent years, include a substantial mix of higher wage jobs, and fit with demonstrated competitive strengths of the Port Townsend area businesses. These sectors are driven by *traded sector* firms – selling goods and services regionally or internationally as well as locally, thereby bringing net new dollars into the Port Townsend community.

Not all target sector firms in the Howard Street corridor will meet all objectives in the same way. Some businesses will pay more than others. For example, as a service sector function, retail generally pays less but is important as a sales outlet for locally produced goods as well as serving the day-to-day employee and procurement needs of local export-oriented businesses. Increasingly, successful work districts in both metro and non-metro settings are finding that employees want proximity (including walkability) to nearby places to eat, work out, conduct personal business, meet and socialize.

Even within an overall high wage sector such as manufacturing, there can be wide differences in wage and salary practices. Metal trades requiring high skill levels generally pay well; food



processing firms pay less but may offer opportunities for entry level work, followed by advancement or transition to other entrepreneurial ventures.

A measure of success for the Howard Street corridor is not that every job pays above the median wage, but that the overall district pays above median. In some cases (as appears to be the case in Port Townsend), that may involve *seeding* the district with an iconic industry paying below the median – in turn attracting attention and follow-on investment from other higher wage industries and firms.

## **Toward a Howard Street Work District**

Proposed by this feasibility study is something more than business as usual for Port Townsend. Even with economic recovery from the recession noted elsewhere in Washington state, a review of recent trends indicates lackluster economic benefits for Jefferson County to date.

Employment remains well below pre-recession levels, unemployment is well above the statewide average, the community is unduly tied to lower wage job sectors, and local incomes have come to depend more on investment, retirement and transfer payment sources than employment. The results are relatively low household incomes and governmental revenues more challenged to meet public service needs.

A Howard Street work district offers an opportunity to mitigate if not reverse this downward trend. Proposed with this feasibility study is a **working vision statement** to the effect that:

*The Howard Street corridor is a mixed employment work district, facilitating investment for high wage, job-creating production, on-site sales, distribution, research and development, administrative and support service functions responsive to ever changing local and global market opportunities.*

*Pedestrian and vehicle friendly, functional and eclectic in design, providing a full range of urban services, the district cultivates sustainable craftsmanship, yielding measurable return on investment for businesses, employees, property owners and the greater Port Townsend community.*

This draft vision is intended to serve as an organizing principle for work district development concepts together with resulting market feasibility evaluation and marketing strategy that comprise the remainder of this economic feasibility study.

## **Work District Case Study**

At this point, a reasonable question to ask is: *Has the concept of a multi-form, interdisciplinary work district worked elsewhere?* The answer is a definite *yes* – though this is still a pioneering endeavor. On the following page is presented a case study from a similar community – Hood River, Oregon. The Appendix B marketing strategy describes additional work district examples.

## Case Study – Hood River, Oregon

With 7,545 in-city residents and 23,730 countywide, the Hood River area is less populated than Port Townsend and Jefferson County, albeit in a smaller geographic area. Drive time to Portland as the nearest metro area is about one hour on a good day – but access can be more treacherous with winter driving conditions through the Columbia River gorge.

Like Port Townsend, Hood River is a popular visitor destination – known for downtown shopping, area wineries, orchards, and diverse recreation anchored by board sailing on the Columbia River. Both communities offer spectacular waterfront natural settings with a mountain backdrop.

**Job Growth.** Despite the recession and its aftermath, Hood River is experiencing strong economic growth. Countywide employment increased by 7% from 2009-13 with average wages up by 11%. Unemployment is dropping to about 5% - below the Oregon statewide average of 7%.<sup>9</sup>

Even with substantial reliance on relatively low wage agricultural and tourism related employment, the area's economic growth is now being led by high wage industries. Manufacturing, transportation/warehousing/utilities, information, finance/insurance and professional/business services account for about one-quarter of the county's job base but one-half of the job growth since 2009.

**Locally Grown.** Major employers include Hood Technologies (aerospace engineering), Insitu (headquartered across the Columbia in Bingen and acquired by Boeing), Full Sail Brewing Company (employee owned microbrewery), Dakine (clothing and sports equipment), Turtle Island Foods (vegetarian Tofurky), Ryan's (fresh fruit juices) and Hood River Distillers (largest importer, producer and bottler of spirits in the Pacific Northwest). A number of these firms were founded and grown by persons moving to Hood River to pursue their recreational and entrepreneurial passions.

**Port Development Strategy.** Recent development has occurred on 65 acres of publicly and privately owned land on the Columbia River waterfront. The Port of Hood River has taken a lead development role – for public beach access, a 150-slip moorage, and waterfront business park with sites for sale and lease as well as building space for lease.

**Land Use & Zoning.** Getting the best mix of Waterfront Business Park uses is the evolving result of Port planning and ongoing community dialogue – for a 24/7 work district without housing. Light industrial zoning allows for a range of industrial uses including those with outside storage as well as size limited office and on-site sales/display of products “accessory and essential to the permitted use.” In December 2014, the City Council adopted a waterfront overlay zone to set urban design standards for those industrial and commercial properties in closest proximity to the Columbia River.



**Waterfront Business Park – home to Tofurky (above) as well as Dakine, Hood River Distillers, and others yet to come.**



## DEVELOPMENT CONCEPT

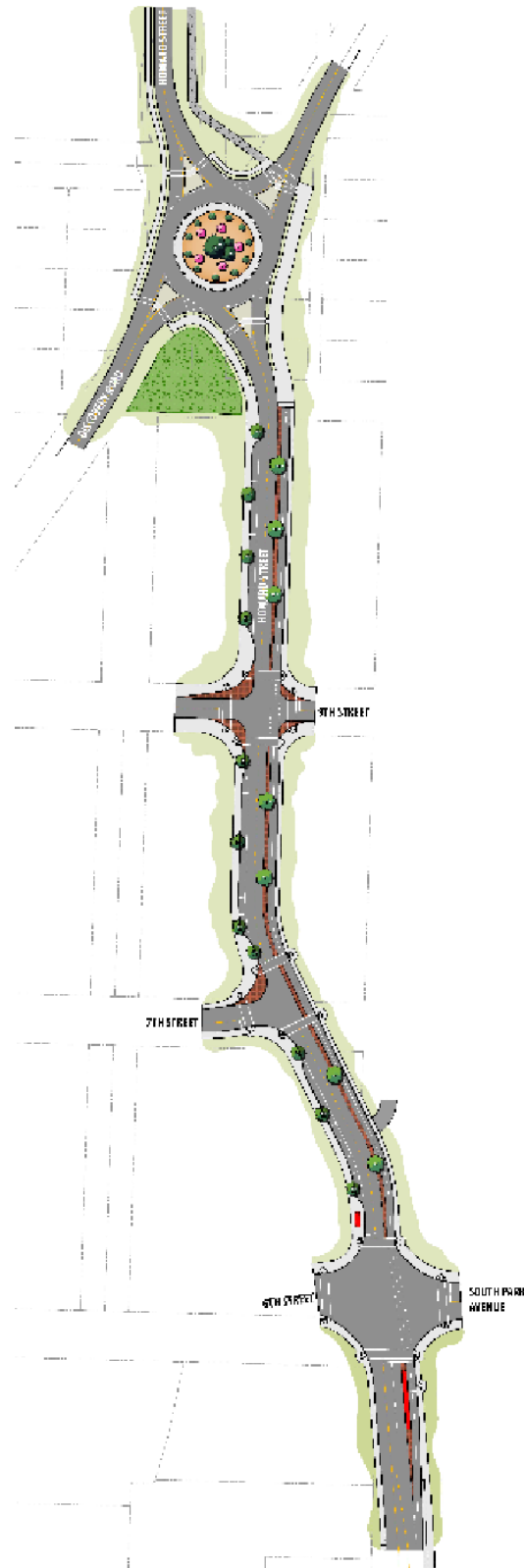
The development concept for Port Townsend's Howard Street Work District involves public infrastructure improvements and ensuing private investment for job creation.

### Howard Street Extension

The central spine and organizing feature of the Work District is an extended, reconfigured and improved Howard Street. As depicted by the graphic to the right, key features of this project are planned to include:

- Extending Howard Street north from 7<sup>th</sup> Street to Discovery Road together with access for a committed private partner.
- Reconfiguration of the existing (but not built) right of way from about mid-block at 6<sup>th</sup> Street north by one-half block to the west to a more efficient connection with Discovery Road.
- Construction of a new roundabout at the intersection of Howard Street and Discovery Road.
- Pedestrian-oriented sidewalk, landscape and public amenity features along the full length of the extended corridor.
- Provision of municipal and franchise water, sanitary sewer and storm drain improvements plus communications and power – benefiting properties throughout the work district.
- Clearing and grading, removal of vegetation, and mitigation of roadway impacts via an existing wetland buffer.
- Acquisition of affected right-of-way and construction staging within the project limits – offering back the existing Howard street right-of-way ½ each to adjoining owners east and west.<sup>10</sup>

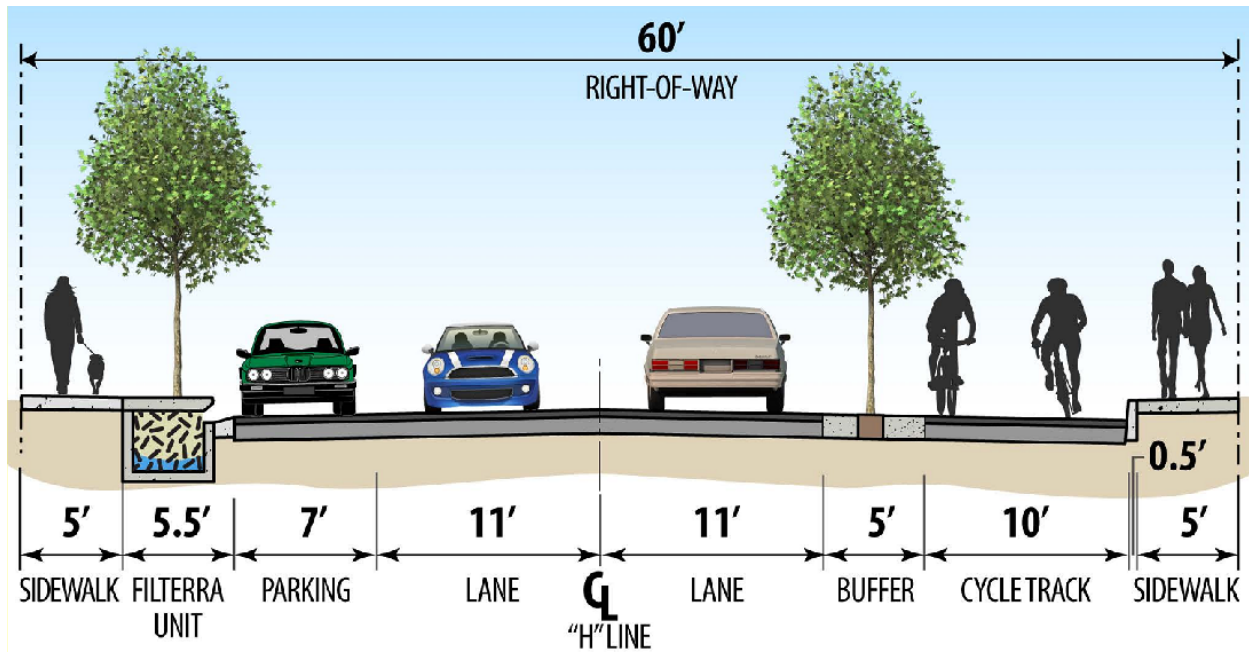
### Howard Street Extension Plan



Source: City of Port Townsend

As illustrated by the following drawing, the 60 foot road right of way is planned to accommodate two 11 foot travel lanes, parking on one side of the street, two landscape buffers, a cycle track and sidewalks on each side of the street.

**Howard Street Roadway Section  
(Typical between Sims Way and Discovery Road)**



Source: City of Port Townsend

Pending CERB funding, construction may proceed as early as May 2015.

**Development Build-Out**

At full build-out the Howard Street Work District offers the development capacity to support at least another 720,000 square feet of commercial and industrial building space. This would lead to added fair market valuation (FMV) based on County assessment trends of nearly \$65 million.

**Howard Street Work District Development Build-out Potential**

Development Factor	Estimate	Comments
Developable Acreage	82.5	Vacant plus land @ < 0.5 I:L
Site Coverage / FAR	20%	Up from 14% for lands w/building currently
Building Space (SF)	720,000	Rounded to nearest 10,000 square feet (SF)
FMV per Building SF	\$90	Based on current district development values
Added District FMV	\$64,800,000	Fair Market Value (RMV) @ buildout

Source: E. D. Hovee & Company using City/County GIS data. All estimates are in 2014-15 dollars.

This build-out scenario is predicated on the following assumptions:

- Development of 82.5 acres – including 77.8 acres identified by Jefferson County tax records as having no improvements value and 4.7 acres as having improvements valuation less than one-half as great as land value (i.e., I:L < 0.5).
- Site coverage (or FAR) with building square footage equal to at least 20% of land area – an increase from the 14% FAR factor with Howard Street corridor sites that currently have buildings.
- Fair market valuation (FMV) consistent with values as estimated by the assessor for existing sites with improvements area in the Howard Street area (*minus* land value for unimproved land).

