



**Economic Profile and Needs Assessment  
May 21, 2013**

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## Acknowledgements

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**Cover Photo:** Oak Harbor looking Northeast toward Mt. Baker

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## Executive Summary

The major driver of Oak Harbor's economy for the past half century has been the US Navy. In the past few decades, however, Oak Harbor's population growth has slowed. After experiencing year-over-year growth rates above 10 percent from 1940-1970, Oak Harbor's population growth has slowed to less than 1.5 percent per year since 1990, a rate comparable to that of Coupeville and Langley, and slower than the statewide average for cities.

Recently, US Navy officials and Representative Larsen announced a commitment of additional P-8A squadrons to Naval Air Station Whidbey Island (NASWI). According to Representative Larsen's office, the base will be home to all seven Pacific squadrons of P-8As which "will bring hundreds of new military families and will create hundreds of local jobs."

While the announcement of new squadrons and personnel at NASWI is excellent news, in the context of large federal deficits and debt it is difficult to predict with complete certainty what will happen to staffing levels at NASWI in the decades to come as the political climate changes. For this reason and others, Oak Harbor should focus its economic development efforts on the private sector. Doing so will also benefit NASWI in the long run by increasing the overall stability of the base in the region and increasing the quality of life of Oak Harbor's residents and veterans.

Previous discussions and plans, including the 1995 "*North Whidbey Community Diversification Action Plan*", have focused on the concept of growing Oak Harbor's private sector economy and diversifying its employment base. This plan led to the rezoning and annexation of much of the north Oak Harbor area for industrial and business park uses.

Since the time of the *Diversification Plan*, there has been very little inquiry into the size and nature of Oak Harbor's economy. This *Economic Profile and Needs Assessment* provides descriptive information on Oak Harbor's business environment including characteristics of its population, housing, and economy. This document will provide the foundation of an economic strategy/action plan so that Oak Harbor can refocus on diverse, private sector growth.

The Needs Assessment chapter of this report performed a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis to determine what the inherent advantages and disadvantages are of Oak Harbor's economy for new business growth and expansion. SWOT analysis is commonly used in business planning. Figure A is a visual representation of a SWOT analysis.

Figure A: SWOT Analysis Diagram



Source: [businessteacher.org.uk](http://businessteacher.org.uk)

The following highlights key findings from this *Economic Profile and Needs Assessment* report in the categories of population, housing, and economy:

## Population

- **Slowing population growth.** Oak Harbor’s population grew rapidly at annual rate near eight percent from 1950-1990 after which the city grew at a slower annual rate near one percent. The City’s population growth since 1990 is comparable to the rates in Langley and Coupeville.
- **Young demographic.** Oak Harbor’s population is heavily slanted toward people aged 10 or younger and people in their 20s. This comes as no surprise given that the Navy is by far the City’s largest employer.
- **Growing population of seniors.** Despite its young demographic, Oak Harbor’s fastest growing age group are those aged 65 and over. This age group grew 13 percent from 2000-2010. The growing population of seniors presents opportunities for Oak Harbor to consider infrastructure, such as a new senior center, serving this population and to plan for housing and services that anticipate their needs.
- **Large veteran population.** In 2010, Oak Harbor’s veterans made up nearly 1/3<sup>rd</sup> of its population aged 18 and older, more than double the percentage in the state which stood at 12 percent. Oak Harbor’s veterans are also younger and have served in more recent conflicts, such as the Gulf War, whereas most of the State’s veterans are from the Vietnam era. Veterans have lower unemployment rates than the general population and special skills that present opportunities for attracting employers.

## Housing

- **Housing unit mismatch.** Based upon available evidence, there seems to be a mismatch between the availability of housing units in Oak Harbor and what is actually in demand. Well over half, 57 percent, of Oak Harbor’s housing units are rented. While this may come as no surprise in a military town, it is unusual since the County and the State have approximately 30 percent of their housing stock which is rented. In addition, Oak Harbor has a lower proportion of one-bedroom units than the County or State. Household size declined 6% over the decade meaning

smaller houses may be more in demand. Even considering all these facts, Oak Harbor's housing stock is over 60 percent single-family units implying that its supply does not match demand.

- **Unaffordable housing.** Oak Harbor's average home values are approximately \$50,000 below those of the County or the State. Taken by itself, that means that Oak Harbor's housing is more affordable to new residents than that of the County or the State. However, when compared to the incomes of jobs in Oak Harbor, which are quit low, housing is actually less affordable for Oak Harbor workers than it is in Island County or Washington.

## Economy

- **High unemployment.** Oak Harbor's unemployment rate has historically been higher than the County or the State. In fact, Oak Harbor's unemployment rate of 11.1% was the highest in the State for any city with a population of 20,000-30,000 in 2010. This fact may come as a surprise to those who might have assumed that the presence of NASWI might mean that Oak Harbor's unemployment rate was lower than average. The high unemployment rate is likely due to the lack of diversity in Oak Harbor's industries and businesses.
- **Industry sectors.** Oak Harbor's top four industries in 2010 were: (1) education, health, and social services; (2) public administration; (3) arts, entertainment, recreation, accommodation and food services and (4) retail trade. The fastest growing sectors from 2000-2010 were: (1) construction, (2) transportation and warehousing, and utilities, (3) arts, entertainment, recreation, accommodation and food services. Oak Harbor saw a major decline in the information sector over the decade.
- **Low incomes.** Oak Harbor's average income levels, both on a per capita and household basis, are significantly lower than those of the County or the State. Oak Harbor has the second lowest per capita income in the State for any city with a population of 20,000-30,000. The median household income for cities in this population category outside of King County is about \$70,000 per year compared to Oak Harbor's median household income which is approximately \$50,000. Income levels typically have a significant bearing on business growth in a community because it usually implies that residents have low disposable incomes. Nonetheless, Oak Harbor's average incomes are growing, having risen 21% in the last decade.
- **High per capita sales.** Despite the fact that Oak Harbor has some of the lowest income levels in the State, it has some of the highest per capita sales. In fact, only Moses Lake and SeaTac have higher per capita sales. Oak Harbor's per capita sales are equal to that of Bainbridge Island and Mercer Island, which is an impressive statistic given that these are much wealthier communities. This report hypothesizes that Oak Harbor's high per capita sales are likely due to housing stipends that US Navy personnel receive which, in turn, gives them more disposable income than their gross income might imply.
- **Educational attainment.** Oak Harbor's population and workforce has a smaller proportion with Bachelor's Degrees than does Island County or the State. Many employers in today's economy require that employees, at a minimum, have Bachelor's Degrees. This finding may make it more difficult for Oak Harbor to attract certain types of employers who require Bachelor's Degrees. At the same time, Oak Harbor has a higher proportion of its population with Associate's Degrees and at least some college than the County or the State. Associate's Degrees are becoming more commonplace in the workforce and more sophisticated as the price of four-year degrees rises. Oak Harbor has an opportunity to capitalize on its high population of persons with Associate's Degrees. In addition, the City may want to work with Skagit Valley College to explore

opportunities for four year degree programs so that those with Associate's Degrees, such as Navy spouses, can graduate with four year degrees, making Oak Harbor a more attractive locale.

- **Workforce age.** Because Oak Harbor has a much younger than average population and workforce, it has special workforce training needs. The City, in coordination with workforce training organizations, should help bring experience and skills to young workers so that it can offset the lack of experience when attracting new employers. In addition, the City should focus on attracting employers with workers in their 30s, 40s, and 50s.
- **Commute patterns.** Oak Harbor's commuters travel by car and less by transit or carpooling than do Island County or commuters across the State. Oak Harbor's drive alone mode share is 84%, a full 10% above the County or the State. This trend is important for economic development purposes, because driving alone is more expensive than taking transit or carpooling, resulting in less disposable income for workers to spend at Oak Harbor businesses.

Oak Harbor has significant challenges that it this report recommends it address, such as high civilian unemployment, low incomes, and unaffordable housing. The City also has opportunities it can take advantage of like the skills and experience of its veterans, quality of life, potential for waterfront recreation and development, and young demographic, and growing population of seniors. To be successful at economic development and encourage diverse, private sector growth, Oak Harbor needs to not lose sight these challenges and opportunities Economic development is a lofty, but achievable goal if Oak Harbor applies appropriate resources to the issue, tackles its problems head-on, and internally cooperates to meet its economic development needs. If it chooses, Oak Harbor can be a standout on economic development in Washington State.

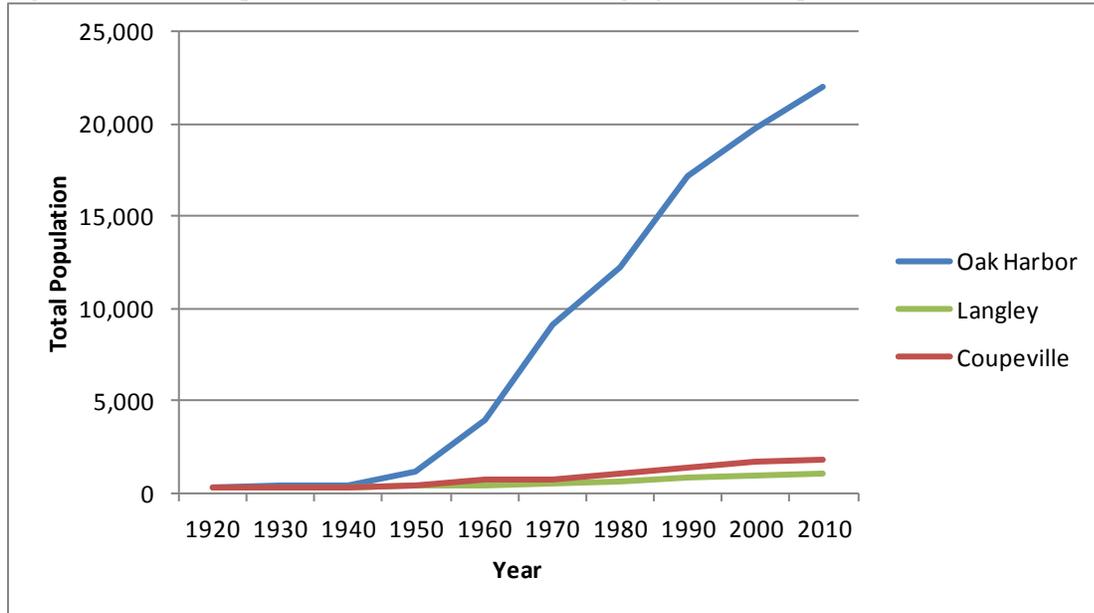
# Chapter 1: Population

## Metrics

### Total Population

#### Analysis

Figure 1. Total Population in Oak Harbor, Langley, and Coupeville 1920-2010



Source: Washington State Office of Financial Management, April 1 Population Estimates for Cities and Towns

Oak Harbor has grown rapidly since the mid-1940s and the arrival of the US Navy base. Figure 1 shows Oak Harbor’s total population by decade compared to Langley and Coupeville. Each of these cities had approximately the same number of people in 1940, but Oak Harbor’s growth rapidly accelerated from that point forward. The US Navy has been the major economic driver for Oak Harbor.

Table 1. Average Annual Growth Rates by Decade for Oak Harbor, Langley, and Coupeville, 1930–2010.