These estimates may prove to be conservative over the long-term – especially to the extent that building intensity increases to what is typically expected for commercial and industrial development and that valuations for new structures exceed what is on the ground today.

## Mix of Work District Uses & Employment

The next questions that arise are: *What is the anticipated mix of development? And, how much added employment and payroll might be associated with this development?*

Consistent with the vision for the work district for a mutually supportive mix of overall high wage jobs, three components of development and employment activity are anticipated:

- **Industrial shop space** – for targeted sectors including craft consumer good production, machining, manufacturing and specialty trades, warehousing and storage (estimated at 40% of work district building space development).
- **High wage office** – including targeted sectors of research, engineering and design together with business support sectors (at 35% of building area developed).
- **Related retail** – which can include supplies and equipment as well as amenities and services *plus* on-site retail for products manufactured on-site (at about 25% of total work district building area developed).

As depicted by the chart on the following page, this projected mix of development results in potential net added property valuation of close to \$65 million and added employment to build-out of 1,465 jobs. This job figure represents opportunity to support an approximate 19% increase in Jefferson County employment (as compared to the 2013 employment figure of 7,787 covered jobs countywide).

Payroll anticipated with these jobs is estimated at \$58.5 million per year. Average wage (including for part time workers) would be in the range of \$39,900 – nearly 16% above the 2013 Jefferson County average of just under \$34,500 per year. Overall above average wage performance can be achieved even with one-quarter of anticipated employment occurring in lower wage and part time sectors of retail and accommodations (including food service).

Business recruitment through the efforts of the City and Team Jefferson as the state approved associate development organization (ADO) also will be focused on firms that offer benefits equal or better than the standard for their respective business or industry type.

### Howard Street Work District Development Build-out Potential

Development & Employment Factor	Type of Space Developed			All Sectors
	Industrial Shop	High Wage Office	Related Retail	
<b>Added Development to Build-Out</b>				
Building Space (SF)	288,000	252,000	180,000	720,000
% of Added Space	40%	35%	25%	100%
Development Valuation	\$25,920,000	\$22,680,000	\$16,200,000	\$64,800,000
<b>Direct Employment &amp; Payroll</b>				
Building SF per Job	750	350	500	490
Employment Potential	385	720	360	1,465
% of Added Employment	26%	49%	25%	100%
Average Annual Wage	\$47,500	\$46,000	\$19,700	\$39,900
Annual Payroll	\$18,290,000	\$33,120,000	\$7,090,000	\$58,500,000

Sources: E. D. Hovee & Company, LLC using Jefferson County Assessor & Treasurer and WA-ESD payroll data.

Wages reflect current countywide averages for affected sectors; estimates are in 2014-15 dollars. Employee benefits will vary depending on the firm and are not readily ascertainable into the future, in part due to continuing and/or potential changes in state / federal legislation especially as relates to health care and retirement benefits.

### Business Recruitment Targets

From a marketing perspective, it is useful to know how many new or expanding firms it might take to achieve build-out at the projected target of 1,465 jobs in 20 years. The answers depend on whether development in the future matches the current profile of businesses in Jefferson County or transitions not just to more firms but also growing businesses.

**Current Firm Size Profile.** As of 2013, the typical firm size for targeted industrial shop, office and related retail firms was just over 9 employees:

- Industrial shop operations average less than 6 employees per firm (with firm size dropping by over 35% in just the four prior years since 2009).
- Targeted office uses average close to 15 employees per firm (with the typical firm having doubled in size since 2009).
- Related support retail and service firms average less than 9 employees per firm (a figure that has remained stable in recent years).

If average firm size remains as it was in 2013, it would take close to 160 businesses to achieve Howard Street work district build-out. However, this would not achieve the vision for the

district which is to not only support new firms but also facilitate business growth with new and existing firms for increased sustainability over time.

**Growing Firm Size.** If Howard Street work district businesses were to average twice the numbers of employees as currently occurs in Jefferson County, it could take up to about 80 business to achieve district build-out. The anticipated mix of new businesses in the corridor area would include:

- About 35 added industrial shop businesses
- 25 added high wage office firms
- 20 added work district retail and service support businesses

This represents a maximum recruitment target. To the extent that existing businesses in the district also share in this growth, the net new requirement is correspondingly reduced.

## Conditions for Achieving Build-Out

Achieving the projections associated with build-out will not automatically occur – even with construction of the Howard Street extension as currently proposed. Other conditions that underlie this projection are identified as including:

- Aggressive marketing – as a cooperative initiative involving the City, EDC, Chamber of Commerce, County, and Port.
- Adoption of refined permanent work district zoning allowing for more flexible mixing of high wage employment than is possible with existing industrial and commercial designations – but with a cap on retail focused toward on-site producer sales together with walk-to business and employee service amenities.
- No net loss of existing businesses, for example, as might be impacted by right-of-way acquisition as needed for the realigned Howard Street corridor.
- Securing one or more catalyst investments early on – building confidence and momentum to draw additional work district investment and employment.
- Employee training and recruitment – to retain and rebuild an educated, younger, skilled highly productive, and well paid work district labor force.
- Active encouragement and facilitation for businesses to grow their employment base in Port Townsend, with flexibility for district expansion in response to increased market opportunities over time.
- On-going monitoring of results – with opportunity for mid-course correction as needed.

## Mt. Townsend Creamery- Catalyst for Work District Development

In advance of a 2015 CERB application, an existing Port Townsend artisan manufacturer proposes to anchor the new Howard Street Work District. Mt. Townsend Creamery will build momentum for subsequent high wage investment. As profiled on the following page, the firm is ready to proceed to development, contingent on street extension and utilities as proposed.

## Mount Townsend Creamery – Lead Howard Street Investment

The Mt. Townsend Creamery was founded in 2005 by Matt Day and Ryan Trail and their families. As stated on the company’s web site: “At Mt. Townsend Creamery, we work with local farmers to handcraft cheese that captures the character of the Olympic Peninsula, and reinvigorates world traditions.” Mt. Townsend secures high-quality milk from “a single herd of 250 cows that live and graze on one family-owned farm, in Sequim, whose owners have been raising dairy cows for generations.”<sup>11</sup>

**Room for Growth.** The Creamery currently operates from three spaces in Port Townsend with no room to serve increasing demand for its product in Jefferson County, in Puget Sound and beyond. Planned is the consolidation of facilities into a single new 17,000 square foot creamery with room to accommodate yet further future growth over a period of up to the next 15 years. Mt. Townsend will also operate an on-site store and tasting room – watching cheese makers at work.

Under the name *Cheesy Ventures*, the firm has acquired 2.56 acres on two parcels situated between 7<sup>th</sup> and 8<sup>th</sup> Streets that adjoin the proposed improved Howard Street Corridor. The City will acquire an approximate 0.23 acre strip for the proposed Howard Street relocation. It is also possible that excess land may be available on plant completion for sale, ideally to another artisan manufacturer.

The expansion is estimated to cost up to \$2.5 million for plant, equipment, and capitalized start-up costs. Financing is anticipated to occur through the SBA 504 program. Current plans call for the new plant to be operational by mid-2016.

**Employment.** As of November 2014, Mt. Townsend Creamery has 20 employees, 14 of whom are employed full-time. Consistent with trends throughout its industry, the firm pays an average wage for hourly employees below the Jefferson County median. Five salaried employees are paid at rates above the median. This lead investment is intended to draw other businesses with a higher wage mix.

Eight employees are on a company provided health plan; another two also have family coverage. Paid time off accrues hourly to about two weeks per year (@ a 40-hour work week). While relocation is not expected to result in substantial new job hires, a shift to higher wage levels is anticipated for employees with increased skills and responsibilities.

**Need for CERB Funding.** Securing the proposed Howard Street improvement projects is pivotal to Mt. Townsend’s planned creamery relocation and expansion. The project is also dependent on wetlands mitigation and rezoning. Without the street and associated sewer service, the Mt. Townsend Creamery project will not be able to proceed.





# V. MARKET & FINANCIAL FEASIBILITY

*Do the development concepts describe offer market opportunity? Are they financially feasible – from both private and public sector perspectives? These are questions that this pivotal portion of the Howard Street Corridor Economic Feasibility Study aims to address.*

This economic feasibility study is faced with addressing the challenge posed by experience of the last decade – with county-wide employment yet to recover to anything near pre-recession levels and with commercial and industrial development in Port Townsend at a virtual standstill. This economic feasibility assessment argues for a turn-around for two reasons:

- Opportunity to share in renewed economic vitality as is occurring elsewhere throughout the U.S. and Washington state.
- Imperative for economic recovery locally – if Port Townsend and Jefferson County are to offer opportunities for sustained quality of life in the years ahead.

As the only significant location with fully served sites to accommodate added industrial-related employment in Port Townsend and Jefferson County, the Howard Street corridor will play a pivotal role in determining the extent and manner to which this economic turnaround is experienced. This involves assessment of the overall market opportunity followed by consideration of factors that will influence feasibility for the public infrastructure and private development.

## MARKET OPPORTUNITY

The review of demographic and employment trends and outlook (covered by Section III of this report) provides one lens through which to view future opportunity both community-wide and for the Howard Street Corridor more specifically. Another lens is through the organized efforts of organizations directly involved in economic development for the city and county.

This discussion includes consideration of current county-wide industry cluster priorities, industrial commercial land supply and demand, and Port Townsend strategic initiatives. The final conclusion as to market opportunity comes back to the planning and policy question of whether Port Townsend and Jefferson County continue with the recent trend or move more aggressively toward a cooperative program for economic recovery and renewed vitality.

### Industry Cluster Priorities

Team Jefferson operates as the state-designated economic development council (EDC) for Jefferson County. Together with partner organizations including the City of Port Townsend, Team Jefferson initiates and facilitates collaborative projects and partnerships aimed to create sustainable prosperity for Jefferson County. The organization provides one-on-one, confidential consulting and technical assistance to existing businesses and assists businesses interested in locating in Jefferson County.

Team Jefferson currently works to promote and enhance nine identified *industry clusters*:

- Health & wellness
- Food & farm
- Marine trades
- Arts & culture
- Advanced technology
- Small business & entrepreneurs
- Retail & tourism
- Construction & real estate
- Education

A Howard Street work district is distinctly oriented to improve overall wage levels locally and county-wide. This initiative also appears well suited to serve at least four of these clusters: food & farm, activity complementary to marine trades, advanced technology, and small business & entrepreneurs. The portion of the retail & tourism segment that relates to sales of goods produced on-site also represents a good fit with the Team Jefferson strategic cluster approach. And despite continued business consolidation, Howard Street offers a good location for construction firms serving Port Townsend and Jefferson County building needs – especially with respect to emerging opportunities in green building and improved energy management (as with solar, weatherization, heating and insulation applications).

## **Economic Development Planning**

In recent years, considerable economic development planning has been conducted for public jurisdictions and economic development organizations in Jefferson County:

- In 2002, Paul Sommers prepared an initial Jefferson County economic assessment – covering demographic and employment trends, interview and survey findings, and potential approaches and recommendations for economic development in Jefferson County.  
The now more than decade-old report reviewed key trends at the time – noting that “Jefferson County’s economy is transitioning from a reliance on forestry, wood products, fishing and other marine-related industries to one based on retirement, tourism, and linkages to the ‘new economy’ in the Seattle area.” Stakeholder interviews and a business survey were conducted and a series of industry clusters recommended as a means to organize local economic development initiatives.
- In 2007, the economic and development consulting firm E. D. Hovee & Company, LLC conducted preliminary work toward a countywide industrial and commercial land inventory, infrastructure assets and economic development analysis – with key products including business survey, preliminary employment forecast scenarios, plus commercial and industrial lands inventory analyses.  
Three alternative scenarios were prepared to illustrate potential employment and accompanying land needs for Jefferson County over a 20-year forecast horizon (2007-27) – including extrapolation of the existing job trends, an alternative for jobs-housing balance, and a third scenario associated with a jobs premium for selected target industry sectors.

- In June 2010, E. D. Hovee prepared an updated assessment as part of a joint economic development planning process conducted as a cooperative initiative of Jefferson County, the City of Port Townsend and Port of Port Townsend. A particular need emerging subsequent to the 2002 and 2007 economic development analyses was to take into account effects of the economic recession and as yet uncertain economic recovery – addressing how the economic landscape has changed and might continue to transition over the next 1-2 decades.

As of the 2010 assessment update, Team Jefferson was proceeding with detailed analysis of key business clusters for priority emphasis in Jefferson County – setting in place the framework for on-going business assistance that continues today.

In the absence of more recent economic development planning updates, two elements from existing and prior analyses remain of particular importance to this Howard Street economic feasibility study – industrial/commercial lands analysis and projections of future economic growth.

## **Industrial/Commercial Land Availability**

Questions of industrial and commercial land availability are considered both for the City of Port Townsend and Jefferson County.

***Port Townsend Developable Employment Lands.*** A preliminary industrial / commercial land inventory conducted in 2007-08 identified approximately 128 acres of vacant lands not in critical areas within Port Townsend.<sup>12</sup> The majority of the then identified inventory (67 acres) was noted as being designated for commercial and/or mixed use – primarily for the Howard Street area. Another 28+ acres was designated for marine related uses at Port Haven and Port Hudson. The remaining 32 acres was indicated as mixed commercial/light manufacturing – also primarily in the Howard Street area.

As of late 2014, the Port of Port Townsend web site indicates that no vacant commercial properties are available. In effect, the commercial and non-marine general industrial vacant inventory was and remains in or near the Howard Street district of Port Townsend.

A corresponding 2014 updated review of parcel based GIS data indicates that there are 11 acres of vacant or underutilized general industrial (M-C zoned) land in Port Townsend situated *outside of* the current Howard Street corridor study area. All of this added future potential inventory is located immediately adjoining the study area (about one block east of Howard and one block south of Sims but with critical street and utility infrastructure not yet on-site.

As of early 2015, there is no identified vacant/underutilized general (non-marine) industrial land in Port Townsend that is currently served with full street and utility infrastructure. Getting appropriate infrastructure to Howard Street corridor sites with the proposed street extension and utility project is therefore pivotal as the only realistic option to providing shovel-ready industrial land in Port Townsend.

Completion of this proposed extension project will also serve to set the stage for future provision of final needed infrastructure investments for what will become the last remaining acreage of undeveloped general industrial (M-C) land in Port Townsend. As noted, this last reserve of in-town industrial land is just east of the Howard Street corridor, and may be positioned to accommodate further work district expansion as is warranted in the future.

There appear to be greater options for commercial development in Port Townsend, although sites are generally quite small and dispersed throughout the city. As of 2014, GIS/tax assessor data indicates that there are 26 acres of vacant commercially designated land in Port Townsend – with average parcel size at just one-quarter acre.

There are another 13-14 acres of underutilized parcels with an improvements to land value (I:L) ratio of less than 0.5. At about one-third of an acre, average size of these underutilized parcels is also relatively small.

The Howard Street area offers potential advantages for selected commercial uses as compared to the remaining inventory elsewhere in the city:

- Parcels are available in greater size increments allowing for more planned center developments including greater opportunities for shared parking.
- Targeted commercial office, retail and service uses can serve manufacturing and related industrial employment, further boosting the amenity value for industrial location and expansion in the work district.

Broadening the commercial designation to allow complementary manufacturing related use is recommended for the Howard Street work district – especially for production facilities that have an on-site retail component. Strategies to focus commercial use on those activities that reinforce the work district concept will also serve to encourage the component of retail that is not work-district related to better utilize commercial sites available elsewhere within existing downtown and neighborhood districts.

***Employment Lands in Unincorporated Jefferson County.*** It is also useful to consider what might be considered as potentially comparable (or competitive) industrial and commercial properties outside the City of Port Townsend and its urban growth area (UGA). Most of the unincorporated inventory that has been developed in the past is situated close to the City in the eastern portion of the county.

The earlier 2007-08 inventory also identified an estimated 379 acres of potential employment property in unincorporated Jefferson County. However, as of the date of the inventory none of this acreage was identified as having municipal water and sewer service. Lack of sewer was identified as a primary constraint, meaning that development could occur only to the extent that septic or other suitable on-site treatment systems could be put in place.

Key portions of this future unincorporated area inventory potential include the Irondale / Hadlock UGA, Glen Cove light industrial area and Jefferson County International Airport. While

sewer has been planned for the Irondale / Hadlock UGA, full funding has not materialized to date. A proposal for allowing non-aviation-related industrial and manufacturing uses at the airport also has not proceeded to implementation.

Unincorporated Jefferson County remains a potentially viable and often low cost location for businesses that have minimal wastewater needs (as with no process water) and/or can develop cost-effective septic or related on-site treatment systems. Depending on soil conditions, businesses often may be able to build on only one-third to one-half of the lot, with the remainder as required drainfield. For businesses such as Mt. Townsend Creamery, access to a municipal system may be determined to be the most cost-effective or only viable option.

## **Industrial/Commercial Land Demand**

The 2007 economic development analysis also provided preliminary projections of employment and associated land needs for Port Townsend and unincorporated Jefferson County. Three job scenarios – trend extrapolation, jobs-housing balance, and cluster-based growth – were considered.

These scenarios involved employment growth rates averaging from 3-4% per year. If these levels of employment growth were to materialize, the net county-wide industrial/commercial land need over 20 years could range to as much as 429-637 acres.

To date, the employment growth rates and associated land needs considered have not materialized. The 2007 projections were followed by the Great Recession which led to job losses rather than gains. As noted earlier in this report, employment in Jefferson County was still 15% or more below pre-recession levels as of 2013.

Despite the recession, the population of Jefferson County has continued to increase. From 2006-13, Jefferson County experienced a net loss of 1,340 jobs (or an employment decline of 15%). During this same time frame, population countywide increased by over 7%. If the area were to recapture what was lost and maintain the jobs-to-population experienced just prior to the recession, the number of jobs would need to be more than 2,000 jobs greater than were available as of 2013 – just to stay even with where the county was less than a decade ago.

## **Port Townsend Strategic Initiatives**

The significance of the Howard Street Corridor to Port Townsend's economic recovery and future growth prospects has been recognized for some time.

**2010 Capital Investment Strategy.** In 2010, the City of Port Townsend Capital Investment Strategy focused on an action plan to grow from three main economic *anchors*:

- Marine heritage
- Fort Worden
- Upper Sims and Howard Street commercial corridor

In the wake of the Great Recession and weak economic recovery, a clear message was that “City wide infrastructure investment initiative is still critical to recovery.” Three reasons were identified as a basis for making these strategic investments in Port Townsend’s future:

- a) A need to continue to focus on a long-term infrastructure strategy to build and grow community and economic development activity;
- b) Recognition that Port Townsend’s major established economic anchors continue to prove themselves as assets from which to build; and
- c) Resulting conclusion that the City has to continue as a leader and partner in advancing the community’s long-term prosperity.

**2014 / 3-Year Strategic Plan.** This past year, the City of Port Townsend has re-stated and reinforced the importance of the Howard Street corridor to the City’s overall strategic objectives and goals. The #1 strategic goal is to deliver an updated Comprehensive Plan in 2016. The #2 goal (out of five) is to “increase capacity for business development in the Howard Street corridor.” This goal fits with a strategic objective for improved infrastructure to support diverse business opportunities.

Strategies identified as important to achieve this goal for the Howard Street corridor are to:

- Create a diverse commercial services district
- Allow for advanced-tech, light industrial, and artisan manufacturing
- Integrate with neighboring residential areas
- Demonstrate environmental stewardship

## **Which Way for Port Townsend / Jefferson County?**

Based on recent (post-2005) experience, the case might be made that there is little to no need for any significant level of added industrial or commercial development in Port Townsend or Jefferson County. Jobs have declined to 85% of the 2005 peak due to the recession and extremely weak economic recovery locally to date.

**What Recent Trends Suggest.** As of November 2014, the City of Port Townsend had yet to issues a single permit for new commercial construction in the City. Longer term, an aging population means that fewer jobs may be required for persons no longer actively in the work force.

To further illustrate, an *Eco-Industrial Park Feasibility Study* for the Port of Port Townsend in 2011 concluded that: “Industrial employment in Jefferson County totals fewer than 1,000 jobs, with limited overall projected growth.” The conceptual plan for an industrial park at adjacent to the Jefferson County International Airport provided for 11 parcels of 1+ acres. The conclusion was that, even with pre-leasing, the industrial park might become fully leased (or absorbed) in ten years, for annual average demand of only 1 acre (or about 9,000-10,000 square feet of industrial building space) per year.

**Rationale for Economic Turnaround.** An outlook based on recent trends would appear admittedly pessimistic but does not tell the full story when considered in light of the following additional considerations:

- Port Townsend and Jefferson County have not always experienced anemic job growth. In the two decades prior to 2006, employment increased at a rate 75% above what was then an also robust pace of countywide population growth.
- Countywide, unemployment which was on a par with the statewide average in 2006 is now considerably above the statewide average – indicating need for new jobs to re-employ those who remain displaced from employment.
- Pre-recession, over one-fifth (21%) of businesses surveyed in 2007 indicated they would need added building area in the future and 12% indicated need for added land.<sup>13</sup> With national and regional growth now on the upswing, there is opportunity for Jefferson County to regain lost ground if suitable buildings and shovel-ready land can be provided.
- In today’s world of mixed use employment opportunity, a work district anchored by industrial employment can be a lot more – also encompassing related tech-oriented office, on-site product showroom and retailing activity, thereby broadening the range of employment opportunities served. And creating the type of vibrant work place where younger workers (notably millennials) want to be.
- Much of the county-wide economic development focus in recent years has been on attracting development to lands in the unincorporated part of the County; however this has not yet proven effective due to continuing land use and infrastructure questions. Facilitating industrial development in-town represents an option that is preferred by many firms and consistent with growth management objectives.
- With a median age of over 55 years, Jefferson County is nearly 50% older than the rest of the state – a trend that may prove increasingly challenging to sustain indefinitely. For economic and fiscal balance, increasing the share of the adult population that is employed is important to quality of public services and overall quality of life.
- With hourly wages that are 12% below and household incomes 24% below comparable statewide median figures, Jefferson County has considerable distance to go. This distance likely cannot be made up without renewed higher wage employment growth. The wage disparity is even greater when considered on an average annual basis – 35% below the statewide average due to the much higher prevalence of part time work in Jefferson County.

In short, there is a clear rationale for the economic turnaround being experienced elsewhere to also come to Port Townsend and Jefferson County. However, successful recovery is by no means assured.

Return to a sustainable path of economic prosperity will not take place on its own but will depend on intentional, cooperative initiatives of the public and private sectors. And securing more jobs will require suitable, fully served land and suitable buildings in which to house the added business and employment activity.

**Job Capture Opportunity.** How this might occur is depicted by the following chart:

- *The top portion* of the chart quantifies anticipated job need countywide – both today and over the next two decades.
- *The bottom portion* of the chart illustrates the share of the market (or capture of countywide potentials) required for the Howard Street work district to build-out over the next 20 years.

### Required Job Capture for Howard Street 20-Year Job Build-out

Job Factor	Estimate	Comments
<b>County-Wide Employment Need</b>		
<b>2006-13 Change:</b>		
Job Loss from Peak	1,340	From 2006 peak year level
Added Jobs w/Pop Growth	665	With 7.3% population increase since 2006
Net Job Gain To Break Even	2,005	As of 2013
<b>2014-35 Potential Change:</b>		
If Jobs Match Pop Growth	2,665	@ current 1.10% OFM medium range forecast
Net Added Jobs by 2035	4,670	For county-wide jobs-population balance
High Wage + Support Services	75%	Share of all county-wide job growth
High Wage + Related Job Growth	3,500	Jobs suitable for Howard Street work district
<b>Howard Street Corridor Employment Capture</b>		
<b>Work District Build-Out (20 Year):</b>		
Added Employment Potential	1,465	Per Howard Street development plan
<b>As Share of County-Wide Growth:</b>		
High Wage + Related Job Growth	3,500	Based on county-wide forecast noted above
Howard Street Corridor Capture	42%	Required share to achieve 20-year build-out

Sources: OFM, ESD, E. D. Hovee & Company, LLC

The *top portion* of the chart indicates that over 2,000 jobs would need to be created to get back to the levels of employment experienced prior to the recession and also serve employment needs of population growth experienced since 2005.

An added 2,665 jobs will be needed to keep pace with population growth expected over the next two decades. Noted is that while the adopted GMA plan for Jefferson County assumes a population growth rate of nearly 1.8% per year, actual population growth rate has averaged 1.1% per year from 2005-14. An updated 1.1% annual growth rate is forecast by OFM for Jefferson County (with a medium growth scenario) to 2035. Jefferson County and the City of Port Townsend are currently using this mid-range forecast in conjunction with the 2016 Comprehensive Plan update process.



Of the 4,670 total potential countywide job need, about 3,500 jobs (or 75%) currently fall into the high wage shop industrial/office plus support retail and hospitality sectors that represent priority business development targets for a Howard Street work district.

The *bottom portion* of the chart details how much of the added employment potential the Howard Street work district would need to capture to achieve initial build-out within a 20-year time horizon. With build-out indicated at approximately 1,465 jobs, the work district would need to capture about 42% of the countywide forecast for 3,500 added jobs in *high priority job sectors*.

Looked at from the perspective of *all job growth* in Jefferson County, the Howard Street corridor could account for just under one-third (31%) of the 4,670 total added jobs required for Jefferson County to re-establish and maintain jobs-population balance moving forward to 2035.

## FINANCIAL FEASIBILITY

For economic development to occur on the Howard Street corridor, there not only needs to be a market. Development also needs to demonstrate financial feasibility. *In other words, can the participants afford to pay on a basis that is competitive with other alternatives available?* This question is addressed – albeit somewhat differently – for private and public sector participants.

### Private Sector Feasibility

A 2011 *Eco-Industrial Park Feasibility Study* prepared for the Port of Port Townsend in 2011 provides a succinct overview of supportable industrial land pricing and building rental rates in Port Townsend and the nearby unincorporated area as at Glen Cove.

**Land Pricing.** Supportable industrial land pricing is indicated to be approximately:

- \$4 per square foot – without community sewer
- \$6-\$7 per square foot – with community sewer (with the higher end of the range consistent with pricing at the Port’s Boat Haven and Port Townsend Business Park)

Based on additional research for this analysis, ready-to-build land that allows for commercial use may be valued higher in the range of \$10 per square foot. A caveat is that there are not many land sales transactions on which to clearly assess fair market value.