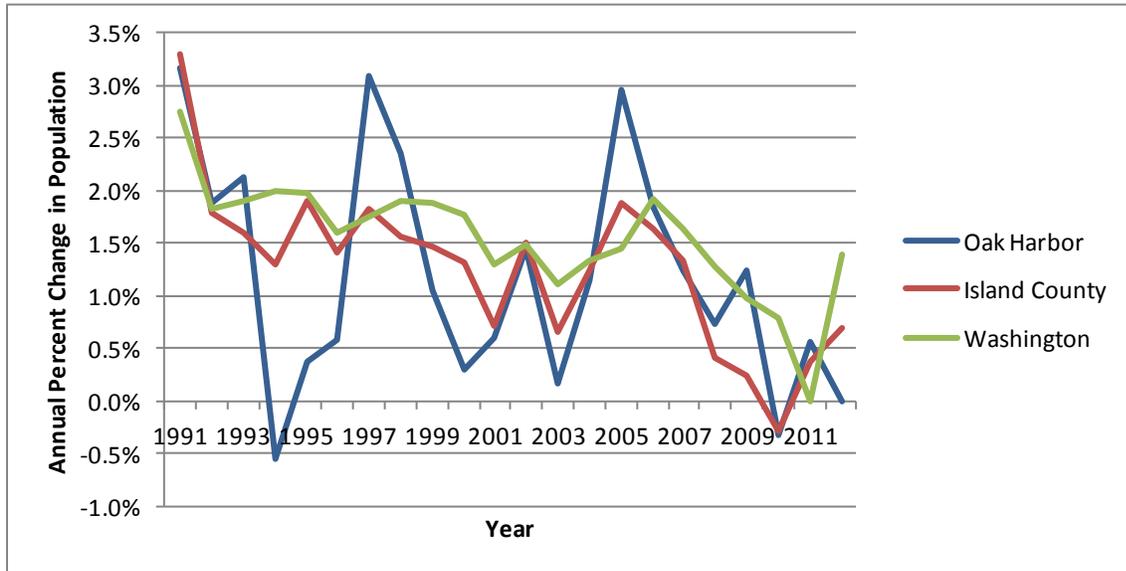
	Oak Harbor	Langley	Coupeville
1920-1930	0.7%	-0.2%	-2.1%
1930-1940	0.4%	2.3%	1.6%
1940-1950	12.2%	2.4%	1.5%
1950-1960	12.7%	0.5%	6.9%
1960-1970	8.8%	2.0%	-0.5%
1970-1980	3.0%	1.8%	3.6%
1980-1990	3.4%	2.6%	3.2%
1990-2000	1.4%	1.3%	2.3%
2000-2010	1.1%	0.8%	0.6%

Source: Washington State Office of Financial Management

Since 1980, however, Oak Harbor’s rate of growth has slowed dramatically. After experiencing growth rates averaging above ten percent per year from 1950 – 1970, Oak Harbor’s population has increased more gradually since 1990 with rates below 1.5 percent—about equal to that of Langley and Coupeville. That annual growth rate is slower than Washington State (1.54 percent), or the statewide average for

cities (2.5 percent) since 1990, suggesting that the US Navy has not been the driver of economic growth that it once was, although that may change again with the arrival of additional P-8A squadrons.

Figure 2. Population Growth Rates for Oak Harbor, Island County, and Washington State, 1991-2012



Source: Washington State Office of Financial Management April 1 Population Estimates for Cities and Towns

Figure 2 shows that Oak Harbor’s growth has not necessarily followed County or State patterns. This may be due to the US Navy employment levels and the resulting variability from deployments and personnel assignments. In 1994, for instance, Oak Harbor’s population declined during the Base Realignment and Closure (BRAC) discussions, whereas the County’s and State’s grew. This demonstrates the effect the US Navy has on Oak Harbor’s population and, consequently, its economy.

**Implications for Economic Development**

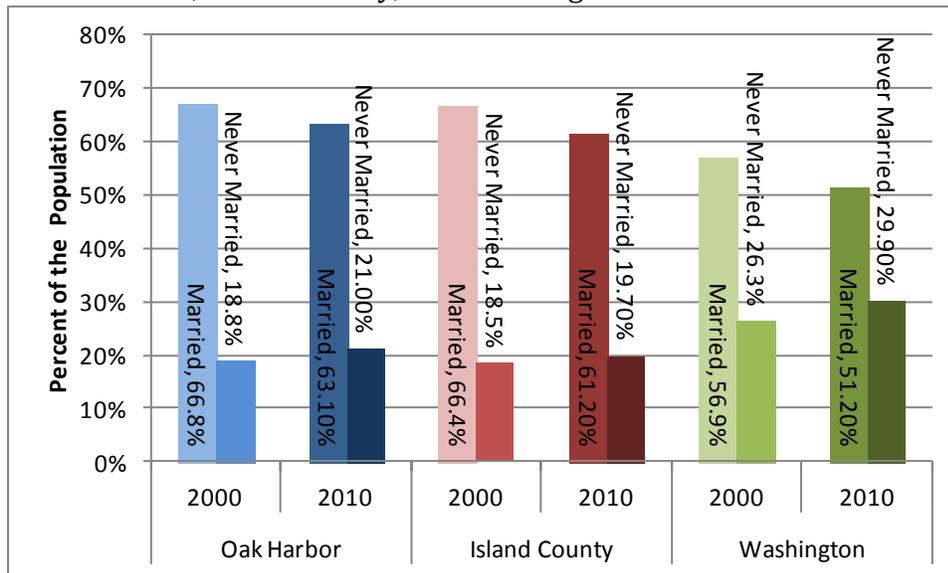
Oak Harbor’s slowing population growth in the past decades and dependence on Federal dollars via the US Navy means that it may likely need to explore economic growth from the private sector going forward. Additionally, because the City of Oak Harbor has a smaller population base and economy than does the County or the State, its annual growth trends are more variable. Changes initiated by the US Navy or Oak Harbor’s other industry sectors can dramatically effect population growth from year-to-year.

**Opportunity:** The US Navy has provided a stable source of economic growth attracting civilian population as well to spending to Oak Harbor in the post World War II period. The future of NASWI seems solid in the near to medium term with the addition of P-8A squadrons to the base.

**Threat:** Although the US Navy has been a consistent driver of fast-paced economic growth up until 1990, Oak Harbor has grown much more slowly since then. NASWI will add P-8A squadrons, but political climates and priorities can change in Washington D. C. quickly. Oak Harbor should safeguard against this threat, even if it is remote, by focusing on diverse, private sector growth.

**Marital Status Analysis**

Figure 3. Percent of the Population Married and Never Married in the Years 2000 and 2010 in Oak Harbor, Island County, and Washington



Source: American Community Survey 3-year estimates for 2009–2011.

Both Oak Harbor and Island County have a higher proportion of the population, which are married than does Washington State. This might be a surprise to some who have viewed Oak Harbor as having more unmarried males and females in their 20s and 30s due to the military influence. In fact, the opposite is true. However, like the Country at large, Oak Harbor’s marriage rates are falling having decreased by 4 percent over the last decade.

### **Implications for Economic Development**

While Oak Harbor’s population is much younger than average as earlier discussed, it also has a larger proportion of married people and this is especially true of people in their 20s and 30s. Fully 58 percent of people aged 20-34 are married in Oak Harbor compared to 47 percent in the County and 32 percent in Washington State.

Married couples have different market needs than do unmarried couples. Married couples share housing, may be looking to settle down, have lower taxes, and perhaps most importantly, often have children. As borne out by the discussion on age, Oak Harbor has a higher than average population of 0-9 year olds which puts special demands on City infrastructure such as parks. The City should relay this information to new and expanding businesses to help them better understand their market.

Looking at the above information, it is probable that Oak Harbor has many young, married couples with one of the spouses in the US Navy. Since US Navy jobs can be transitory, the spouse who is not employed by the US Navy might need living-wage work while stationed in Oak Harbor, but have a hard time finding such work. As a result, the non-military spouse may not work or would settle for low-paying, service sector jobs.

These facts have several implications for economic development in Oak Harbor. First, Oak Harbor may want to look at developing a cutting edge code which encourages neighborhood-based employment so that US Navy spouses can work from home. Flexible live/work housing units might facilitate work for these spouses. Secondly, Oak Harbor should closely consider the work needs of these spouses by

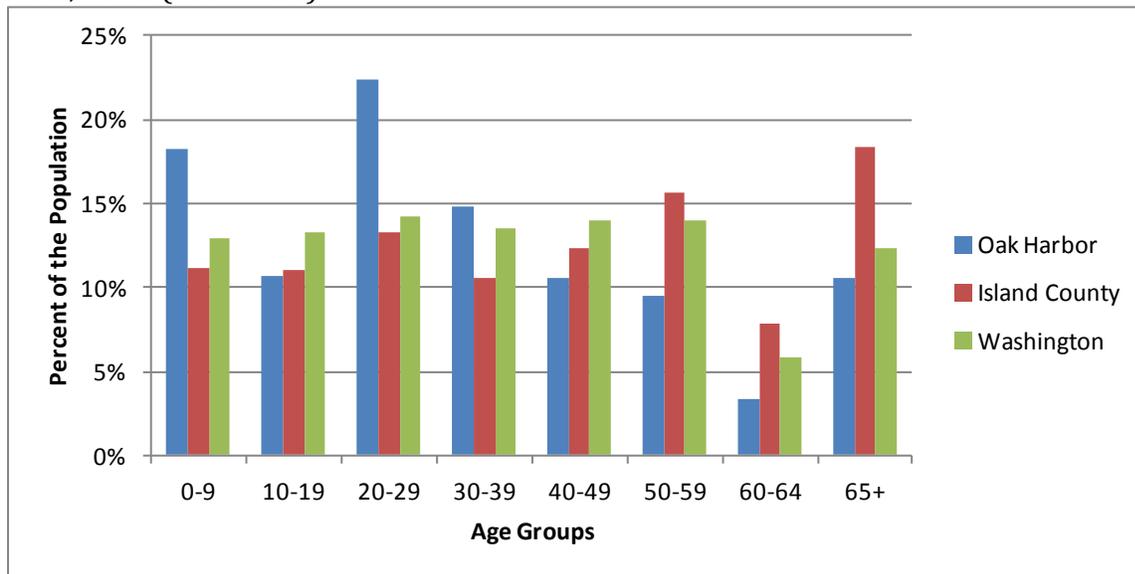
examining their level of education and experience in cooperation with the US Navy. It could then focus on attracting an employer or expanding an existing employer utilizing these skill sets. For example, if it was discovered that many military spouses are trained as nurses or could become nurses with some training, Oak Harbor might focus on attracting health care focused businesses. Given the growing population of seniors, there could be a strategic opportunity for nurse training and work in Oak Harbor.

**Opportunity:** The Oak Harbor business community has an opportunity to focus on the consumer needs of married couples. Married couples have different consumer preferences than do single people, including for cars, houses, clothing, and if they have children, for children’s items.

US Navy spouses are likely looking for work in their fields. Oak Harbor may have a built-in workforce for new businesses if it can ascertain the training and desired occupations of the spouses.

***Age of the Population***  
**Analysis**

Figure 4. Age Distribution of the Population for Oak Harbor, Island County, and Washington State, 2010 (Estimates)



Source: American Community Survey 3-Year Estimates for 2009-2011

Not surprisingly, Oak Harbor has a younger population than does Island County or the State. Over 50 percent of Oak Harbor’s population is below the age of 30, as compared with Island County (35 percent) or Washington State (40 percent). Oak Harbor has especially high proportions of children aged 0-9 and people in their 20s. These are not surprising findings given the presence of NASWI. On the other end of the age spectrum, Oak Harbor has fewer persons in their late working years (50 – 64) and senior citizens (65+). However, people age 65 and above are Oak Harbor’s fastest growing demographic having grown 13 percent since 2000.

**Implications for Economic Development**

In a State which already has a younger than average population than the nation, Oak Harbor’s young demographic is remarkable. Population age has multiple implications for economic development and

attracting new businesses. Oak Harbor can capitalize on its young average age to create a youthful vibe. Younger workers typically have fewer healthcare expenses, but also commonly have less experience and job training. Those in their 20s tend to be more physically active and look for opportunities to be engaged in recreational and social activities. The higher-than-normal percentage of children in the community places a greater need on public services such as schools, parks, and after school facilities/activities. New residents or employees in their 20s with children looking to locate in Oak Harbor will compare the quality of schools, and availability of social activities and physical infrastructure (i.e. parks, trails, and other amenities) to serve their children and themselves.