“Employees increasingly want to work in a mixed use environment that allows them to accomplish a number of daily tasks (or at least grab lunch without getting in a car). Similarly, employers want to occupy spaces that are flexible, sustainable, and adaptable to their daily needs and long-term goals, and developers want to build projects that appeal to a wider pool of potential tenants.”

- From *Modernizing Suburban Office and Industrial Zoning*, APA Zoning Practice, December 2014.

**Building Lease Rates.** The 2011 feasibility also concluded that a new industrial building could be expected to support rents in the range of \$0.50 - \$0.60 per square foot monthly. Rates are quoted on a triple net basis (meaning that the tenant pays operating expenses).

Research conducted for this 2015 economic feasibility study indicates that rents paid in Port Townsend for some form of commercial retail/office or light industrial use can range from about \$0.85 - \$1.50 per square foot per month – or up to \$2.00 in the downtown area. Outside the downtown area, zoning that allows for a wide range of uses typically can be expected to support lease rates at the higher end of the range.

Lease rates can represent a conundrum for project feasibility. From a developer's perspective, higher rates (if supported by tenants) improve project feasibility and allow for a greater level of building quality and amenity. From a tenant's standpoint, rates should be comparable and competitive with what is paid elsewhere.

However, unduly high rental costs may impair business viability – especially for start-up operations. To achieve broad market appeal and high rates of space absorption, least rates for traded sector development in the Port Townsend market can expect to remain extremely price sensitive. Projects in the Howard Street work district will need to be constructed on a cost effective basis – especially in the early years of increased development activity.

**Other Factors.** Based on interviews conducted with potentially affected business and property owners, the following additional factors can be expected to affect feasibility of development in the Howard Street corridor – whether positively or negatively -- include:

- Added visibility that the fully completed Howard Street Corridor will bring to businesses reliant on customer traffic to the site.
- Process of street right-of-way acquisition to minimize and/or mitigate business disruption or relocation.
- Zoning flexibility to allow for a range of complementary employment uses – both with adjoining businesses and in cases where a business has manufacturing, distribution, office and/or retail activity all under one roof.
- Performance standards to address noise, odor, glare or related issues that impact neighboring business and residential areas.
- Agricultural food and safety requirements (as represented by the new Federal Food Safety Modernization Act) which may force some on-the-farm processors to locations with municipal utilities.
- Potential for transition of businesses not as dependent on customer traffic or pressured by rental rates to expand at a lower cost location.
- Preference by many businesses for a work district providing full public infrastructure as the most viable or cost effective location as compared with unincorporated areas without sewer or other typical municipal infrastructure services.

- Availability of appropriately size building space for lease – especially for start-up and smaller firms that can not readily afford or obtain financing to purchase and build their own building(s).
- Maintenance of on-going opportunities for communicating with and involving affected business and property owners – as well as to inform the general public.

The manner in which positives are bolstered and negatives mitigated likely will have a material effect on demand realized for Howard Street corridor space, lease rates supportive of new construction, and resulting project feasibility. This economic feasibility study supports public-private marketing initiatives and other outcomes – as addressed in Sections VI and VII – that will serve to ramp up the pace of work district investment and added job opportunity, providing positive return on investment (ROI) for both public and private sector participants.

**Mt. Townsend Creamery.** As described earlier, planned expansion and relocation to a Howard Street site (already purchased) represents a pivotal catalyst for work district development. A successful project will serve to build confidence for other follow-on investments by other artisan manufacturers as well as related or supportive businesses. Conditions affecting feasibility of this project proceeding to construction by a committed private partner include:

- The City securing CERB funds to build the street and necessary utility infrastructure
- Favorable financing – as is currently anticipated with the SBA 504 program
- Wetlands mitigation and rezoning

While every project has its own distinctive needs and issues, the factors affecting creamery feasibility are also likely to be at play in *make-or-break* decisions for other employer investments in the years ahead.

## Public Sector Feasibility

As with Mt. Townsend Creamery, significant private sector investment from other sources is dependent on feasibility of public as well as private investment. The primary question from the public sector perspective is: *Are the public funds available to complete the project components that are most critical to incent private development?*

As is detailed by the sources and uses of funding chart on the next page, the estimated City sponsored portion of the Howard Street corridor public infrastructure project is estimated to cost \$7 million. Of this amount, \$5 million is available from sources already awarded and available to the City of Port Townsend.

The remaining \$2 million is proposed to be funded by the State of Washington Community Economic Revitalization Board (CERB). Of this amount, \$1.7 million is proposed as a loan and \$300,000 as a grant from the CERB program. CERB funds would be applied to fill the remaining funding gap for roadway extension and to fund the regional stormwater facility. Water and sewer portions of the project are to be separately funded by the City of Port Townsend.

## Howard Street Infrastructure Sources and Uses of Funding

Sources of Funding	Uses of Funding	Status	Estimated Amount
<b>CERB Funding</b>			
CERB Loan (85%)	Transportation & stormwater infrastructure	Proposed with CERB Tier 1 & 2 submittals	\$1,700,000
CERB Grant (15%)			\$300,000
<b>Subtotal CERB Funds</b>			<b>\$2,000,000</b>
<b>Matching Sources</b>			
TIB Grant	Street extension	Awarded	\$2,300,000
STIP Funds	Street extension	Awarded	\$1,000,000
City of Port Townsend	Roadway, water & sewer utilities	Awarded	\$1,700,000
Jefferson PUD	Telecom, power & lighting conduit & utility vaults	Committed	N/C to City
<b>Subtotal Matching Sources Provided Via City of Port Townsend</b>			<b>\$5,000,000</b>
<b>Total City Funded Transportation &amp; Utility Infrastructure</b>			<b>\$7,000,000</b>

Source: City of Port Townsend.

Communications, power and lighting utilities will be funded in part by the Jefferson County Public Utility District (PUD) No 1. The Jefferson PUD is directly contributing to the project by providing conduit and utility values and pulling wire at no cost to the City.

In addition to direct infrastructure costs, the City of Port Townsend is funding supportive land use and zoning implementation. A marketing strategy will be funded and implemented by the City of Port Townsend in cooperation with the Team Jefferson Economic Development Council, Jefferson County Chamber of Commerce and other supporting public agencies plus interested business and property owners.

# VI. MARKETING THE WORK DISTRICT

Marketing the Howard Street work district as a one-of-a-kind place to locate, build and expand a business is expected to involve the cooperative engagement of existing players in area-wide economic development – notably the City of Port Townsend, Team Jefferson Economic Development Council (EDC), Jefferson County Chamber of Commerce, Port of Port Townsend, and Jefferson County.

A detailed marketing strategy is provided by Appendix B to this economic feasibility study. Building from existing initiatives, the Howard Street corridor represents the best opportunity today for renewed community economic vitality as the only place that will offer fully served, shovel-ready industrial land in Port Townsend and Jefferson County. The work district marketing strategy focuses on:

1. **Positioning:** defining what makes Port Townsend and the Howard Street corridor different from competitors. Key elements of market re-positioning begin with the value proposition that “we speak craft.”

There is an invitation to join the community using craftsmanship as the initial screen. Do you share our values? “If so, come and be one of us.” For those that say yes, the response will be: “We have a place for you.” Howard Street is the place to deliver on that invitation.

2. **Planning:** the features and benefits that will draw people and companies to this district, and how to go about putting these in place. A pivotal premise is that the really creative places today are those that combine design, technology and production – with supporting amenities and services.

To fulfill the vision of a Howard Street work district, the City will re-shape its comprehensive plan and zoning framework encouraging more flexibility of use with performance and/or form-based standards – to assure businesses complement each other in a great place to gather for work and play.

3. **Promoting:** how best to get organized and reach the customer, anticipating labor and other issues before they come up. This means a lead marketing agent supported by other economic development organizations, marketing to those already familiar with Port Townsend, drawing on the resources of local ambassadors, searching for added higher education partners, and improving workforce quality.

## Eight Local Design & Manufacturing Firms

Examples of Port Townsend area *leading edge* firms that suggest a course for the future include:

- **Pygmy Boats:** wooden kayak & row-boat kits
- **Tim Nolan Design:** yachts & workboats
- **Creative Systems:** naval stability testing software
- **Turn Point:** molds & composite parts using 3D design
- **Atlas Technologies:** aluminum vacuum chambers
- **Hansen Crafts:** servo-motor power spinning machine
- **Mobilisa:** wireless security systems
- **Toland Home & Garden:** custom garden flags & accessories

## “We Speak Craft”

(See Appendix B for added detail)

## MARKETING RESPONSIBILITIES

The City of Port Townsend, in partnership with the Team Jefferson Economic Development Council and the Jefferson County Chamber of Commerce will jointly implement the Howard Street work district marketing strategy developed as an integral component of this economic feasibility study. Partnership opportunities also will be sought with other interested and supporting agencies including the Port of Port Townsend, Jefferson County, and State of Washington Department of Commerce.

Marketing strategy coordination will be conducted through the office of the Port Townsend City Manager as a signature City initiative. The City and its marketing partners have existing staffing resources available for start-up and on-going marketing in cooperation with work district property owners, developers and brokerage firms.

## ACTION TIMELINE

All of these action elements will be initiated upon securing full project funding, with CERB as the remaining outstanding funding source yet to be determined. Prior to completion of the Howard Street infrastructure extension project, the City will work with its marketing partners to refine and begin implementation of the market positioning and branding strategy.

In 2016, Mt. Townsend Creamery will initiate operations at its new Howard Street location, once municipal and franchise infrastructure is in place. This “success story” will be used in collateral marketing materials and web site presence to encourage subsequent business expansion and location decisions for the Howard Street corridor. Also in 2016, the City of Port Townsend will complete the update of its Comprehensive Plan with revamped zoning to support and implement the work district concept.

By 2017, the City together with its marketing partners will have all of its branding and related marketing materials including ambassadors program fully in place. The City also intends to seek partnerships with education and work force partners to address critical issues of workforce availability and quality. And over a 10-year period, the City is committed to actively monitoring results, with mid-course corrections to address unforeseen issues or emerging opportunities as they arise.

Business development and related marketing will extend over a period of up to the next 20 years – to achieve work district build-out by 2035.

# VII. ECONOMIC OUTCOMES

Assuring positive economic outcomes is of importance to the State of Washington (with potential CERB funding), City of Port Townsend (as project sponsor and with potential local funding support), and private business and property owners (for corresponding investment). Outcomes addressed in summary fashion by this economic feasibility report relate to the phasing of development, employment, wages, tax revenues and on-going tracking of outcomes.

## PHASING OF DEVELOPMENT

Current project phasing is anticipated to occur approximately as follows:

- CERB Tier 1 Application – January 20, 2015
- CERB Tier 2 Application – February 2, 2015
- Finalization of Zoning Revisions – By July 8, 2015 (with expiration of City Council approved interim zoning)
- Street Improvement Construction Underway – Starting by May – August 2015 (contingent on completion of design and right-of-way acquisition)
- Completion of Infrastructure Construction – (approximately one year from start or by about mid 2016)
- Completion of Mt. Townsend Creamery – Mid 2016 (subject to conditions as noted in this report)
- Interim Build-Out of Howard Street Work District – 2035 (estimated at 20 years per this economic feasibility study)

Development is anticipated to occur at a pace averaging approximately 36,000 square feet of industrial shop, office use and related retail per year over up to a 20-year planning horizon. With an estimated 82.5 acres of work district land as potentially available, land take-down could average 3-4+ acres per year.

The rate of land absorption will be at the higher end of the range if densities are relatively low (with average 0.20 FAR as projected, an increase from the 0.14 FAR average for already developed sites). This would leave space for further expansion or intensification of commercial and industrial uses on already developed sites in out-years beyond the forecast horizon. A lower rate of land acreage absorption is required if the average FAR achieved early on increases to a range of 0.25 or more.<sup>14</sup>

### Howard Street Zoning

Feasibility outcomes are predicated on permanent zoning that:

- Adopts planned unit development (PUD), form-based and/or performance features in total or as an overlay to a use-based code
- Encourages mixing of manufacturing, distribution, retail and professional office use
- Is targeted to higher wage sectors but with a mix of lower wage support retail and service functions as long as the bar is raised to an overall above median wage.
- Offers easier navigation for business and regulators than is currently the case

## EMPLOYMENT

At initial 20-year build-out of the Howard Street work district, employment is estimated at 1,465 net new jobs (above current levels). Added employment will occur incrementally as new development occurs and businesses locate or expand in the district – targeted to average 70-75 added jobs per year.

As of November 2014 (the most recent data available), State of Washington ESD data indicates that Jefferson County has a civilian labor force estimated at 11,430 persons. The 1,465 jobs targeted for creation over 20 years represents 12.8% of the current countywide labor force.

ESD data also indicates that there were an estimated 930 workers unemployed in Jefferson County as of November 2014. The 1,465 jobs created over 20 years would exceed the number of persons currently unemployed countywide (but does not include the estimated 25% of workers currently self-employed throughout the county who typically not eligible for unemployment insurance).

The 70-75 jobs created annually within the Howard Street work district represents new economic opportunity for about 8% of the current pool of those currently on unemployment in Jefferson County.

## WAGES

The annual wage of businesses in the Howard Street work district is expected to average \$39,900 in 2013 dollars. This is close to 16% above the 2013 Jefferson County average of just under \$34,500 per year. This wage average assumes a job mix that is about one-half (49%) comprised of tech / professional office workers, 26% of industrial shop and 25% of related support retail and service employees.

Because published NAICS industry-specific wage information for counties of the state is available using annual averages, it is not readily possible to readily calculate a median hourly equivalent.<sup>15</sup> However, the average projected for the work district is enough above the county-wide average for all jobs to assure that median wages would also be well above the current county-wide median of \$19.33 per hour. Assuming that the median hourly wage increases at the same pace as overall annual average wage, a 16% increase in average annual wages is assumed to serve as a minimum expectation of hourly wage growth – to about \$22.40 per hour.

An alternative second method of estimating potential wages is provided with use of illustrative occupational (rather than industry-specific NAICS title). As illustrated by the supplemental data with Appendix B, this analysis results in an estimated hourly wage of \$23.90 – which is approximately 24% above the current median of \$19.33.

Actual job wage gains will depend on the mix of industrial and occupation-specific employment that materializes over a 20-year forecast horizon. For purposes of this analysis, an approximate 16-24% range of increase in the Jefferson County potential median hourly wage is indicated.



## TAX REVENUES

As depicted by the chart on the following page, incremental tax revenues resulting from new development within the Howard Street work district can be estimated for one-time *plus* on-going tax revenues. Added detail on business revenue and tax rate factors utilized for this analysis is provided by Appendix B to this report.

### One Time Revenues

One-time revenues are those received concurrent with development. Revenues are estimated for sales tax on construction. The Howard Street work district can be expected to generate an estimated \$5.8 million in added one-time state and local jurisdiction tax revenues over the assumed 20-year period of development build-out. Over 70% of revenues would accrue to the State of Washington with the remainder to the City of Port Townsend and other local jurisdictions receiving sales tax revenues.

### On-Going Revenues

On-going revenues are received annually as a result of property development and business operations. At build-out the work district is projected to yield an estimated \$5.5 million annually in added property, business and occupation (B&O), and sales tax revenues to state and local jurisdictions.

Property taxes are estimated based on close to \$65 million of added fair market assessed valuation. After deducting for tax-exempt uses (at close to 10% of the district), resulting net added taxable valuation at build-out is estimated at \$59 million.

Approximately 11% of annualized revenues are estimated to come as property tax receipts and 30% as B&O tax – with the majority (59%) portion as sales tax revenue. Of the total annual revenue approaching \$6.4 million, 18% would be realized by the City of Port Townsend, 13% by other local taxing jurisdictions, and the remaining 69% by the State of Washington.

As noted, these revenues are estimated in current year (uninflated) dollars as of 20-year build-out. With development each year averaging 5% of build-out, the tax revenues realized after the first year of development would be about 5% of the 20-year total, the second year revenues would increase to 10% of the 20-year total, and so on.

The pattern of development is likely to vary year-to-year from the long-term average – meaning that some years overachieve and others underachieve long-term expectations through an economic cycle. Consequently, monitoring of cumulative results will be more useful than either euphoria or concern about specific year outcomes.

## Howard Street Work District State/Local Tax Revenues @ 20-Year Job Build-out

Tax Revenue Source	Type of Space Developed			All Sectors
	Industrial Shop	High Wage Office	Related Retail	
<b>One-Time Sales Tax Revenues (with Construction as of Build-Out Year)</b>				
City of Port Townsend	\$259,200	\$226,800	\$162,000	\$648,000
Other Local Jurisdictions	\$388,800	\$340,200	\$243,000	\$972,000
State of Washington	\$1,684,800	\$1,474,200	\$1,053,000	\$4,212,000
<b>Total One-Time Revenues</b>	<b>\$2,332,800</b>	<b>\$2,041,200</b>	<b>\$1,458,000</b>	<b>\$5,832,000</b>
<b>Annual Revenues (as of Build-Out Year)</b>				
<i>Property Tax:</i>				
City of Port Townsend	\$135,400	\$88,900	\$84,600	\$308,900
Other Local Jurisdictions	\$69,200	\$45,400	\$43,200	\$157,800
State of Washington	\$58,900	\$38,600	\$36,800	\$134,300
<b>Subtotal Property Tax</b>	<b>\$263,500</b>	<b>\$172,900</b>	<b>\$164,600</b>	<b>\$601,000</b>
<i>B &amp; O Tax:</i>				
City of Port Townsend	\$160,200	\$108,900	\$46,000	\$315,100
Other Local Jurisdictions	\$0	\$0	\$0	\$0
State of Washington	\$387,600	\$816,500	\$108,300	\$1,312,400
<b>Subtotal Annual B&amp;O Tax</b>	<b>\$547,800</b>	<b>\$925,400</b>	<b>\$154,300</b>	<b>\$1,627,500</b>
<i>Sales Tax:</i>				
City of Port Townsend	\$100,100	\$58,300	\$204,500	\$362,900
Other Local Jurisdictions	\$150,200	\$87,500	\$306,700	\$544,400
State of Washington	\$650,700	\$379,100	\$1,329,100	\$2,358,900
<b>Subtotal Annual Sales Tax</b>	<b>\$901,000</b>	<b>\$524,900</b>	<b>\$1,840,300</b>	<b>\$3,266,200</b>
<i>Total Property+Sales Tax:</i>				
City of Port Townsend	\$395,700	\$256,100	\$335,100	\$986,900
Other Local Jurisdictions	\$219,400	\$132,900	\$349,900	\$702,200
State of Washington	\$1,097,200	\$1,234,200	\$1,474,200	\$3,805,600
<b>Subtotal Annual Sales Tax</b>	<b>\$1,712,300</b>	<b>\$1,623,200</b>	<b>\$2,159,200</b>	<b>\$5,494,700</b>

Sources: IMPLAN, U.S. BLS, State of Washington Department of Revenue, E. D. Hovee & Company, LLC.  
See Appendix B for added detail regarding revenue and average tax rate assumptions. Land transactions and real estate excise tax (REET) revenues not estimated.<sup>16</sup> Revenues are estimated in 2014-15 dollars, before inflation.

## TRACKING OUTCOMES

Monitoring progress toward planned outcomes is important for compliance with CERB funding requirements. Outcome measures also are useful to track for the City of Port Townsend and project partners. If performance (on a cumulative basis) is below expectations, policy and incentive options that might be useful for improving performance can be considered and implemented.

Outcomes measures recommended for tracking within the geography of the Howard Street work district together with sources of needed monitoring data are identified as including:

- Square footage of new building space developed  
(likely using assessor/GIS data but with improved recording of building square footages)
  - Type of use/occupancy – manufacturing, distribution, office, retail, other  
(likely requires customized monitoring in conjunction with the City Finance Department)
  - Employment  
(best provided via an agreement for aggregated proprietary data runs with WA-ESD)
  - Payroll and median wages  
(similarly dependent on intergovernmental agreement with WA-ESD including agreement to run median as well as average wage information)
  - Incomes of self-employed\*  
(by monitoring annual county-wide data of the U. S. BEA)
  - Sales tax / B&O tax revenues  
(also requiring customized monitoring in conjunction with the City Finance Department)
  - Property tax revenues  
(can be drawn from assessor/GIS database)
- \* Note: Income data to be tracked on a county-wide basis. All other data items are proposed to be tracked based on the geographic boundaries of the Howard Street work district, as data can be compiled and reported by the sources indicated.

Data compilation is proposed to occur consistent with agency reporting cycles on an annual basis. The City of Port Townsend will establish protocols that include designation of a City department with the overall responsibility for data collection and management together with interagency agreements involving Jefferson County and/or the State of Washington for data sets that are within their respective purviews. City business license data might also serve as a data resource, potentially supplementing or replacing ESD data needs to the extent that detailed employment and wage data could be provided.

A consistently applied data collection process for a customized geography that is a sub-portion of the City depends on reaching protocols early on as to: the department of the city with overall reporting responsibility, agreements with participating county and state agencies, and agreement as to the reporting period (annually or otherwise) and duration of the monitoring activity.

# APPENDIX A. PREPARER PROFILE

This economic feasibility study has been prepared for the City of Port Townsend by a project team E. D. Hovee & Company, LLC (EDH) with lead economic feasibility study together with Spinnaker Strategies focused on the Howard Street work district marketing strategy.

## E. D. HOVEE & COMPANY, LLC

Since 1984, EDH has provided market/feasibility, economic impact, and strategic business analysis services for private, public and non-profit clients – primarily in the Pacific Northwest states of Washington and Oregon. In Port Townsend and Jefferson County, EDH project assignments have included an industrial/commercial land and economic development assessment followed by analysis to implement a Joint Economic Development Planning Agreement between Jefferson County, the Port and City of Port Townsend.

Related EDH project assignments completed by EDH and Principal Eric Hovee have included:

- Recent CERB funded healthcare economic impact assessment for the Chelan Valley
- Other CERB and CERB-LIFT funded assessments have been conducted for communities including North Bonneville, Vancouver, Longview, and Sedro-Woolley
- Independent financial due diligence for expansion of the Spokane Convention Center
- Market/feasibility analyses for multiple Portland mixed use / employment districts
- Similar analysis for former military properties with the Fort Vancouver National Trust

## SPINNAKER STRATEGIES

Spinnaker Strategies provides strategic real estate and financial consulting services specializing in the repositioning of underused property, especially older buildings with functional obsolescence. Clients include hospitals, universities, financial services companies, industrial firms, municipalities and other land-rich organizations. Projects involve repositioning property for how people live and work today. Principal Rod Stevens analyzes financial, market and GIS data – picking up the phone to identify needs that others may not yet be aware of.

Over 25 years, Rod has managed developments and investments valued at up to \$300 million:

- Repositioning 2000 Acres of Old Factories and Warehouses for Advanced Manufacturing
- Finding Cash for New Hospital Construction
- A New Home for Business at UC Davis
- Taking A Failed Town Center Project Back Out to Market
- A Portfolio Strategy for 300 Properties
- Rescuing A \$200 Million Investment
- A \$400 Million Tech Center for British Columbia

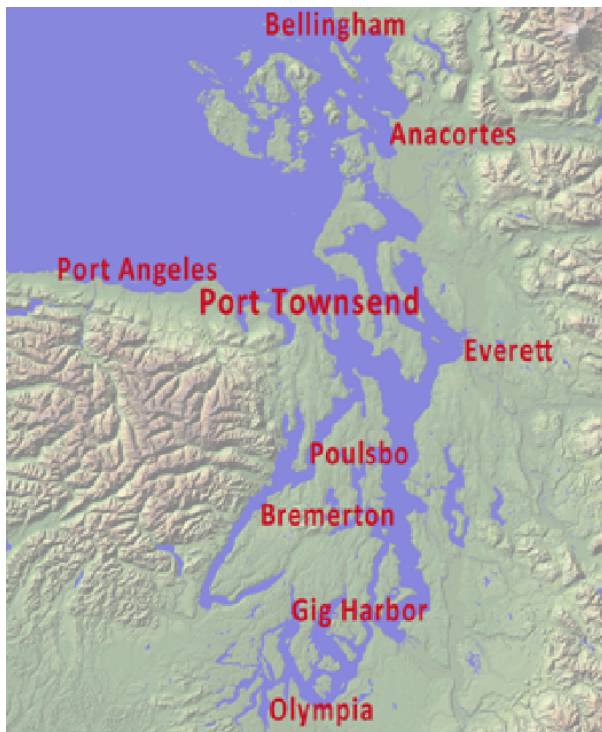
# APPENDIX B. MARKETING STRATEGY

A brand is a promise fulfilled, and marketing is about more than slogans. It is about what promises you want to make, what you need to deliver on them, and how best to get word of them out to the world. Accordingly, this marketing strategy is divided into three sections:

1. **Positioning:** defining the promises and what makes Port Townsend and the Howard Street corridor different from competitors.
2. **Planning:** the features and benefits that will draw people and companies to this district, and how to go about putting these in place.
3. **Promoting:** how best to get organized and reach the customer, anticipating labor and other issues before they come up.

## 1. POSITIONING

Every good product, place and company stands for something that can be concisely communicated in a few simple words. Apple, for example, stands for elegance and ease of use, New York for “success” and Las Vegas for “sin”. To many people, Port Townsend is a “Victorian seaport”, a romantic recreation get-away, not a place to live and work, much less make things. If the City wants to attract talent and investment, it needs to put itself squarely in the 21st century as a productive center, a place with solid skills. This does not mean giving up its historic or nautical identity, but better communicating its expertise as well as its values of craft and craftsmanship.



The map at left depicts a number of the smaller waterfront communities in Puget Sound that Port Townsend competes with for talent and investment. Notice that Tacoma and Kirkland are not on this map, because those are larger, more urban places. Everett is shown here because it has the potential to take more of Port Townsend’s boat building business. It is not an attractive alternative now, but it could be if civic leaders there strengthen the center city.