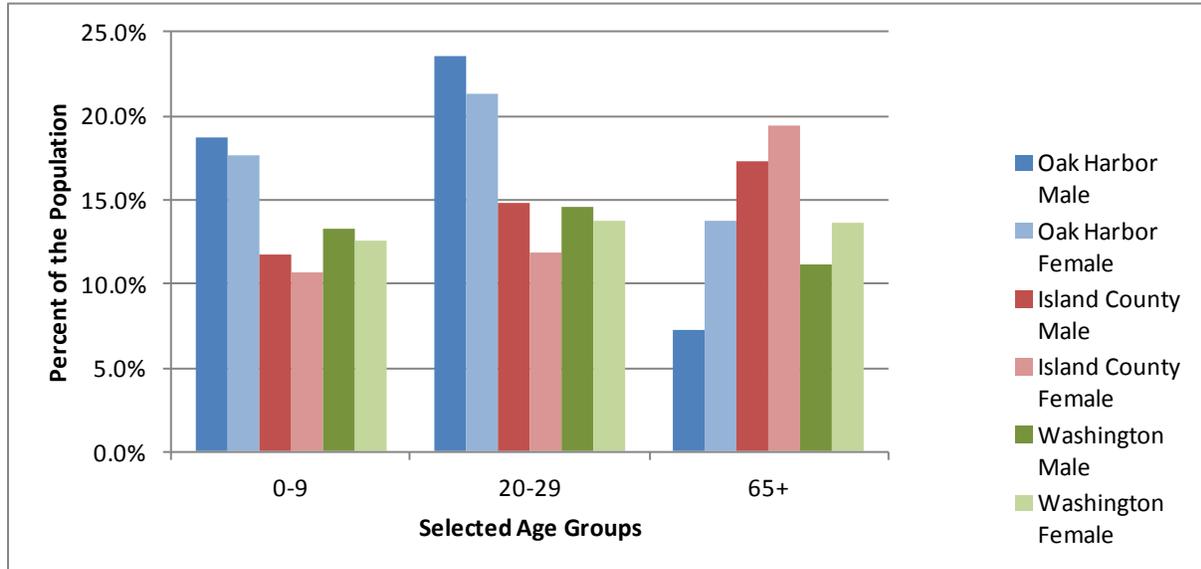
**Opportunity:** Oak Harbor has the opportunity to tap into advantages of having a large under 30 population. Businesses can market to this demographic by focusing on products and services, which tend to be more in demand by younger people. On the public side, the City might do well to place a greater emphasis on infrastructure investments that cater to the young demographic, such as parks, that serve school-age children or trails that allow for recreational opportunities for those in their 20s and 30s (and older residents too!) The City can capitalize on its youthful population by targeting infrastructure investments and business recruiting with this demographic in mind.

Oak Harbor has a fast growing retirement population which will have special needs of its own such as a quality senior center, as well as infrastructure that meets their needs.

**Threat:** Oak Harbor's young population also means that it has fewer than average people of prime working age (late 30s, 40s and 50s). Companies seeking an experienced workforce might interpret Oak Harbor's young demographic as a sign of inexperience. The City, non-profits, and businesses should consider training programs and opportunities to help workers obtain, keep, and be promoted in local businesses. Additionally, the City might want to place a greater emphasis on creating an atmosphere and attracting businesses that employ those in their 40s, 50s, and early 60s.

**Gender Analysis**

Figure 5. Gender for Selected Age Groups in Oak Harbor, Island County, and Washington State, 2010(Estimates)



Source: From the American Community Survey. Figures are 3-year estimates for 2009–2011.

**Implications for Economic Development**

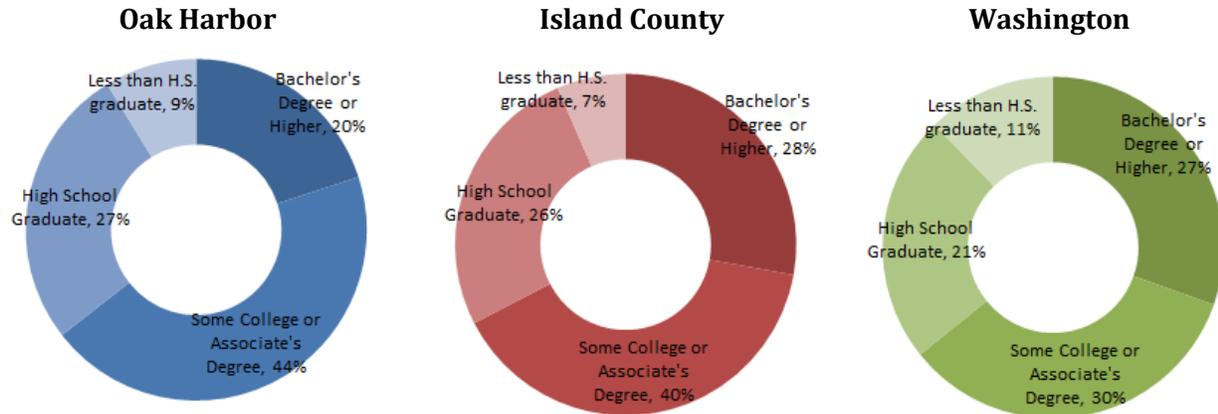
Figure 5 shows the breakdown by gender of the population for selected age groups in Oak Harbor, Island County and Washington State. As discussed earlier, Oak Harbor has significantly more school-age children and 20-somethings than does the County or the State, but far fewer seniors, although seniors are a rapidly growing demographic. Interestingly, the population of females over 65 in Oak Harbor is almost double the male population.

**Opportunity:** Oak Harbor’s young population presents opportunities to focus business and public investments on this demographic. Additionally, the high proportion of young males means that Oak Harbor has a workforce suited for heavy, manual labor such as construction. The City should seek to recruit businesses which compliment this demographic. The City should also target investments and businesses toward its growing demographic of senior citizens.

**Threat:** Because Oak Harbor’s population is young, its workforce may have less work experience.

## Education Analysis

Figure 6. Educational Attainment for the Population in Oak Harbor, Island County, and Washington in 2010.



Source: 2000 US Census and 2009-2011 American Community Survey 3-year estimates

Figure 6 shows the educational attainment for the population in Oak Harbor, Island County, and Washington in 2010. Oak Harbor has a smaller proportion of the population with bachelors or graduate degrees than does Island County or Washington, but a much larger proportion with Associate's Degrees and some college. These facts have both positive and negative implications for Oak Harbor. Many employers require skilled workforces and employees with Bachelor's Degrees, meaning that it could be more difficult for Oak Harbor to attract that type of employer. On the other hand, Oak Harbor has a higher proportion of the population with Associate's Degrees. There is a high demand for those with Associate's Degrees in trade related industries. In addition, many community colleges are beginning to offer four year degrees for those who already have Associate's Degrees. Associate's Degrees are less expensive and can adequately prepare the degree holder for many job opportunities not otherwise available to them.

### Implications for Economic Development

Education is an important consideration for employers when choosing employees and geographic locations and is also an important predictor of an individual's earnings and economic well-being. Bachelor's Degrees are a minimum requirement for an increasingly higher percentage of jobs, especially those which pay a living wage. However, Associate's Degrees are on the rise and are attractive to employers in certain career fields.

**Weakness:** Because Oak Harbor has a lower proportion of the population which has Bachelor's Degrees, it is likely in a weaker position to attract employers who require a college degree. Oak Harbor should work to support its existing educational institutions such as its public schools and Skagit Valley College. Support could include opening lines of communication to anticipate expansions and development of new schools and campuses in town as well as helping Skagit Valley College capitalize on the trend for community colleges to offer four year degrees.

**Opportunity:** Oak Harbor's high proportion of the population with Associate's Degrees means that it may have special advantages in attracting employers utilizing the skillset of this workforce.

**Threat:** Oak Harbor’s lower than average level of Bachelor’s Degrees are a threat to attracting employers who require four year degrees. Oak Harbor should work to emphasize its higher than average proportion of Associate’s Degrees.

**Income Analysis**

Table 2. Median Household Income in Washington Cities with Populations of 20,000-30,000 for the Years 2000 and 2010 (Estimates)

	2000	2010	% Change
<b>Bainbridge Island</b>	\$ 83,415	\$ 96,130	15%
<b>Camas</b>	\$ 64,885	\$ 77,967	20%
<b>Des Moines</b>	\$ 57,003	\$ 60,762	7%
<b>Kenmore</b>	\$ 72,139	\$ 81,097	12%
<b>Lake Stevens</b>	\$ 68,250	\$ 73,128	7%
<b>Maple Valley</b>	\$ 70,008	\$ 98,264	40%
<b>Mercer Island</b>	\$ 110,830	\$ 123,328	11%
<b>Moses Lake</b>	\$ 42,096	\$ 47,535	13%
<b>Mountlake Terrace</b>	\$ 52,117	\$ 58,018	11%
<b>Mukilteo</b>	\$ 79,487	\$ 93,120	17%
<b>Oak Harbor</b>	\$ 41,579	\$ 50,372	21%
<b>SeaTac</b>	\$ 47,630	\$ 48,319	1%
<b>Average for King County Cities</b>	\$ 71,522	\$ 82,354	15%
<b>Average for Cities Outside King County</b>	\$ 61,690	\$ 70,896	15%
<b>Average for All Cities</b>	\$ 65,787	\$ 75,670	15%

Source: 2000 US Census and 2009-2011 American Community Survey 3-year estimates

Table 2 shows the median household incomes in 2000 and 2010 in Oak Harbor compared to other Washington Cities with populations of 20,000-30,000 people. For both 2000 and 2010, Oak Harbor has a significantly lower household income. Oak Harbor’s income was \$25,298 below the average incomes of cities in its population category. Cities in King County tend to have higher incomes than the remainder of the State and, therefore, skew the average. However, even excluding cities in King County, Oak Harbor’s income was \$20,000 below the average for cities between 20,000 and 30,000. Median household income is a strong predictor of disposable income and purchasing power of consumers. Lower income communities are also indicative of lower-paying jobs.

On a positive note, Oak Harbor’s income grew 21 percent which was faster than the average for all cities in the 20,000-30,000 population group and faster than any single city in that group with the exception of Maple Valley. Although Oak Harbor incomes are low, the gap is narrowing.

**Implications for Economic Development**

Consumer businesses pay close attention to income statistics. Lower income communities are seen as having less disposable income and less purchasing power. Because income is a primary consideration for new retail businesses, especially national or regional chain businesses, Oak Harbor’s low income level could be sending a strong message to new businesses that there is no market for them here.

**Weakness:** Oak Harbor’s lower-than-average incomes are a weakness. Oak Harbor should seek to attract new firms from industries with higher wages.

**Opportunity:** Given that US Navy households receive housing and childcare allowances, Oak Harbor probably has higher disposable income than its gross income figures would suggest. To the degree that this is true, Oak Harbor should broadcast this fact widely to help attract consumer businesses which might otherwise assume Oak Harbor is not a profitable location to do business.

Additionally, many state and federal grants are targeted toward low income communities. Oak Harbor should exploit these funding opportunities.

**Threat:** Oak Harbor’s lower than average household income means that many mid and high-end consumer oriented businesses may choose not to locate here. Lower incomes are interpreted by businesses as a population which has less disposable income.

***Veteran Status***  
**Analysis**

Table 3. Veteran Status in Oak Harbor, Island County, and Washington State in 2000 and 2010 (Estimates)

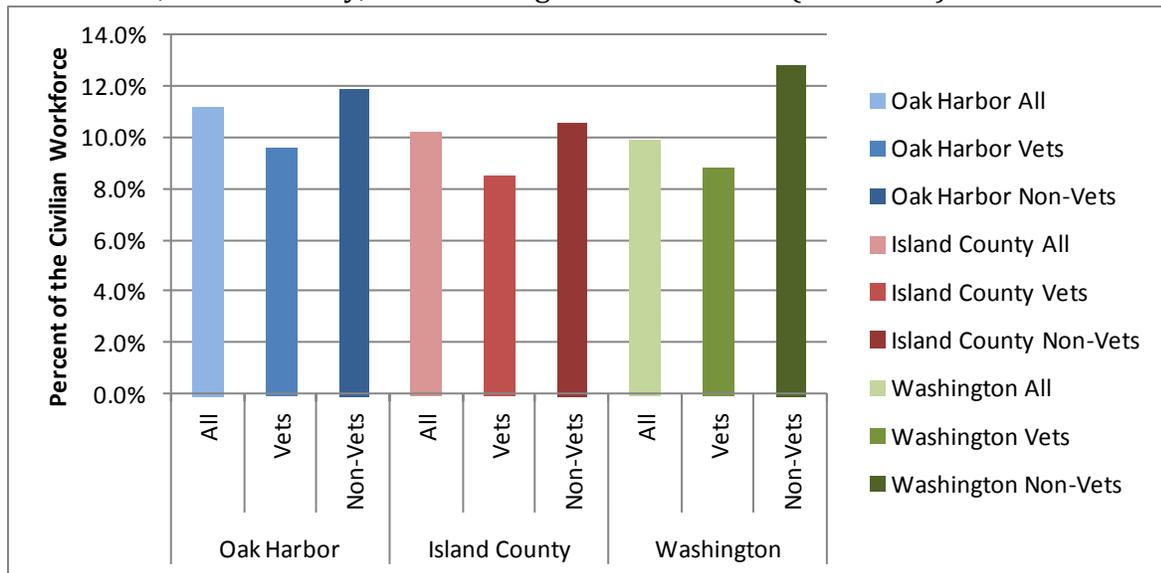
	Oak Harbor		Island County		Washington	
	2000	2010	2000	2010	2000	2010
Total Civilian Population 18 and Over	13,608	13,740	53,352	58,244	4,384,341	5,114,750
Veteran Population	19%	29%	22%	22%	15%	12%
Gender						
Male	81%	75%	89%	85%	93%	92%
Female	19%	25%	11%	15%	7%	9%
Period of Service						
Gulf War (9/2001 or later) veterans	N/A	49.5%	N/A	25.2%	N/A	11.5%
Gulf War (8/1990 to 8/2001) veterans	N/A	36.1%	N/A	25.4%	N/A	18.4%
Vietnam era veterans	N/A	24.2%	N/A	37.1%	N/A	37.6%
Korean War veterans	N/A	4.4%	N/A	8.8%	N/A	10.2%
World War II veterans	N/A	7.3%	N/A	8.5%	N/A	8.0%

Source: 2000 US Census and American Community Survey 2009-2011 3- year estimates  
Note: Figures represent percentages of the civilian population 18 and over.

Oak Harbor’s veteran population is large and growing. In 2000, veterans comprised 19 percent of the civilian population 18 years and older and by 2010 it was 29 percent. Island County’s proportion of veterans stayed about the same over the decade and the State’s dropped somewhat. The overwhelming proportion of veterans are male in all locations. It is notable, however, that Oak Harbor’s female veteran population grew by six percentage points over the decade and is much higher than in the County or the State.

Oak Harbor also has an entirely different mix of veterans than does the County or the State. Oak Harbor’s veterans are younger and have served more recently and are more likely to be female. Nearly 50 percent of Oak Harbor’s veterans are from the second Gulf War, having served since 2001 and another 36 percent are from the first Gulf War having served in the 1990s. Oak Harbor’s veterans contrast greatly with Island County and the State which have much higher proportions who served in the Vietnam War.

Figure 7. Unemployment Rates for the General Population, Veterans, and Non-Veterans in Oak Harbor, Island County, and Washington State in 2010 (Estimates)



Source: American Community Survey 2009 – 2011, 3-year estimates

Figure 7 shows the unemployment rates for the general population, for veterans, and for non-veterans in 2010. Veterans had lower unemployment rates than did the general population or non-veterans. Unfortunately, Oak Harbor had a higher unemployment rate among the general population and veterans than did Island County or Washington State in 2010.

Because the nation has volunteer armed forces it isn't uncommon for today's veterans separating from service to have Associate's or Bachelor's Degrees and some private sector job experience. Oak Harbor can capitalize on its larger proportion of veterans in attracting new employers.

### **Implications for Economic Development**

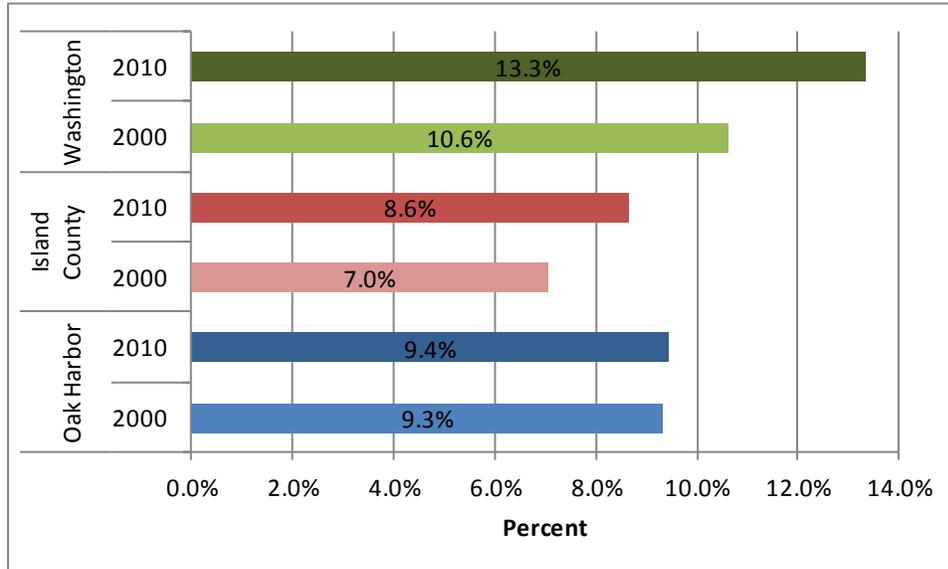
Oak Harbor's veteran population has a higher unemployment rate than does Island County or the Washington State. This is probably due to the characteristics of the veteran population: they are younger and are freshly returned from service and have had less time to adjust to civilian life. The higher unemployment rates can also be partly explained by the fact that Oak Harbor's economy in general is overly concentrated on a few industry sectors.

Job training programs can help specific populations find jobs, train for those jobs, and readjust to civilian life. WorkSource Northwest, part of the Workforce Development Council, has a career center on Highway 20 which helps the unemployed find and train for jobs. WorkSource has specific job training programs for veterans. The City should help spread the word to local businesses and the US Navy about WorkSource and its benefits to them in helping veterans train for jobs offered by local businesses.

**Opportunity:** Oak Harbor is blessed to have a high proportion of veterans due to the influence of NASWI. Veterans bring unique life experiences that give them skills to succeed in the private sector and have lower unemployment rates than the population at large. Many US Navy personnel have skills-related training which can help them succeed in the private sector. Oak Harbor should become more aware of the skills of its veterans and attract businesses which use these skills. This could be done by opening better lines of communication with the US Navy.

## Poverty Status Analysis

Figure 8. Poverty Status for Oak Harbor, Island County, and Washington State in the Years 2000 and 2010 (Estimates)



Source: 2000 US Census and American Community Survey 3-year estimates, 2009-2011.

Poverty is defined by income and the number of persons in a household. For a household of four, poverty level in 2011 was about \$23,000 according to the US Census Bureau. Oak Harbor had a higher poverty level than Island County in 2000 and 2010, but lower than Washington State in those years. Interestingly, the poverty rate grew by almost two percentage points in Island County and more than two percentage points in Washington in the decade, but was static in Oak Harbor.

### **Implications for Economic Development**

Poverty status is one indicator of economic health. People in poverty tend to use more assistance services from churches, non-profits, and government for food, housing, healthcare, etcetera. Fortunately, Oak Harbor's poverty rate does not seem to be growing.

Poverty cycles can be hard to break because poverty is generational: parents pass on financial habits to their children which can contribute to cyclical poverty. Poverty affects a community's economic development potential, because it affects the image of a community. Communities seen as impoverished are less likely to attract new businesses or be visited by tourists. The root causes of poverty are difficult to explain and even harder to address at a municipal level.

**Weakness:** Oak Harbor's poverty rates are within state norms. But, to the degree that poverty does exist in Oak Harbor, it is a weakness because it tends to be associated with other social problems such as crime, low educational levels, and lack of economic development. Since Oak Harbor's poverty rates are within norms, we do not suggest particular programmatic or policy recommendations at this time.

## Chapter 2: Housing

### Metrics

#### Number of Units and Tenure (Own vs. Rent)

##### Analysis

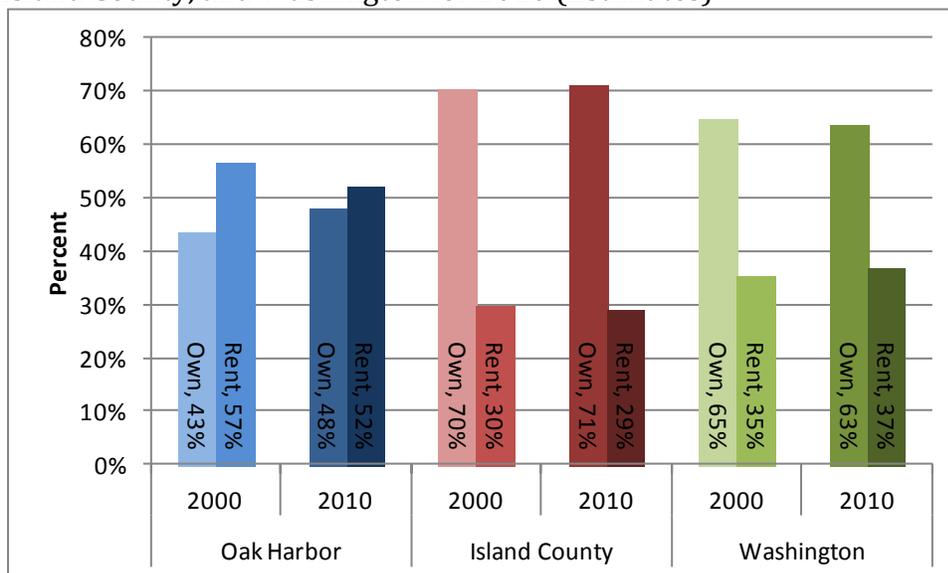
Table 4. Number of Housing Units for Oak Harbor, Island County, and Washington for 2000 and 2010 (Estimates)

Year	Oak Harbor			Island County			Washington State		
	2000	2010	Growth	2000	2010	Growth	2000	2010	Growth
<b>Number of Units</b>	7,736	9,799	26.7%	32,378	40,328	24.6%	2,451,075	2,890,127	17.9%

Source: 2000 US Census and American Community Survey 2009 – 2011 3-year estimates

Table 4 shows the number of housing units in Oak Harbor, Island County and Washington State in the years 2000 and 2010, as well as the percentage increase in the number of units over the decade. Oak Harbor’s unit supply grew slightly faster than the County and much quicker than did the State over that period.

Figure 9. Percent of Housing Units Owned or Rented in 2000 and 2010 in Oak Harbor, Island County, and Washington for 2010 (Estimates)



Source: American Community Survey 2009–2011 3-year estimates

Figure 9 shows the mix of housing units which are owned versus rented in Oak Harbor, Island County and Washington State for the years 2000 and 2010. In contrast to Island County, the State and most communities across the country, Oak Harbor has more units which are renter-occupied than owner-occupied. The percentage of owner-occupied units did increase over the decade, even considering that the opposite was true for the State as a whole. Oak Harbor’s own versus rent mixture has special implications for land use planning and the local economy. With so many renter occupied units, Oak Harbor needs to make sure it is planning adequately for housing which accommodates renters such as duplexes, townhouses, and apartments. Since US Navy personnel occupy so many of Oak Harbor’s units,

planning for enough multifamily units will help ensure that housing is affordable and meets the needs of Oak Harbor’s largest employer over the long run.

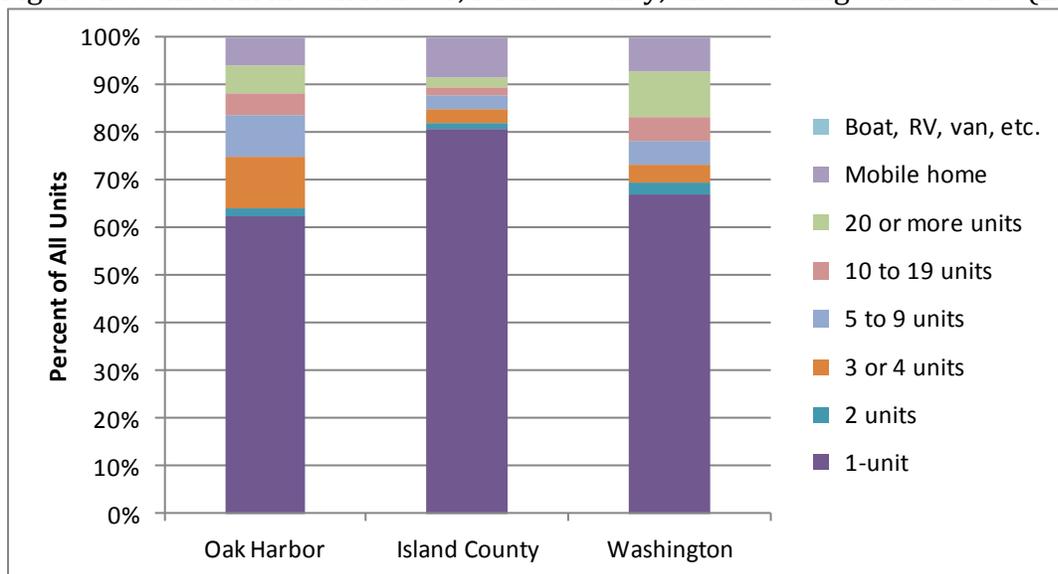
### **Implications for Economic Development**

The City of Oak Harbor should ensure that it has adequate land supply to meet the future needs of all types of housing. Too little land in particular categories will constrain the supply and employees and employers will look elsewhere for housing. The City should regularly check the supply of units within the City in each category and ensure that there is adequate vacant land to provide for additional units based upon absorption rates.