For business attraction, Port Townsend’s closest competitor is Anacortes, not Sequim or Port Angeles, which are even farther away from SeaTac and suffer the image of being retirement or tired resource communities. Anacortes, on the other hand, is both the gateway to the San Juans and a major ship and boatbuilding center, one with a strong boat building school that connects its graduates with industry.<sup>17</sup>

Anacortes, however, is an industrial town, the gateway highway leading in past refineries and tank farms, the north waterfront a shipyard with cranes and steel ships. The long commercial drag is not walkable nor does it have a definable center, with tourists turning left to the ferry before they reach the downtown. For most travelers, Anacortes is a not a destination but slow down in the rush to the ferry.

## “We Speak Craft”

Port Townsend, on the other hand, is quite literally the end of the road, a destination unto itself for all but the handful of ferry riders waiting to go to Whidbey. Unfortunately most people see



In Port Townsend, there is a fascination with the instruments of craft as much as the final product. The craftsmen here include not only world-class boat builders and designers, but knife makers and lutiers. This is not readily apparent to outsiders.

the boats in Boat Haven but do not know that there is an entire local industry involved in their construction and repair. To most visitors, Port Townsend is about the shops and restaurants downtown, Chetzemoka Park or the restaurants uptown, or events at Fort Worden, not about actually making things.

And yet that craft and sense of craftsmanship is a defining value for Port Townsend, not in the modern Joanne Fabrics sense of hobbies and do-it-yourself projects, but in the Old World sense of that which is thoughtfully made, in small number, with skill and an economy of material. That sense of craftsmanship runs deep in both the local culture and local business, often coupled with a lifestyle of voluntary simplicity, of “enough”.

It is more than coincidental that a number of people who design or make boats together also make music together, that the music store is an important gathering place. Beyond the sale of handmade jewelry, clothing and food, however, this sense of craftsmanship is often invisible to visitors. It is integral to the local identity, however, and it needs to be part of the marketing of the Howard Street Corridor.

In terms of marketing Howard Street, the City needs to think beyond the small and handmade, and beyond food, fashions and furnishings. First, the modern conception of “craft manufacturing” now includes technology, especially the computer-controlled use of cutting tools. The word “craft” comes in with regards to quality and small job size. Second, there is limited potential for the development of “locally produced” consumer products. The area simply does not have the disposable income that supports these industries in larger, more urban places.

## An Invitation to Community

Most communities sell the same two things: low cost and quality of life, even though “quality of life” means different things to different people. Further, they extend these invitations to all comers, as if everyone would be happy in those towns. There is very little that is affirmative

about these messages, about what differentiates these towns from a thousand and one like them.

Port Townsend is a true city with a strong sense of community, and this needs to be part of the invitation to come live and work here. As a place, it has many of the things that distinguish larger cities, including a strong downtown, a local newspaper, a hospital, an airport, parks and museums, and a port. As a community, it also has live theater, a politically-aware citizenry, and gathering places like the Food Co-op.

Using craftsmanship as the initial screen (“Do you share our values?”), the natural follow up statement is, “If so, come be one of us.” There is a conditional to this coupling of messages that states, “We are not for everyone.”

To deliver on this promise, the City needs to do more to foster a sense of business community. There is a history of people moving to Port Townsend and not “sticking”, of people opening a business here, traveling back and forth to SeaTac, and then quietly moving away. One way to overcome this is to work with the Chamber and similar groups to create more educational events where business people come together to discuss common solutions to challenges like finding affordable health care. This will help turn local people into the kind of “business ambassadors” needed to promote both the City and Howard Street.

## “We Have A Place For You”



The greater Port Townsend area offers a variety of places to work, ranging from interesting but dilapidated government buildings at Fort Worden and Point Hudson to steel and plastic covered sheds in Glen Cove and at Boat Haven. These places vary in terms of image, access, exposure, cost and amenities. In several, it is impossible or very difficult to own your own property. Even where it is possible, in places like Glen Cove, the variability in property condition makes for uncertain appreciation in value.

The property message in the Howard Street Corridor needs to be two-fold: 1) this will be a good place to practice your profession or operate your business day to day, and; 2) this will be a good place to invest. Both of these will require that the City not simply divide this into yet another industrial subdivision, laying a standard zoning

code over the top of the usual industrial uses, but instead plan for a true mix of uses. It means envisioning and planning a modern work district, one that will hold its value as these uses evolve.

## 2. PLANNING



The old distinctions between blue collar and white collar work are breaking down. Today the main distinction is unique technical expertise, which, in turn, drives wage levels.

For the last sixty years, people have worked in two kinds of buildings: warehouses and office buildings, usually in different places. In the last ten years, big cities have developed “innovation districts” like South Lake Union in Seattle and Mission Bay in San Francisco, but these are essentially suburban business parks transplanted to the city, with little variety or interaction between users. The really creative centers, however, the places that combine design, technology and production are far more open and interesting and less controlled.

If Port Townsend wants this kind of place, a place where people are not only working on screens but laying their hands to material, then it needs to allow for a different kind of development, one which mixes and matches people and integrates them with their surroundings.<sup>18</sup> Here are the kinds of things that can and should go here:

- **Craft consumer good production:** This includes food, fashion and furnishings, such as Mt. Townsend Creamery, plus other manufacturers like Hansen Crafts.
- **Machining, manufacturing and specialty trades:** This includes the machining of not only wood but metals, composites and ceramics. Local examples include Turn Point, Marketech, Atlas Technologies, and Thermionics.
- **Research, engineering and design:** This includes firms like Tim Nolan Marine Design and Mobilisa.
- **Wholesaling and mail order:** This includes firms like Vintage Hardware and Toland Home and Garden. Sometimes firms like these have a showroom that becomes a kind of mecca for devoted customers.
- **Business support services:** This includes professions like law, accounting, tax, management consulting and web design.
- **Supplies and equipment:** This includes firms like Edensaw, which sometimes become “exporters” in their own right.
- **Warehousing and storage:** This includes storage both inside and outside. Many of the makers’ spaces in other cities have started up in these kinds of buildings.
- **Amenities and services:** These include coffee shops, copy stores, restaurants, gyms, yoga parlors, daycare centers, banks, trade schools, hobby spaces, medical clinics, occupational therapists, and car rental agencies.

Note the last category: amenities and services. Almost every creative district on the West Coast started up with a coffee house as its business meeting place. In Yaletown in Vancouver this was Seattle’s Best; in Pioneer Square, Zeitgeist; in the Pearl District of Portland, the Little Wing Café; and in West Berkeley the Tomate Café.





For the many independent trades people who work in Boat Haven, the Blue Moose is an important place to gather leads about new projects. These kinds of gathering places and crossroads are an important part of the face-to-face life of every good work district.

These places provide a place for client meetings over breakfast, team meetings at lunch, and a coffee break in mid-afternoon. Port Townsend has the makings of such a service center on Sims Way between the two roundabouts, but it needs urban design guidelines to make this place more walkable and interesting.

The City's current zoning approach to the Howard Street Corridor is prescriptive when it could be proscriptive. Rather than listing what uses are allowed (a list that will almost always be out-of-date), the City could clearly simply state what uses are not allowed, and then regulate the activities of everything else, controlling for noise, odor and light.<sup>19</sup>

There are two additional caveats here: One is that the City needs to help "make a market" here, ensuring that there is an adequate supply of land so that an interested purchaser can find an alternative if a dominant owner does not want to sell, or sell at a reasonable price. The second caveat is that the City needs to clearly write the intent of the work district into its

planning and zoning documents, putting future users on notice that this place is for making things, and that they had better not complain too vociferously about morning truck deliveries or evening production runs. Performance zoning can help control for the effects of the latter.

### 3. PROMOTION

There are currently five different local organizations responsible for economic development locally: the City, the County, the Port, the Chamber and Team Jefferson. Each has a different agenda and motivations, resulting in a crazy quilt of responses to new business prospects. To fill this district will require long and steady promotion. There needs to be one agent accountable for this, one without a conflict of interest in promoting a competing place.

Whichever organization is in charge will need to act as both godparent and sales agent for the work district, protecting its interests locally and promoting it to outsiders. The first order of business is creating collateral materials that stress the themes of craftsmanship, community and a place to do business. These materials should include not only a brochure but an up-to-date website highlighting the modern, value-added businesses already in the area. This should provide the basis for a tour to take prospects on where to show them they will be in good company.

Second, whichever organization promotes this corridor needs to be prepared to do so on a shoestring budget, focusing on prospects while they are in town for events like the Wooden Boat Festival or Fiddle Tunes. These are the people who have already spent money to come here, and some percentage among them are thinking about moving here. Within that subgroup there are people still working who are wondering what it would be like to move their

profession or business here. The City needs to reach out to these people, communicating with them while they are in town. That involves not only the preparation of collateral materials but also booths or other means of talking to them face to face.

Third, the City needs to turn local business people into ambassadors who will promote the community when they are at industry conferences elsewhere. That will require defining, probably in print and at local events, what it means to be an ambassador, and the benefit to them of talking up the place. It also means first solving their problems with the city. In the course of our research, we heard of various problems with insufficient bandwidth, as well as unmet conditions of development agreements that made it more difficult to build. Real or perceived, these are issues that must be addressed, ideally through an ombudsman who is not in role of both promoting and regulating business.

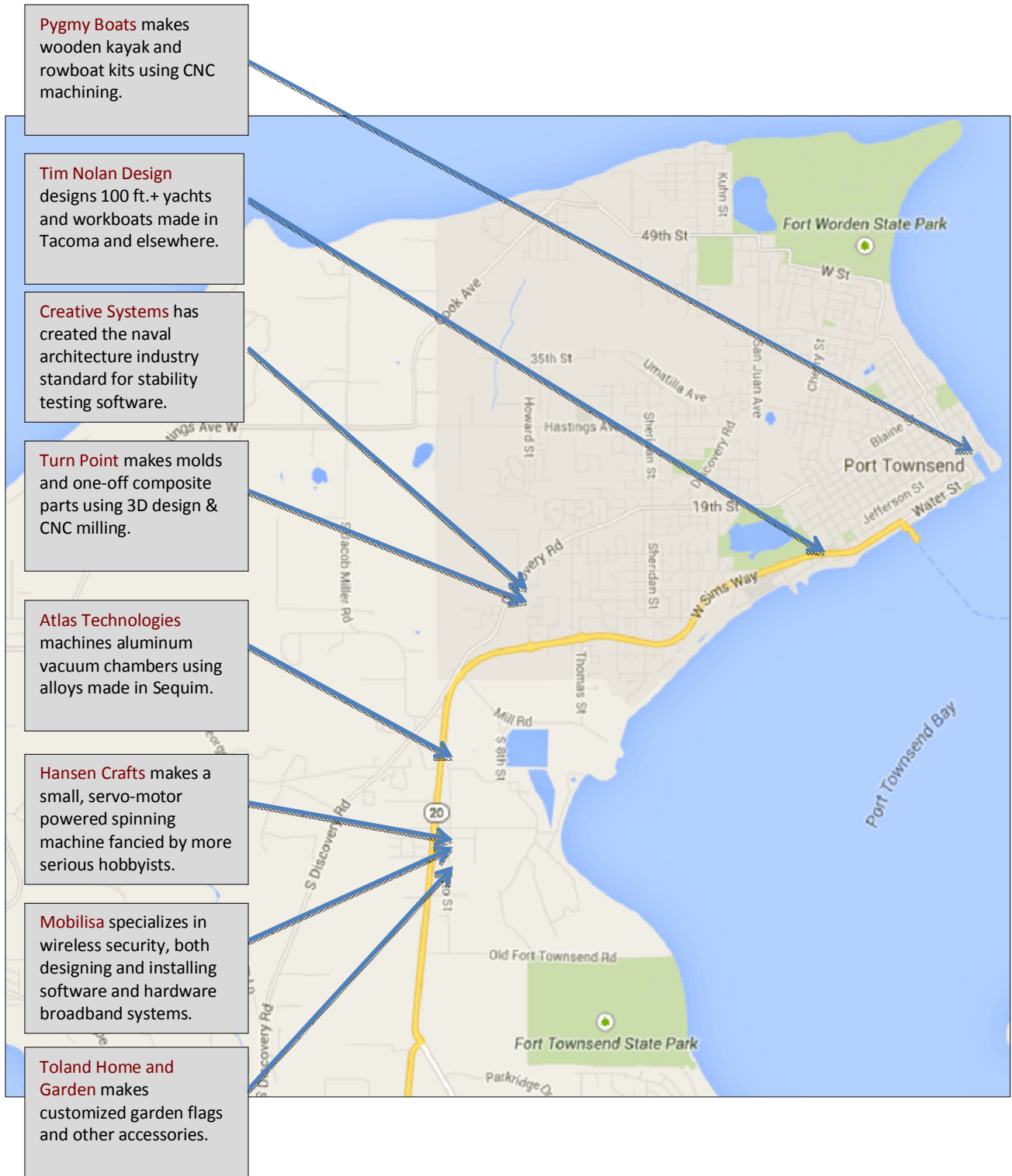
Fourth, other than the Wooden Boat School, the city lacks research and higher education institutions that provide a depth of science, technology, engineering and math (STEM) skills. Peninsula College offers welding, but this is a thin offering that should be supplemented with machining, 3D drafting and other technology topics. The City should meet with other institutions to see what they need to expand locally. If possible, the City should develop a closer relationship with the Pacific Northwest National Lab in Sequim, the only real “high tech” lab in the area, which specializes in marine security, global warming and ocean energy. This could be a source of contracts for local firms,<sup>20</sup> as well as internships for the more promising students. For marketing alone, this is important.