**Opportunity:** Oak Harbor’s housing stock grew faster than Island County or the State in the decade 2000-2010. Housing growth brings some construction jobs and spending to a community’s economy. Additionally, a growing housing stock helps keep housing prices low which, in turn, helps attract new residents. Oak Harbor’s tenure mix is heavily weighted toward renters. Renters typically have smaller household sizes and seek smaller housing units, which are usually built at greater densities. Greater densities, especially in infill areas, can help Oak Harbor make better use of infrastructure (roads, sewers, water, stormwater, parks, etc.) and build a vibrant central core.

### **Unit Mix Analysis**

Figure 10. Unit Mix in Oak Harbor, Island County, and Washington for 2010 (Estimates)



Source: American Community Survey, 2009–2011 3-year estimates

Figure 10 shows Oak Harbor’s existing unit mix. Oak Harbor’s housing stock is more diverse, having greater proportions of units in different categories than is Island County or Washington State. Nonetheless, as with most communities around the country, the vast majority of Oak Harbor’s housing units are single-family residences. Given that Oak Harbor’s tenure mix is slanted toward renter-occupied housing, it is possible that there is a shortage of multifamily units in the community to serve renter’s needs.

## **Implications for Economic Development**

Although Oak Harbor has a more diverse unit mix than most communities, its unit mix is still predominantly single-family residences. Single-family houses tend to have higher mortgages and rents than do multi-family units or mobile homes. Given that Oak Harbor has more renters than owners and yet its housing stock is predominantly single-family, there is quite possibly a shortage of multifamily units in the City. Anecdotal evidence from conversations in the Development Services Department with property owners and neighbors indicate that many single-family houses are being rented, sometimes with multiple families in one unit. Many Navy personnel rent multifamily units with multiple people in each bedroom. Many of these people would likely choose to have their own unit, if it was available and affordable.

The mismatch between owner and renter mix and the availability of units is an important quality of life factor for economic development. Overcrowded single-family houses create parking problems in neighborhoods and a general perception that the neighborhood is in decline. The City should examine the mismatch issue further and, depending upon the conclusions, make more land available for duplexes, townhomes, condominiums, and apartments.

**Opportunity:** Oak Harbor’s unit mix has a greater diversity than Island County or the State, but the unit mix does not match the tenure. Oak Harbor should explore making a greater amount of land available for more diverse housing stock. The land can include, not only undeveloped green fields, but infill parcels within already developed areas of the City. A greater diversity of units tends to help economic development since future employees are more likely to find the type of housing they desire within the City instead of searching elsewhere.

**Threat:** The apparent mismatch between tenure and housing type could hinder economic development in the City. Anecdotal evidence shows that multiple families are living in single-family houses, creating impacts for neighborhoods and perceived overcrowding issues. Workers who cannot find the type of housing they need may live in other communities and spend their incomes in those communities, rather than Oak Harbor. Employers looking to locate in Oak Harbor may conclude that the housing stock does not match their worker’s needs and may locate their business elsewhere.

## ***Physical Characteristics***

### **Analysis**

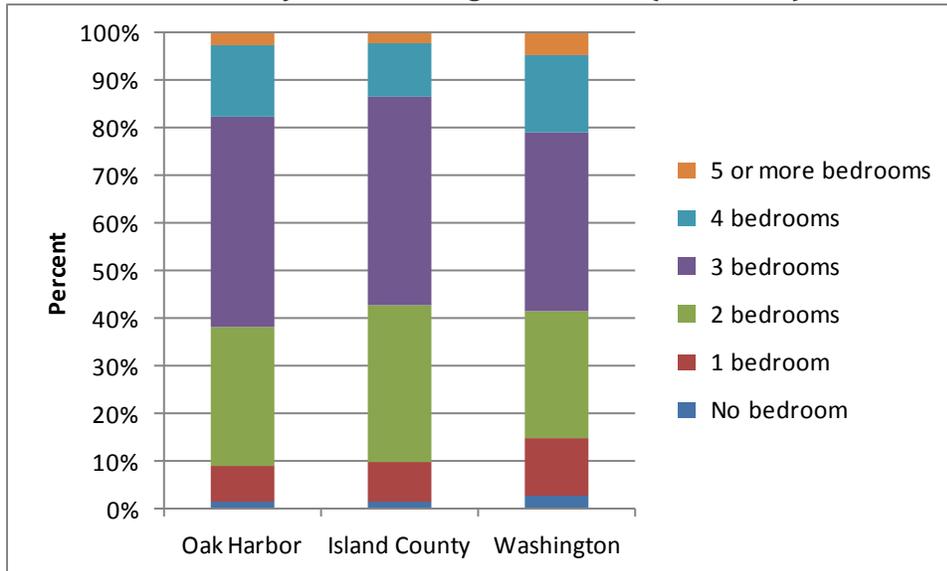
Table 5. Median Number of Rooms per Housing Unit in Oak Harbor, Island County, and Washington 2000 and 2010 (Estimates)

	Oak Harbor		Island County		Washington	
	2000	2010	2000	2010	2000	2010
Median # of Rooms	5.0	5.2	5.5	5.5	5.4	5.5

Source: 2000 US Census and American Community Survey 2009-2011, 3-year estimates

Table 5 shows the median number of rooms for houses in Oak Harbor, Island County, and Washington in 2000 and 2010. Oak Harbor houses had about six percent fewer rooms than did houses in Island County or Washington. Over the decade, Oak Harbor houses came closer to the median number of rooms provided in houses in Island County and the State.

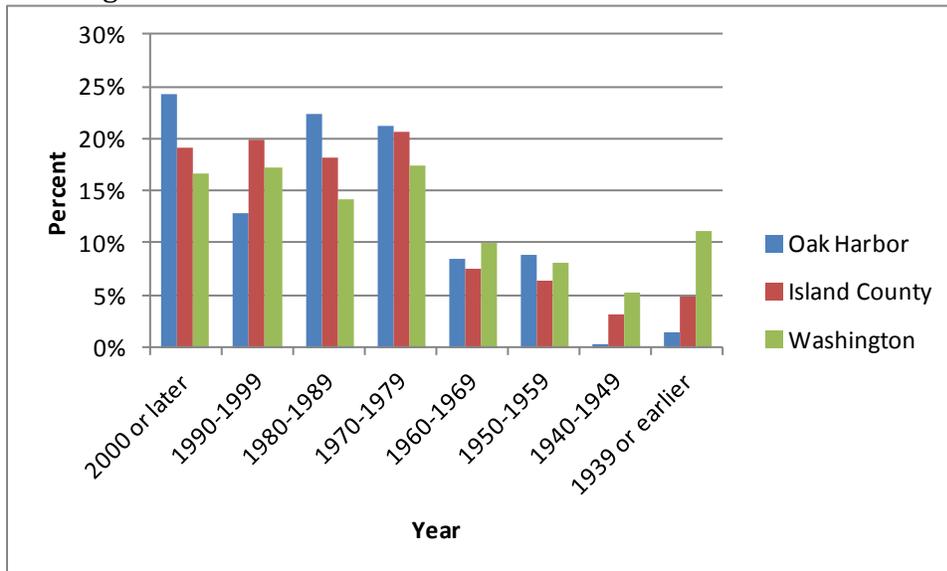
Figure 11. Percentage of Housing Units Having Specified Number of Bedrooms for Oak Harbor, Island County and Washington in 2010 (Estimates)



Source: American Community Survey 2009-2011, 3-year estimates

Table 6 shows the percent of housing units in Oak Harbor, Island County, and Washington having a specified number of bedrooms. Oak Harbor’s housing stock is very similar to that of Island County and Washington. Most houses in each jurisdiction are two or three bedroom units with a smaller stock of two and four bedroom units. However, Oak Harbor has a smaller proportion of 1-bedroom units than Island County or Washington which is somewhat surprising given the number of renters it has.

Figure 12. Distribution of Housing Units by Year Built for Oak Harbor, Island County, and Washington



Source: American Community Survey 2009-2011 3-year estimates

According to Figure 12, Oak Harbor’s housing market boomed in three decades: the 1970s, 1980s and the 2000s. Nearly 70 percent of all Oak Harbor housing stock was built in these three decades. Thus, Oak Harbor’s housing stock tends to be somewhat newer than that in Island County or Washington.

## **Implications for Economic Development**

Oak Harbor’s housing stock is more diverse (greater number of styles), has fewer rooms on average, is slightly newer, and has about the same mix of bedrooms as compared with housing in Island County and Washington State.

Since housing takes up the majority of land in almost any community, it has a large part in defining the character of the community. Neighborhoods are where people and families spend most of their time. Oak Harbor needs to pay special attention to how its new neighborhoods develop since this will largely be the future character of the community. Housing quality and price are primary considerations for attracting new residents and employees to the City.

**Strength:** Oak Harbor’s housing stock tends to be newer than what is found in the County or the State. All things considered, newer housing tends to be more attractive than older housing for most owners. Thus, a newer housing stock may help attract employees and businesses to the area.

**Weakness:** Oak Harbor needs to ensure that its housing stock meets quality standards so that its houses are appealing for generations to come not just for the first or second owner. The City should analyze the pros and cons of design regulations to ensure that homes have character and maintain desirability for years to come and, thus, help make Oak Harbor attractive to future businesses and residents, especially in areas of town where older houses are located and infill housing may have impacts on the neighborhood. A frequently cited assertion in the community is that many US Navy officers live in Anacortes due to the lack of higher quality housing units in Oak Harbor. Further, Oak Harbor has a relative lack of one-bedroom units compared to Island County and the State. Providing for more one bedroom units may help ease overcrowding situations in existing neighborhoods where single-family homes have more than one family.

## **Vacancy Analysis**

Table 6. Vacancy Rates for Owned and Rented Housing Units in Oak Harbor, Island County, Washington, and the US in 2010

	Oak Harbor		Island County		Washington		US	
	2000	2010	2000	2010	2000	2010	2000	2010
<b>Owner</b>	2.8	3.5	2.2	3.0	1.8	2.4	1.7	2.4
<b>Renter</b>	4.0	8.9	5.1	8.7	5.9	7.0	6.8	9.2

Source: American Community Survey 3-year estimates for 2005-2007, 2006-2008, 2007-2009, 2008-2010, and 2009-2011

Table 6 shows the owner and renter vacancy rates in Oak Harbor, Island County, Washington, and the Nation in 2000 and 2010. Vacancy rates for owner occupied housing in Oak Harbor have historically been somewhat higher than the other geographies. Rental housing had much lower vacancy rates in 2000 in Oak Harbor than the County, State or Nation, but by the end of the decade, the rate exceed that of the County or the State and was slightly less than that of the Nation. Because Oak Harbor is a smaller housing market than the other geographies, its vacancy rate has fluctuated more. In addition, deployments and transfers of military personnel likely also affect Oak Harbor’s rental market.

## **Implications for Economic Development**

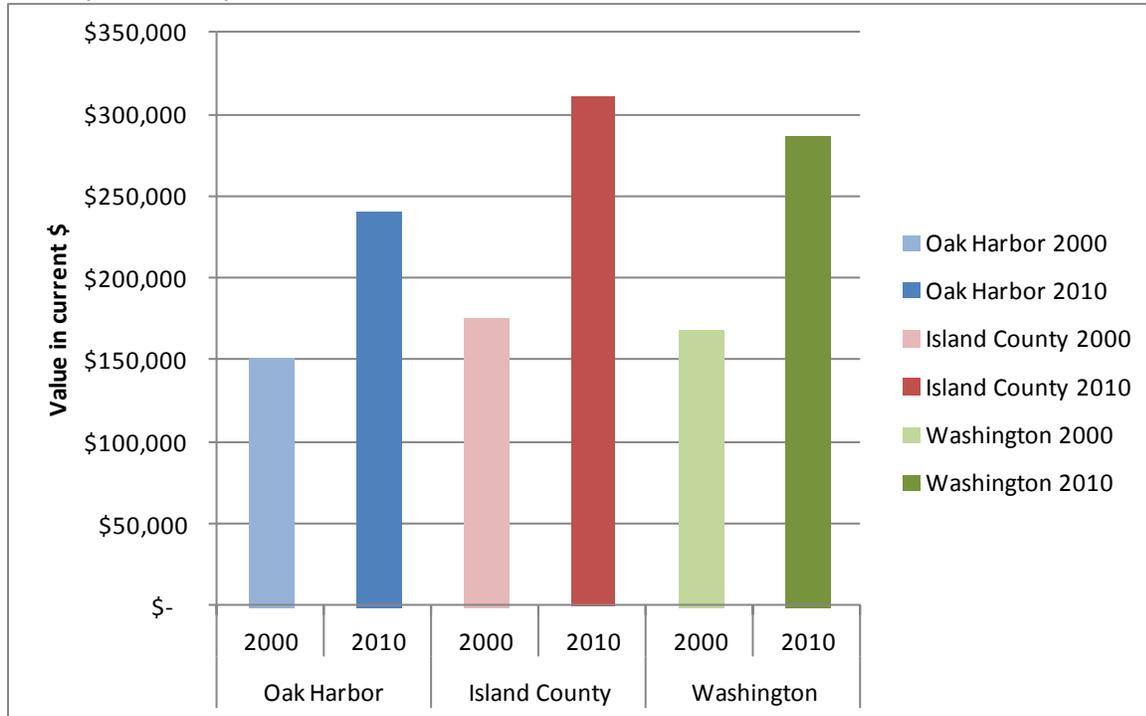
Oak Harbor’s landlords face special challenges in keeping units rented due to the turnover in military population, especially during times of conflict and war when deployments are greater. Vacancy for both

owner and renter occupied housing will decrease as Oak Harbor’s population grows over the next decade.

**Weakness:** Oak Harbor faces greater challenges in its housing units occupied due to military deployments and transfers.

**Values  
Analysis**

Figure 13. Home Values in Oak Harbor, Island County, and Washington State for 2000 and 2010 (Estimates)



Source: 2000 US Census and American Community Survey 2009-2011 3-year estimates

Oak Harbor’s housing costs have increased by 58 percent over the last decade from a median of about \$150,000 to \$241,000. Although the increase has been steep, it has not been as dramatic as the increases in Island County and the Washington State which rose over 70 percent. Median home values in Island County are over \$300,000 which are 25 percent higher than those in Oak Harbor.

**Implications for Economic Development**

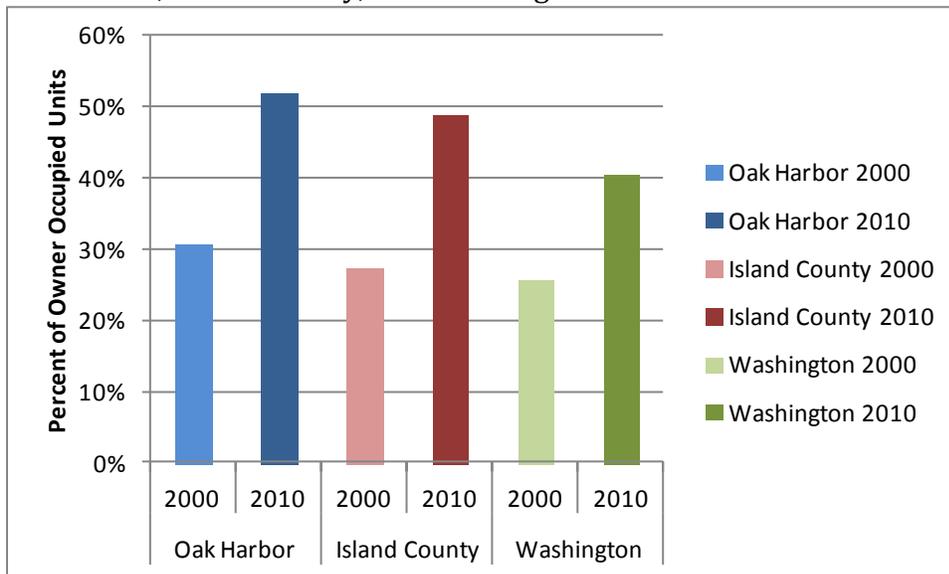
Average home prices in Oak Harbor are lower than Island County and the Washington State. Lower housing costs, considered in isolation, attract new residents to Oak Harbor, because Oak Harbor is a more affordable place to live than the rest of the Island or the State. However, an important question remains: is Oak Harbor affordable to its current residents and workers?

**Strength:** Oak Harbor’s relatively lower home prices as compared with Island County and the State are a comparative advantage in attracting new residents and new employers.

***Housing Affordability***  
**Analysis**

The housing industry and the Federal government have long considered 30 percent of gross monthly income to be the maximum a household should spend on housing costs. Households which spend more than 30 percent of their income on housing are considered to be living in unaffordable housing and will likely cut back on other essential items such as food, clothing or transportation to make rent payments. In this context, housing costs include mortgage or rent and utilities.

Figure 14. Percent of Owner Occupied Households for Which Housing is Unaffordable in Oak Harbor, Island County, and Washington in the Years 2000 and 2010 (Estimates)

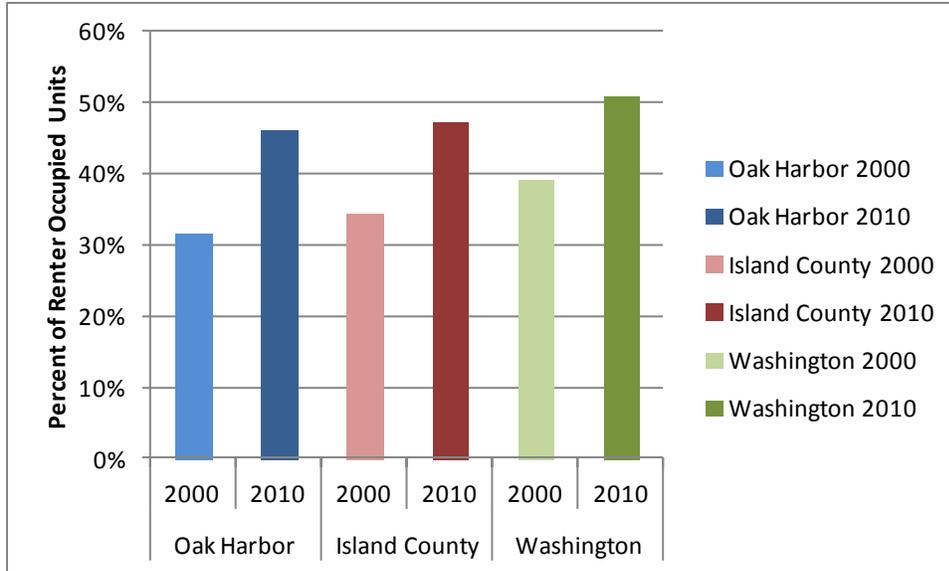


Source: American Community Survey 2009 – 2011 3-year estimates.

Housing cost is just one component of affordability with income being the other. An important question to consider for economic development is: are Oak Harbor’s home prices affordable to its existing residents?

To aide in answering that question, Figure 14 shows the percentage of owner-occupied households which paid more than 30 percent of their income in housing costs (including mortgage and utilities) for Oak Harbor, Island County, and Washington. In 2000, housing was unaffordable to 31 percent of owners in Oak Harbor in 2000. By 2010, the problem had worsened in Oak Harbor: 51 percent of households paid more than 30 percent of their income in mortgage compared to 49 percent in Island County and 41 percent in Washington.

Figure 15. Percent of Renter Occupied Households for Which Housing Was Unaffordable in 2000 and 2010 (Estimates)

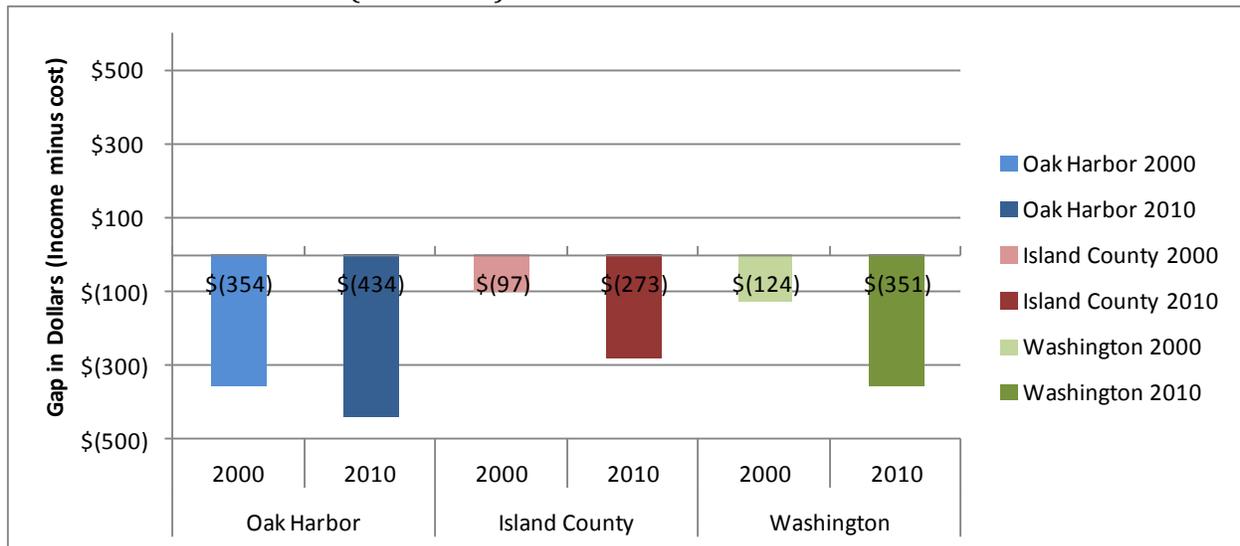


Source: 2000 US Census and American Community Survey 2009–2011, 3-year estimates.

Figure 15 shows the percent of renter-occupied households paying more than 30 percent of their income in rent for Oak Harbor, Island County, and Washington. Housing was unaffordable to 46 percent of households in 2010 in Oak Harbor. That percentage grew by 15 percent from 2000 to 2010. Rental housing is more affordable in Oak Harbor than Island County or the State.

Another measure of affordability is the affordability gap. Figure 16 shows the affordability gap for owner-occupied units in Oak Harbor, Island County, and Washington. The affordability gap is calculated as 30 percent of median household income (affordable housing cost) minus median housing costs. In 2000, median monthly housing costs exceeded what the median household could pay by \$354 in Oak Harbor and this gap grew to \$434 by 2010. Even though housing costs were more in Island County and Washington, Oak Harbor's affordability gap was larger.

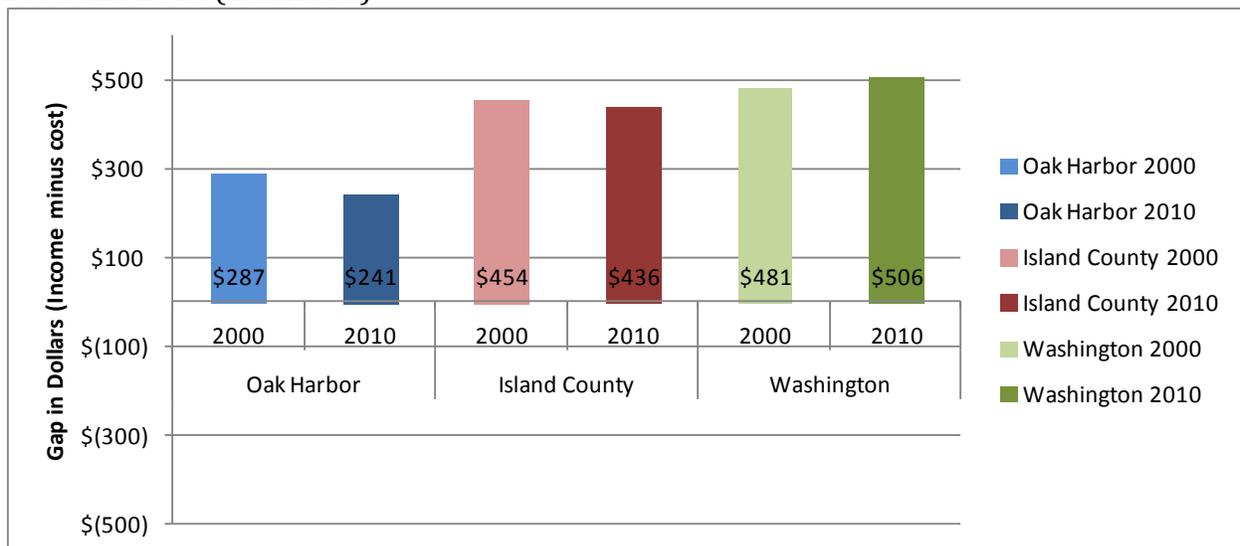
Figure 16. Owner Occupied Affordability Gap for the Median Household (\$ per Month) for the Years 2000 and 2010 (Estimates)



Source: 2000 US Census and American Community Survey 2009–2011 3-year estimates

For rental units, the story is different. The median household income is still adequate to rent housing in Oak Harbor. Figure 17 shows that monthly housing costs were less than what was considered affordable for the median household. In other words, for the median household, rental units are still affordable in Oak Harbor, although becoming less so. Additionally, rental units are less affordable in Oak Harbor than in Island County or Washington when compared to median incomes.