Finally, the City needs to address the issue of labor quality head on. Two employers we spoke with said they have had to fire people because of drug and reliability issues. There is at least a perception that it is hard to find skilled and trained workers for mundane tasks. And yet one of the principals at the Port Townsend Shipwrights Co-op says that many of the people who work at Boat Haven are among the best and most dedicated in the industry, technical people with good problem-solving skills.

A starting point is creating a labor exchange where Boat Haven craftsmen, sometimes underemployed, could put their skills to use in other industries. A second option is creating a SWOT team at the high school to link employers with the most promising grads. And a third is poaching, establishing a relationship between the local economic development authority and outplacement officers at the region’s various military bases.

Mobilisa has said that it has found good talent at Oak Harbor, another small waterfront community, and that it is now prospecting at Fort Lewis. Talent is the basis of the modern economy, so Port Townsend needs to be as mindful of finding good people as it is good companies. Port Townsend has a lot to offer, and can, in the long run, fill the Howard Street Corridor with good, skilled industries that make things, paying well above the median wage for the area. To do so, however, it needs to be more clear about its messages, who is in charge of its marketing, and about solving the practical problems of linking people up with good local talent and other businesses. It is not enough to provide the place; the City also needs to foster the ecosystem of business, redefining this as “craft” as necessary, bringing people together.

## Eight Local Port Townsend Design & Manufacturing Firms



Source: Spinnaker Strategies

# APPENDIX C. SUPPLEMENTAL DATA

Supplemental data for the Howard Street Economic Feasibility Study provided with this appendix covers:

- Annual Average Population Growth Rates – Observed & Forecast
- Comparative Population & Demographic Data
- Illustrative Hourly Wage Estimates (through Work District Build-out)
- Development & Taxable Valuation
- Revenue & Business Tax Factors for Howard Street Work District
- Property & Sales Tax Rates for Port Townsend

## Annual Average Population Growth Rates – Observed & Forecast

Population Growth Factor	Port Townsend	Jefferson County	Washington State
<b>Observed Growth Rates</b>			
2000-2010 (Census)	0.92%	1.42%	1.33%
2010-2014 (OFM)	0.53%	0.55%	0.71%
2000-2014 (Combined)	0.85%	1.21%	1.20%
<b>Forecast Growth Rates</b>			
<i>Claritas:</i>			
2014-2019	0.25%	0.36%	0.59%
<i>Adopted Comprehensive Plans:</i>			
2000-2024	1.97%	1.78%	NA
<i>2012 WA-OFM Population Projections:</i>			
Low 2015-2035	NA	0.00%	0.10%
Medium 2015-2035	NA	1.10%	0.49%
High 2015-2035	NA	1.76%	2.28%

Sources: U. S. Census, OFM, Claritas.

## Comparative Population & Demographic Data

Demographic Indicator	Port Townsend		Zip Code 98368		Jefferson County		Washington State	
	#	%	#	%	#	%	#	%
<b>Population</b>								
2014 Estimate (OFM/Claritas)	9,355 (OFM)		14,902 (Claritas)		30,700 (OFM)		6,968,170 (OFM)	
2010 Census	9,113		14,823		29,872		6,724,540	
2000 Census	8,315		13,110		25,953		5,894,124	
Growth 2014-2019 (Claritas)	0.25%	1.26%	0.36%	1.80%	0.59%	3.00%	1.03%	5.28%
Growth 2010-2014 (OFM)	0.53%	2.66%	0.11%	0.53%	0.55%	2.77%	0.71%	3.62%
Growth 2000-2010	0.92%	9.60%	1.24%	13.07%	1.42%	15.10%	1.33%	14.09%
	Note: Figures that are boxed denote average annual growth rates							
<b>2014 Est. Population by Age</b>								
Age 0 - 4	9,141		14,902		30,364		7,005,779	
Age 5 - 9	348	3.81	532	3.57	1,033	3.40	444,427	6.34
Age 10 - 14	371	4.06	565	3.79	1,101	3.63	442,349	6.31
Age 15 - 17	398	4.35	619	4.15	1,234	4.06	440,606	6.29
Age 18 - 20	272	2.98	427	2.87	845	2.78	275,441	3.93
Age 21 - 24	237	2.59	375	2.52	772	2.54	286,712	4.09
Age 25 - 34	313	3.42	485	3.25	1,025	3.38	384,504	5.49
Age 35 - 44	737	8.06	1,114	7.48	2,375	7.82	965,664	13.78
Age 45 - 54	807	8.83	1,227	8.23	2,557	8.42	914,838	13.06
Age 55 - 64	1,131	12.37	1,832	12.29	3,768	12.41	968,080	13.82
Age 65 - 74	2,065	22.59	3,488	23.41	6,827	22.48	920,063	13.13
Age 75 - 84	1,434	15.69	2,546	17.08	5,434	17.90	568,335	8.11
Age 85 and over	646	7.07	1,158	7.77	2,452	8.08	269,735	3.85
Age 16 and over	382	4.18	534	3.58	941	3.10	125,025	1.78
Age 18 and over	7,935	86.81	13,047	87.55	26,721	88.00	5,588,128	79.76
Age 21 and over	7,752	84.80	12,759	85.62	26,151	86.13	5,402,956	77.12
Age 65 and over	7,515	82.21	12,384	83.10	25,379	83.58	5,116,244	73.03
Age 65 and over	2,462	26.93	4,238	28.44	8,827	29.07	963,095	13.75
2014 Est. Median Age	54.6		55.8		55.7		37.9	
<b>2014 Est. Pop. Age 25+ by Edu. Attainment</b>								
Less than 9th grade	7,202		11,899		24,354		4,731,740	
Some High School, no diploma	32	0.44	74	0.62	220	0.90	197,306	4.17
High School Graduate (or GED)	271	3.76	467	3.92	1,205	4.95	276,539	5.84
Some College, no degree	1,331	18.48	2,371	19.93	5,450	22.38	1,127,361	23.83
Associate Degree	2,154	29.91	3,374	28.36	6,807	27.95	1,180,466	24.95
Bachelor's Degree	535	7.43	918	7.71	1,941	7.97	454,068	9.60
Master's Degree	1,713	23.79	2,833	23.81	5,167	21.22	950,862	20.10
Professional School Degree	833	11.57	1,293	10.87	2,354	9.67	387,131	8.18
Doctorate Degree	183	2.54	283	2.38	626	2.57	94,312	1.99
Doctorate Degree	150	2.08	286	2.40	584	2.40	63,695	1.35
Bachelor's Degree or Better	2,879	39.98	4,695	39.46	8,731	35.85	1,496,000	31.62
2014 Est. HHs by HH Income	4,601		7,392		14,510		2,737,011	
2014 Est. Median Household Income	\$41,056		\$42,804		\$44,693		\$58,935	
<b>2014 Est. Families by Poverty Status</b>								
2014 Families at or Above Poverty	2,360		4,107		8,689		1,760,928	
2014 Families at or Above Poverty w/Children	2,089	88.52	3,775	91.92	8,008	92.16	1,599,509	90.83
2014 Families Below Poverty	758	32.12	1,227	29.88	2,465	28.37	726,127	41.24
2014 Families Below Poverty w/Children	271	11.48	332	8.08	681	7.84	161,419	9.17
2014 Families Below Poverty w/Children	199	8.43	251	6.11	486	5.59	125,138	7.11
<b>2014 Est. Pop Age 16+ by Employment Status</b>								
In Armed Forces	7,935		13,047		26,721		5,588,128	
In Armed Forces	1	0.01	23	0.18	58	0.22	56,046	1.00
Civilian - Employed	3,900	49.15	6,272	48.07	11,918	44.60	3,223,295	57.68
Civilian - Unemployed	514	6.48	744	5.70	1,351	5.06	367,993	6.59
Not in Labor Force	3,520	44.36	6,008	46.05	13,394	50.13	1,940,794	34.73
In Labor Force	4,415	55.64	7,039	53.95	13,327	49.87	3,647,334	65.27

Sources: U.S. Census, State of Washington OFM, Claritas.

## Comparative Population & Demographic Data (continued)

Demographic Indicator	Port Townsend		Zip Code 98368		Jefferson County		Washington State	
	#	%	#	%	#	%	#	%
<b>2014 Est. Civ Employed Pop 16+ Class of Worker</b>	<b>4,019</b>		<b>6,465</b>		<b>12,293</b>		<b>3,333,805</b>	
For-Profit Private Workers	1,890	47.03	2,992	46.28	6,069	49.37	2,169,243	65.07
Non-Profit Private Workers	355	8.83	501	7.75	741	6.03	266,331	7.99
Local Government Workers	416	10.35	727	11.25	1,245	10.13	235,633	7.07
State Government Workers	175	4.35	287	4.44	668	5.43	209,655	6.29
Federal Government Workers	111	2.76	165	2.55	491	3.99	112,301	3.37
Self-Emp Workers	1,065	26.50	1,783	27.58	3,042	24.75	335,964	10.08
Unpaid Family Workers	7	0.17	10	0.15	37	0.30	4,678	0.14
<b>2014 Est. Civ Employed Pop 16+ by Occupation</b>	<b>4,019</b>		<b>6,465</b>		<b>12,293</b>		<b>3,333,805</b>	
Architect/Engineer	53	1.32	139	2.15	214	1.74	86,608	2.60
Arts/Entertain/Sports	221	5.50	392	6.06	497	4.04	64,135	1.92
Building Grounds Maint	114	2.84	145	2.24	378	3.07	117,328	3.52
Business/Financial Ops	186	4.63	255	3.94	456	3.71	165,091	4.95
Community/Soc Svcs	125	3.11	158	2.44	236	1.92	58,501	1.75
Computer/Mathematical	57	1.42	64	0.99	117	0.95	127,366	3.82
Construction/Extraction	165	4.11	343	5.31	721	5.87	155,326	4.66
Edu/Training/Library	204	5.08	303	4.69	556	4.52	180,302	5.41
Farm/Fish/Forestry	34	0.85	37	0.57	254	2.07	54,458	1.63
Food Prep/Serving	242	6.02	387	5.99	758	6.17	187,774	5.63
Health Practitioner/Tec	232	5.77	394	6.09	727	5.91	178,987	5.37
Healthcare Support	109	2.71	159	2.46	374	3.04	75,514	2.27
Maintenance Repair	105	2.61	195	3.02	368	2.99	109,022	3.27
Legal	22	0.55	57	0.88	110	0.89	36,543	1.10
Life/Phys/Soc Science	99	2.46	127	1.96	194	1.58	34,248	1.03
Management	503	12.52	779	12.05	1,285	10.45	350,738	10.52
Office/Admin Support	537	13.36	836	12.93	1,587	12.91	431,547	12.94
Production	166	4.13	330	5.10	597	4.86	166,125	4.98
Protective Svcs	70	1.74	124	1.92	333	2.71	63,134	1.89
Sales/Related	466	11.59	729	11.28	1,592	12.95	348,345	10.45
Personal Care/Svc	180	4.48	235	3.63	354	2.88	143,979	4.32
Transportation/Moving	129	3.21	277	4.28	585	4.76	198,734	5.96
<b>2014 Est. Pop 16+ by Occupation Classification</b>	<b>4,019</b>		<b>6,465</b>		<b>12,293</b>		<b>3,333,805</b>	
Blue Collar	565	14.06	1,145	17.71	2,271	18.47	629,207	18.87
White Collar	2,705	67.31	4,233	65.48	7,571	61.59	2,062,411	61.86
Service and Farm	749	18.64	1,087	16.81	2,451	19.94	642,187	19.26
<b>2014 Est. Workers Age 16+, Transp. To Work</b>	<b>3,949</b>		<b>6,398</b>		<b>12,017</b>		<b>3,304,506</b>	
Drove Alone	2,567	65.00	4,308	67.33	8,286	68.95	2,414,032	73.05
Car Pooled	280	7.09	505	7.89	1,472	12.25	344,737	10.43
Public Transportation	39	0.99	85	1.33	135	1.12	186,287	5.64
Walked	235	5.95	332	5.19	402	3.35	113,522	3.44
Bicycle	217	5.50	232	3.63	262	2.18	28,337	0.86
Other Means	40	1.01	67	1.05	207	1.72	38,303	1.16
Worked at Home	571	14.46	869	13.58	1,253	10.43	179,288	5.43
Transport by Means other Than Drive Alone	1,382	35.00	2,090	32.67	3,731	31.05	890,474	26.95
<b>2014 Est. Tenure of Occupied Housing Units</b>	<b>4,601</b>		<b>7,392</b>		<b>14,510</b>		<b>2,737,011</b>	
Owner Occupied	2,857	62.10	5,127	69.36	10,800	74.43	1,744,340	63.73
Renter Occupied	1,744	37.90	2,265	30.64	3,710	25.57	992,671	36.27
2014 Owner Occ. HUs: Avg. Length of Residence	16.8		16.3		15.9		16.3	
2014 Renter Occ. HUs: Avg. Length of Residence	6.8		7.0		7.4		6.6	
<b>2014 Est. All Owner-Occupied Housing Values</b>	<b>2,857</b>		<b>5,127</b>		<b>10,800</b>		<b>1,744,340</b>	
2014 Est. Median All Owner-Occupied Housing	\$288,738		\$295,370		\$291,038		\$260,981	

Source: Claritas.

## Illustrative Hourly Wage Estimates (through Work District Build-out)

Time Period	Avg Jobs per Year	Occupational Title (SOC)	2012 Avg Wage	
<b>2016</b>	15	<b>Industrial Shop Space</b>		
		51-9111 Packaging & Filling Machine Operators & Tenders	\$11.77	
			53-7064 Packers & Packagers, Hand	
	5	11-9199 Mgrs, All Other	\$18.41	
		43-9799 Office & Administrative Support Workers, All Other		
	<b>20</b>	<b>Total</b>		
<b>Annual Average Job Increase (2017-35)</b>		<b>Industrial Shop Space</b>		
	2	51-2099 Assemblers & Fabricators, All Other	\$15.37	
	1	49-9041 Industrial Machinery Mechanics	\$32.32	
	2	51-4041 Machinists	\$22.02	
	1	43-5061 Production, Planning, & Expediting Clerks (Not Wholesale/Retail/Farm Prodcnts)	\$16.41	
	1	13-1023 Purchasing Agents (Not Wholesale/Retail/Farm Prodcnts)	\$26.01	
	2	47-2211 Sheet Metal Wkrs	\$22.30	
	1	51-4121 Welders, Cutters, Solderers, & Brazers	\$16.96	
	4	47-2061 Construction Laborers	\$17.76	
	1	47-1011 Construction Trades/Extraction Wkrs	\$33.15	
	1	47-4012 Sales Reps, Wholesale/Manuf	\$26.00	
	1	57-1031 Transptn/Material-Mvng Vehicle Ops	\$29.57	
			<b>High Wage Office</b>	
	5	13-2011 Accountants & Auditors	\$29.35	
	5	13-2099 Financial Specialists, All Other	\$30.56	
	5	15-1132 Computer Software Engineers, Applications	\$34.65	
	5	17-2199 Engineers, All Other	\$38.50	
	5	27-1024 Graphic Designers	\$20.05	
	4	21-1021 Child, Family, & School Social Wkrs	\$20.23	
	3	19-3099 Social Scientists & Related Wkrs, All Other	\$32.97	
			<b>Related Retail</b>	
	2	41-2011 Cashiers	\$11.43	
	2	35-2024 Cooks, Restaurant	\$12.65	
	1	35-2012 Food Preparation & Serving Wkrs, 1st-Ln Spvrs/Mgrs of	\$15.57	
	2	35-2021 Food Preparation Wkrs	\$11.66	
	1	41-1011 Retail Sales Wkrs, 1st-Line Supervisors/Mgrs of	\$19.96	
	6	41-2031 Retail Salespersons	\$12.98	
	1	39-9031 Fitness Trainers & Aerobics Instructors	\$19.76	
			<b>Occupations in Common to All Use Types</b>	
	4	11-9199 Mgrs, All Other	\$39.79	
	8	43-9799 Office & Administrative Support Workers, All Other	\$17.04	
		<b>76</b>	<b>All Jobs</b>	<b>\$23.90</b>
			<b>Current Median</b>	<b>\$19.33</b>
			<b>% Increase Above Current Median</b>	<b>24%</b>

Source: E. D. Hovee & Company, LLC using State of Washington Employment Security Department (ESD) occupational titles and average wage information from the *2012 Occupational Employment and Wage Estimates* for the five northwest Washington counties of Clallam, Island, Jefferson, and San Juan as required for item 3.12 of the CERB Tier 2 application.

This is a representative (or illustrative) occupational listing consistent with the development and employment use mix identified in this economic feasibility study for the Howard Street work district. Shown for 2017-35 are annual average increments to achieve 2035 build-out. While an extensive listing of more detailed standard occupational code (SOC) titles could be used, this analysis applies a shorter list of generalized occupational titles, as available.

## Development & Taxable Valuation

Development & Employment Factor	Type of Space Developed			All Sectors
	Industrial Shop	Office Use	Related Retail	
Building Space (SF)	288,000	252,000	180,000	720,000
% of Added Space	40%	35%	25%	100%
Development Valuation	\$25,920,000	\$22,680,000	\$16,200,000	\$64,800,000
% Taxable	100%	75%	100%	91%
Taxable Valuation	\$25,920,000	\$17,010,000	\$16,200,000	\$59,130,000

Sources: E. D. Hovee & Company, Jefferson County assessor data. Development valuation estimates are consistent with current estimates of fair market value as determined for assessment purposes and may not equate to full market value. Projections for future taxable valuation reflect the current mix of taxable and tax-exempt valuation for the Howard Street corridor, excepting park land.

## Revenue & Business Tax Factors for Howard Street Work District

Tax Factor	Type of Space Developed			All Sectors
	Industrial Shop	High Wage Office	Related Retail	
<b>Business Revenues</b>				
Revenues/Employee:	\$260,000	\$108,000	\$71,000	
Total Revenues	\$100,100,000	\$77,760,000	\$25,560,000	\$203,420,000
<b>B &amp; O / Sales Tax Applicability</b>				
% Subject to B&O Tax	80.0%	70.0%	90.0%	
% Subject to Sales Tax	10.0%	7.5%	80.0%	
Sales Subject to B&O Tax	\$80,080,000	\$54,432,000	\$23,004,000	\$157,516,000
Sales Subject to Sales Tax	\$10,010,000	\$5,832,000	\$20,448,000	\$36,290,000
<b>B&amp;O Tax Rates</b>				
State B & O	0.00484	0.01500	0.00471	
Port Townsend B & O	0.00200	0.00200	0.00200	
Combined Rate	0.00684	0.01700	0.00671	

Sources: IMPLAN, U.S. BLS, Washington State DOR, adjusted for tax-exempt uses.



## Property & Sales Tax Rates for Port Townsend

Applicable Tax		Rate	Measure
<b>Property Tax</b>		per \$1,000 TAV	
STATE LEVY (SCHOOL)	\$2.271030		
CITY OF P.T. GENERAL	\$1.738970		
CURRENT EXPENSE	\$1.642440		
SCHOOL DIST #50 M & O	\$1.586990		
CITY OF PT - LIBRARY LID LIFT	\$0.809080		
S D #50 BLDG-CAP PROJ	\$0.582640		
CITY OF PT - FIRE LID LIFT	\$0.534290		
CITY OF P.T. EMS	\$0.500000		
PORT OF PT GENERAL	\$0.203480		
PUD #1 - TAX REVENUE FUND	\$0.124120		
HOSP DIST #2 LTGO BOND 04 NON VC	\$0.055810		
CONSERVATION FUTURES	\$0.048880		
HOSP DIST #2 BRD DESGNTD CASH M&	\$0.038560		
VETERANS RELIEF	\$0.009610		
DEVELOPMENTAL DISABILITIES	\$0.009490		
MENTAL HEALTH	\$0.009490		
HOSP DIST #2 BOND 2002(REF 93)	\$0.000000		
SCHOOL DIST #50 REF BOND 2007	\$0.000000		
<b>Total</b>	<b>\$10.164880</b>		
<b>Sales Tax</b>		% of Taxable Sales	
State of Washington	6.50%		
City of Port Townsend	1.00%		
<i>Basic</i>	<i>0.50%</i>		
<i>Optional</i>	<i>0.50%</i>		
Transit	0.90%		
Criminal Justice	0.40%		
Communications	0.10%		
Mental Health	0.10%		
<b>Total</b>	<b>9.00%</b>		

Sources: WA DOR and Jefferson County Assessor & Treasurer.

# END NOTES

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- <sup>1</sup> An example of a conundrum presented by the use table for the M/C zone is that “welding and fabrication” is a permitted use while “metal products manufacture, fabrication and assembly” is not permitted. Distinguishing between these activities may be challenging, especially for metals businesses engaged in a range of related and complementary business activities. A related issue is that while the City has provided for the possibility of M-III Heavy Manufacturing zone with its Zoning Code, no sites in the City currently have an M-III designation.
  - <sup>2</sup> As an example, microbreweries are not allowed in the M/C zone although food and beverage processing is permitted. However, it is likely that a tasting room in association with the primary manufacturing of beer on-site could be construed as permissible.
  - <sup>3</sup> The Port Townsend Business Park Planned Unit Development allows office/retail to occupy a maximum of 20% of gross buildable area on all PTBP lots. However, the current code no longer allows a PUD on land zoned M/C; this is suggested for re-consideration with this feasibility study.
  - <sup>4</sup> Section 17.08.060 provides a definition that: “Regional retail establishment” means a large scale retail establishment planned, constructed, and managed as a total entity, with customer and employee parking provided on-site, provision for goods delivery separated from customer access. A regional retailer may accommodate a wide range of retail commodities (e.g., apparel and accessories, food and sundries, consumer electronics, hardware, building materials, sporting goods and automotive supplies), occupies between 10 and 25 acres of land, and typically contains more than 100,000 square feet of gross floor area. It draws its clientele from as much as a 30-minute drive away.
  - <sup>5</sup> Formula retail is defined by the Port Townsend Municipal Code as covering retail, dining and lodging with more than 14 establishments providing two or more “standardized” merchandise/menus, facades, décor, apparel, signage, and/or trademark/service mark. Formula businesses are limited in terms of such features as street frontage (50 feet), building floor area (3,000 square feet), drive-through facilities, street corner and stand-alone locations, and density of establishments per lot area. See Chapter 17.54 for added detail.
  - <sup>6</sup> Information regarding both performance and form-based zoning can be obtained from the Municipal Research and Services Center (MRSC), web site [www.mrsc.org](http://www.mrsc.org). Included are examples of applicable codes specific to municipalities in Washington state.
  - <sup>7</sup> The current Comprehensive Plan also notes that: “Standards for this type of PUD should allow variety in terms of the mixture of commercial and manufacturing uses, patterned after the Port Townsend Business Park PUD approved in 1993.”
  - <sup>8</sup> Jefferson County is cited by MRSC as a Washington state jurisdiction with performance and use-specific standards, per Jefferson County code Ch. 18.20.
  - <sup>9</sup> Median age of the Hood River County population is 38.6 years – considerably below that of Jefferson County and offering a greater supply of technologically savvy, younger adult workers.
  - <sup>10</sup> Vacation of the existing Howard Street right-of-way no longer needed due to a reconfigured street corridor will be subject to a waterline easement in the existing right of way.
  - <sup>11</sup> Information is from the Mt. Townsend Creamery web site: [www.mttownsendcreamery.com](http://www.mttownsendcreamery.com).
  - <sup>12</sup> The 2007-08 preliminary industrial and commercial land inventory was conducted by Tetra Tech as subconsultant to E. D. Hovee & Company, LLC. No subsequent inventory update has been completed to date.
  - <sup>13</sup> Expansion plans were assessed as part of a 2007 business needs questionnaire was distributed to 1,290 businesses throughout Jefferson County. The survey was conducted by E. D. Hovee & Company, LLC through a Jefferson County Economic Development Partnership with representation from Jefferson County, the City of

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Port Townsend, Port of Port Townsend, Economic Development Council of Jefferson County, and Diversified Resources. In response, 260 completed surveys were received – for an overall survey response rate of 20%.

- <sup>14</sup> A long-term 0.25 FAR was assumed for development of industrial and commercial lands with preliminary analysis conducted by E. D. Hovee & Company, LLC for Jefferson County in 2007.
- <sup>15</sup> The North American Industry Classification System (NAICS) is used to classify establishments according to their primary industrial activity and serves as the method for reporting Quarterly Census of Employment and Wages (QCEW) data by the State of Washington Employment Security Department. A counterpart but different way of classifying employment is by occupation rather than industry sector. The Bureau of Labor Statistics maintains the Standard Occupational Classification (SOC) system. Currently, there is no identified cross-tab of industry-occupation data available at a county-level.
- <sup>16</sup> No specific transactions are currently known to be pending as of the date of this economic feasibility report. Looking to the future, it is unclear as to how much of the development will occur with existing owners and how much might be developed or otherwise purchased by entities without current ownership in the work district.
- <sup>17</sup> The Northwest Center of Excellence for Marine Manufacturing and Technology. Unlike the Wooden Boat School in Port Hadlock, which teaches only hull construction, the Anacortes school also teaches propulsion, electrical and other marine “systems”.
- <sup>18</sup> There are examples of good creative centers in Seattle and San Francisco. South Park, in San Francisco, was one of the first of these in the 1970s, followed by China Basin in the 1980s. Today the Dogpatch, near the Potrero, is a hotbed of urban manufacturing. Across the Bay, West Berkeley is a lively mix of the old and new, while up the coast, in Portland, the Central Eastside has the same kind of mix. In Seattle, Pioneer Square, SODO and Georgetown are becoming the truly creative, face-to-face places to work. Elsewhere in the country, the list of creative centers includes Goose Island in Chicago, the Brooklyn Navy Yard in New York, and Somerville in Boston.
- <sup>19</sup> For a good discussion of this see “Applications of Performance Zoning for Industrial Uses in Hanover County”, Richmond Regional Planning District Commission, February 12, 2001.
- <sup>20</sup> Mobilisa is an example of a firm that appears to have relationships with the Pacific Northwest National Lab in Sequim.