Figure 17. Renter Occupied Affordability Gap for the Median Household (\$ per Month) for 2000 and 2010 (Estimates)



Source: 2000 US Census and American Community Survey 2009–2011, 3-year estimates

### **Implications for Economic Development**

It is less expensive to rent or own a housing unit in Oak Harbor than Island County or Washington. Nevertheless, Oak Harbor households pay more for housing as a percentage of their incomes than do Island County or Washington State residents. The fact that housing is less affordable in Oak Harbor even

though its housing costs are lower means Oak Harbor resident’s incomes are much lower than average. The affordability issue has broad implications for economic development.

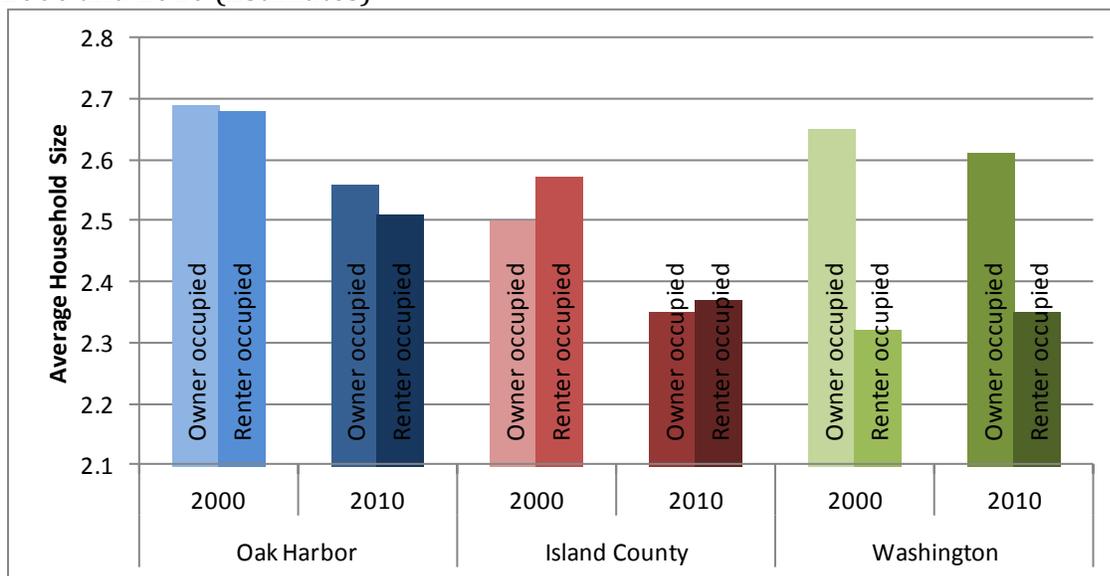
On one hand, housing is less expensive in Oak Harbor than in the County or the State, so that is an impetus for new residents and businesses to move to Oak Harbor. On the other hand, it is not affordable to own a house in Oak Harbor for existing residents. As new residents come to Oak Harbor, they will likely drive up the average cost of housing, making Oak Harbor even less affordable for existing residents and workers. People who already live in Oak Harbor may have to move elsewhere to find affordable housing and would be highly likely to leave the Island.

Since it is unaffordable to own a house in Oak Harbor, but remains affordable to rent, the City may need to explore what it can do to supply different ownership opportunities such as duplexes, condos, or townhouses which cost less than single-family and can be owned. Rezoning some land for these uses might help address this situation.

**Weakness:** Oak Harbor has an affordability problem for existing residents, which threatens to undermine economic growth because residents and employees will choose to move elsewhere. Because we know that housing prices are lower in Oak Harbor than Island County or the State, Oak Harbor’s housing affordability problem is almost entirely related to the low income of its residents. Nevertheless, Oak Harbor should explore strategies to maintain an adequate supply of housing and to reduce the effects of housing price inflation that come from constrained supply.

**Household Size Analysis**

Figure 18. Average Household Size in Oak Harbor, Island County, and Washington State in 2000 and 2010 (Estimates)



Source: 2000 US Census and American Community Survey 2009-2011, 3-year estimates.

Household sizes are dropping across the nation and the state as fewer people get married, have kids, and divorce rates increase. Oak Harbor’s household size dropped about six percent over the decade, versus seven percent in the County and just one percent in the State. Smaller household sizes likely

mean that demand is increasing for smaller units. As evidence of this, there is a nationwide trend toward smaller housing near downtowns located close to services and amenities.

### **Implications for Economic Development**

Smaller household sizes mean that Oak Harbor's housing stock will need to change and adapt in the future to accommodate this trend. Oak Harbor should remove barriers to building multifamily housing in existing neighborhoods.

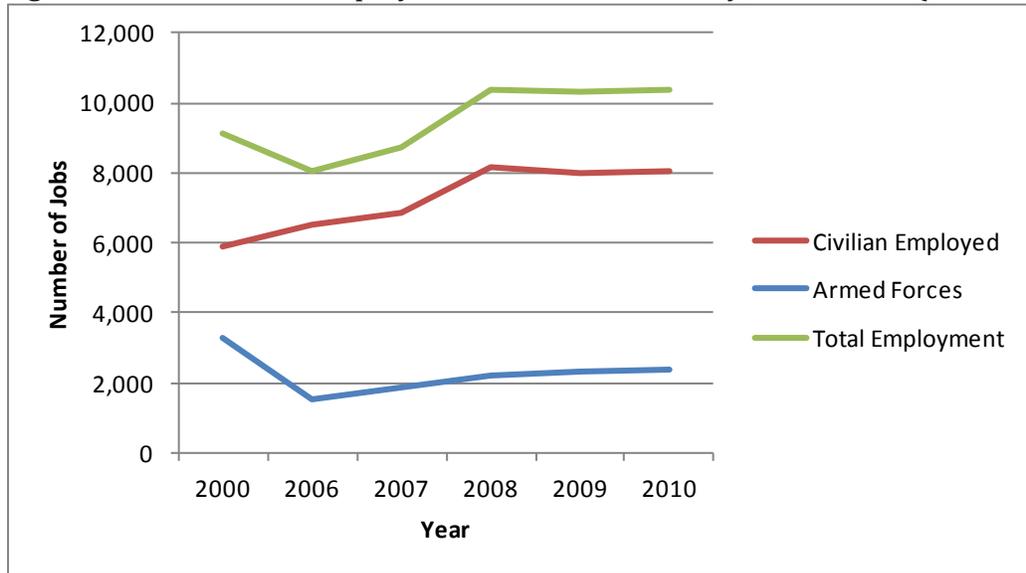
**Opportunity:** The decreasing household sizes represent an opportunity for the City to explore rezoning land which encourages different types of residential units such as condos, townhouses, and apartments which are tastefully integrated into existing and new neighborhoods.

**Threat:** The decreasing housing size could mean that Oak Harbor's housing stock, which is heavily slanted toward single-family units, becomes outdated and too large for smaller household sizes. Thus, the City should proactively track the supply of land zoned for all types of housing to make sure that it has enough land to meet future needs.

## Chapter 3: Economy

### *Employment* Analysis

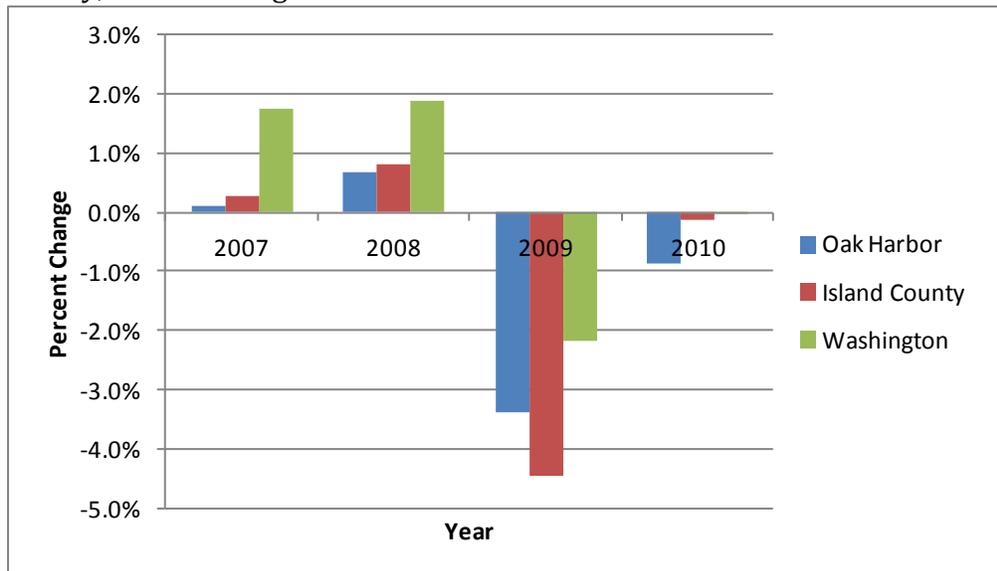
Figure 19. Oak Harbor Employed Civilians and Military, 2000-2010 (Estimates)



Sources 2000 US Census and American Community Survey 3-year estimates for 2005-2007, 2006-2008, 2007-2009, 2008-2010, and 2009-2011.

Oak Harbor's total employment dropped between 2000 and 2006, climbed steadily from 2006-2008, and has remained level since. The drop in employment from 2000-2006 was almost entirely due to a decrease in armed forces employment in those years, possibly due to personnel deployments overseas. Civilian employment grew between 2000-2008, but has since remained flat. Armed forces employment represented more than one-third of all employment within City limits in 2000, but has since fallen to less than a quarter.

Figure 20. Estimated Percent Change in Numbers of Civilian Jobs in Oak Harbor, Island County, and Washington State from 2007-2010.



Source: From the US Census "On The Map" program.

Local economies frequently follow State and national trends. Looking at just civilian employment in Oak Harbor, Figure 20 shows the annual percent change in number of jobs in Oak Harbor, Island County, and Washington State. The graph does not include armed forces employment. Oak Harbor gained jobs in 2007 and 2008, although not as quickly as the County or Washington State. The City lost jobs in 2009 and 2010 during the recession.

### **Implications for Economic Development**

Not surprisingly, Oak Harbor's employment is heavily dependent upon the US Navy. In fact, this is so much the case, that decreases in US Navy employment caused a local downturn in 2000-2006.

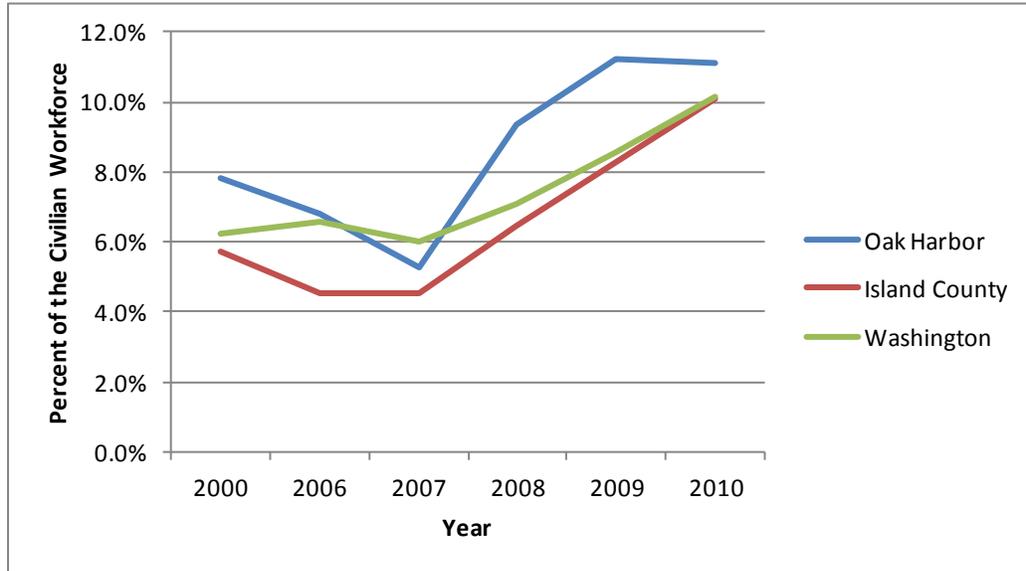
Oak Harbor should strongly consider policies to grow the private sector and diversify the local economy to cushion the impact of changes in US Navy staffing. US Navy employment has been stable since 2006, but the period 2000-2006 saw decreases in the number of employed persons in the US Navy living within City limits. As the nation winds down two wars and defense cuts loom, it will be especially important for Oak Harbor to set the stage for private sector growth.

**Opportunity:** Approximately 20 percent of Oak Harbor's residents are active duty military. The active duty population has remained stable, but is a smaller percentage of the total workforce than it was in 2000. If the US Navy increases personnel and operations in the future, this will represent an opportunity for Oak Harbor businesses to grow and accommodate this new population.

**Threat:** A decrease in operations and personnel at NASWI would negatively affect Oak Harbor's economy. To mitigate the impacts from potential future NASWI job losses, Oak Harbor should work to attract a greater diversity of employers in the private sector.

**Unemployment  
Analysis**

Figure 21. Unemployment Rates in Oak Harbor, Island County, and Washington 2000-2010 (Estimates)



Source: 2000 US Census and American Community Survey 3-year estimates for 2005-2007, 2006-2008, 2007-2009, 2008-2010, and 2009-2011.

Unemployment rates measure the percent of the civilian population which is unemployed. Unemployed is defined as someone who is actively looking for work, but unable to obtain either part-time or full-time work. Since the most recent recession began in 2007, Oak Harbor’s unemployment rate has been higher than that of Island County or the State. In 2010, Oak Harbor’s unemployment rate was 11.1 percent compared to 10.1 percent for Island County and Washington State.

Table 7. Labor Force Unemployment Rates (Including Armed Services Personnel) for Oak Harbor, Island County, and Washington State for 2000-2010.

	Oak Harbor	Island County	Washington
<b>2000</b>	5.2%	4.7%	6.1%
<b>2006</b>	5.6%	3.6%	6.5%
<b>2007</b>	4.2%	3.6%	5.9%
<b>2008</b>	7.5%	5.5%	7.0%
<b>2009</b>	8.9%	7.3%	8.4%
<b>2010</b>	8.8%	9.0%	10.0%

Source: 2000 US Census and American Community Surveys 3-year estimates for 2005-2007, 2006-2008, 2007-2009, 2008-2010, and 2009-2011.

However, because Oak Harbor has such a significant active duty military component of its workforce, it is useful to include this population in the calculation of the unemployment rate. With active duty military taken into consideration, Oak Harbor’s unemployment rate was 8.8 percent in 2010, slightly lower than that of the County and 1.2 percent lower than Washington State (See Table 7).

## **Implications for Economic Development**

Oak Harbor has, indeed, been fortunate to have NASWI as its major employer. That said, Oak Harbor’s civilian economy has suffered in the most recent recession more so than the civilian economy of the County or the State. Oak Harbor needs to explore options to bolster private sector employment and lower its unemployment rate.

As has the nation, the State, and the County, Oak Harbor’s economy has suffered substantially since the recession began in 2007 and the US Navy base has not shielded Oak Harbor’s private sector from the recession. For this reason and many others, the City of Oak Harbor needs to strongly consider what it can do to foster private sector job growth and diversify its economy.

**Threat:** Oak Harbor’s higher unemployment rates are probably due to the lack of diversity in its employment base, which is overly concentrated in low-paying retail, accommodations, and food services jobs. Oak Harbor should work to attract a greater diversity of employers and businesses to the community in higher paying sectors.

## ***Income and Wages*** **Analysis**

Table 8. Household Income Distribution for Oak Harbor, Island County, and Washington in 2000 and 2010 (estimates).

Income Category	Oak Harbor		Island County		Washington	
	2000	2010	2000	2010	2000	2010
Less than \$10,000	6.5%	5.1%	5.8%	4.0%	7.6%	6.2%
\$10,000 to \$14,999	6.6%	5.1%	5.2%	4.7%	5.5%	4.4%
\$15,000 to \$24,999	15.5%	9.6%	11.9%	8.9%	11.7%	9.4%
\$25,000 to \$34,999	18.9%	11.1%	13.9%	9.7%	12.5%	9.6%
\$35,000 to \$49,999	20.3%	17.8%	18.5%	13.9%	17.1%	13.7%
\$50,000 to \$74,999	19.6%	25.6%	24.4%	22.8%	21.4%	19.3%
\$75,000 to \$99,999	7.9%	15.3%	10.4%	15.2%	11.6%	13.4%
\$100,000 to \$149,999	3.3%	7.7%	6.7%	14.1%	8.3%	14.4%
\$150,000 to \$199,999	0.6%	2.2%	1.9%	4.5%	2.1%	5.2%
\$200,000 or more	0.8%	0.4%	1.3%	2.2%	2.2%	4.3%

Source: 2000 US Census and American Community Survey 3-year estimates for 2009-2011.

Oak Harbor’s household income distributions largely resembled those of Island County and Washington with 59 percent of households making between \$35,000 and \$100,000 per year in 2010. However, Oak Harbor has far fewer households concentrated in the highest income categories above \$100,000 per year.

Over the decade 2000-2010, Oak Harbor’s lower income categories (\$34,999 per year or less) shrank (more than Island County and Washington (16.6 percent versus 9.5 percent and 7.7 percent), while the upper income categories (\$100,000 or more) grew less (5.6 percent) versus the County (10.9 percent) and the State (11.3 percent).

Table 9: Wage Levels for Jobs In Oak Harbor, Island County, and Washington for 2002 and 2010

Wage Level	Oak Harbor		Island County		Washington	
	2002	2010	2002	2010	2002	2010
<b>\$1,250 per month or less</b>	44.5%	37.8%	40.6%	32.3%	28.6%	23.2%
<b>\$1,251 to \$3,333 per month</b>	40.5%	39.8%	41.3%	37.5%	39.8%	33.9%
<b>\$3,333 per month and up</b>	15.0%	22.3%	18.1%	30.2%	31.6%	42.9%

Source: US Census “On the Map” Program accessed via internet in January, 2013. Data is from Quarterly Census of Employment and Wages (QCEW), Unemployment Insurance Wage Records, and the Office of Personnel Management.

Table 9 shows three categories of wage levels for jobs in Oak Harbor, Island County, and Washington. Oak Harbor’s two lowest wage categories are shrinking, while its highest wage category is growing. Like Table 8, Table 9 shows that Island County and the State are growing more quickly in the highest wage categories than is Oak Harbor. Oak Harbor’s highest wage category grew by 7.3 percent versus 12.1 percent in Island County and 11.3 percent in Washington.

**Implications for Economic Development**

Oak Harbor has a greater proportion of households and wage earners making less than \$35,000 per year than does Island County or Washington. It also has a smaller proportion of its workforce and households in the highest wage and income categories than does the County or the State.

While it is apparent there is wage and income growth happening at all levels (City, County, State), Oak Harbor is not growing as quickly at the upper income levels as are the State and the County. This finding is problematic from an economic development perspective because Oak Harbor is not capturing its proportionate share of upper income households and wage earners. These people are not drawn to Oak Harbor in as great a proportion as they are to Island County or the State in general. Higher income earners have more disposable income and spend more money at local businesses. To attract and retain the higher income/higher wage earners to Oak Harbor, the City should think about what it can do to make the City attractive to this demographic in terms of new development, new businesses, and infrastructure. For instance, this may require higher quality development.

**Strength:** Oak Harbor’s wages and incomes are growing and it has a smaller proportion of low income households and jobs than it did a decade ago. The growing wages will help attract new residents and employees to the City.

**Weaknesses:** While Oak Harbor’s wages and incomes are growing, they are not growing as fast as the County or the State. Oak Harbor needs to gear infrastructure investments, business attraction efforts, and new development toward retaining the middle and upper income demographic.

**Industry Sectors  
Analysis**

Table 10. Percentage of Jobs by Industry for Oak Harbor, Island County, and Washington in 2000 and 2010

Industry	Washington		Island County		Oak Harbor	
	2000	2010	2000	2010	2000	2010
Agriculture, forestry, fishing	2.5%	2.5%	1.7%	0.7%	0.7%	0.7%
Construction	7.0%	6.4%	8.0%	7.4%	4.7%	5.6%
Manufacturing	12.5%	10.4%	11.8%	9.3%	10.2%	5.6%
Wholesale trade	4.1%	3.1%	1.4%	1.4%	0.7%	2.0%
Retail trade	12.1%	11.7%	12.1%	12.9%	13.2%	12.4%
Transportation and warehousing, and utilities	5.4%	5.1%	4.8%	4.6%	3.9%	4.5%
Information	3.4%	2.3%	2.9%	1.7%	3.0%	0.2%
Finance, insurance, real estate, and rental leasing	6.1%	5.8%	6.5%	5.3%	6.5%	5.5%
Professional, scientific, management, administrative, and waste management services	9.8%	11.9%	8.0%	10.3%	7.4%	6.6%
Educational, health and social services	19.4%	21.6%	21.3%	20.9%	22.0%	20.5%
Arts, entertainment, recreation, accommodation and food services	7.9%	8.9%	8.8%	9.7%	14.3%	14.3%
Other services (except public administration)	4.8%	4.8%	5.9%	6.0%	6.1%	4.2%
Public administration	5.0%	5.5%	6.9%	9.9%	7.2%	17.7%
<b>Number of Jobs</b>	<b>2,793,722</b>	<b>3,103,049</b>	<b>27,023</b>	<b>31,363</b>	<b>5,864</b>	<b>8,038</b>

Source: 2000 US Census and American Community Surveys 3-year estimates for 2005-2007, 2006-2008, 2007-2009, 2008-2010, and 2009-2011.

Table 10 shows the percentage of jobs by industry for Oak Harbor, Island County, and Washington in 2000 and 2010. Educational, health and social services; public administration; arts, entertainment, and recreation; and retail trade were the top industry sectors in Oak Harbor in 2010. These four sectors comprised 54 percent of all civilian jobs in 2010. Despite the recession, Oak Harbor’s economy grew by 37% over the decade which was greater than the growth in the County (16%) and State (11%).

Compared to the State and the County, Oak Harbor’s economy seems to be somewhat underrepresented in construction; manufacturing; and professional, scientific, management, administrative, and waste management services. These industry sectors might represent opportunities for future growth. Oak Harbor’s economy has higher than average proportions of the population working in arts, entertainment, recreation, accommodation, and food services; and public administration.

Table 11. Growth by Industry for Oak harbor, Island County, and Washington From 2002-2010.

Industry	Oak Harbor		
	2000	2010	% Change
Agriculture, forestry, fishing	41	60	46%
Construction	277	454	64%
Manufacturing	599	450	-25%
Wholesale trade	43	160	272%
Retail trade	776	993	28%
Transportation and warehousing, and utilities	228	361	58%
Information	178	17	-90%
Finance, insurance, real estate, and rental and leasing	380	446	17%
Professional, scientific, management, administrative, and waste management	435	534	23%
Educational, health and social services	1,289	1,651	28%
Arts, entertainment, recreation, accommodation and food services	841	1,152	37%
Other services (except public	356	340	-4%
Public administration	421	1,420	237%
<b>Total</b>	<b>5,864</b>	<b>8,038</b>	<b>37%</b>

Source: US Census "On the Map" Program accessed via internet in January, 2013. Data is from Quarterly Census of Employment and Wages (QCEW), Unemployment Insurance Wage Records, and the Office of Personnel Management.

Over the period 2000-2010, Oak Harbor's economy both grew and contracted in key areas. Of all industries, wholesale trade grew the most increasing from 43 jobs to 160 jobs, with public administration also increasing dramatically from 421 to 1,420 jobs due to the location of a branch office of the Department of Social and Health Services in Oak Harbor. The following industries also grew in Oak Harbor over the time period:

- Construction +64 percent (from 277 jobs to 450 jobs)
- Transportation and Warehousing and Utilities +58 percent (from 228 to 361 jobs)
- Arts, entertainment, recreation, accommodation and food services +37% 70 to 98 jobs)

The following industry sectors lost jobs:

- Information – 90% (from 178 to 17 jobs)
- Manufacturing – 25% (from 599 to 450 jobs)
- Other services – 4% (from 356 to 340)

### **Implications for Economic Development**

Oak Harbor's civilian economy is heavily concentrated in four main sectors: (1) educational, health, and social services (2) arts, entertainment, recreation, accommodation and food services (3) retail trade and

(4) public administration. The Accommodation and Food Services and Retail Trade sectors are not high paying and are especially sensitive to recessions and changes in the overall economy. This has made Oak Harbor's civilian economy volatile and subject to swings in the national economy, as well as changes in US Navy base staffing. In addition, the concentration of jobs in retail trade and accommodation and food services means that these jobs tend to be low paying ones.

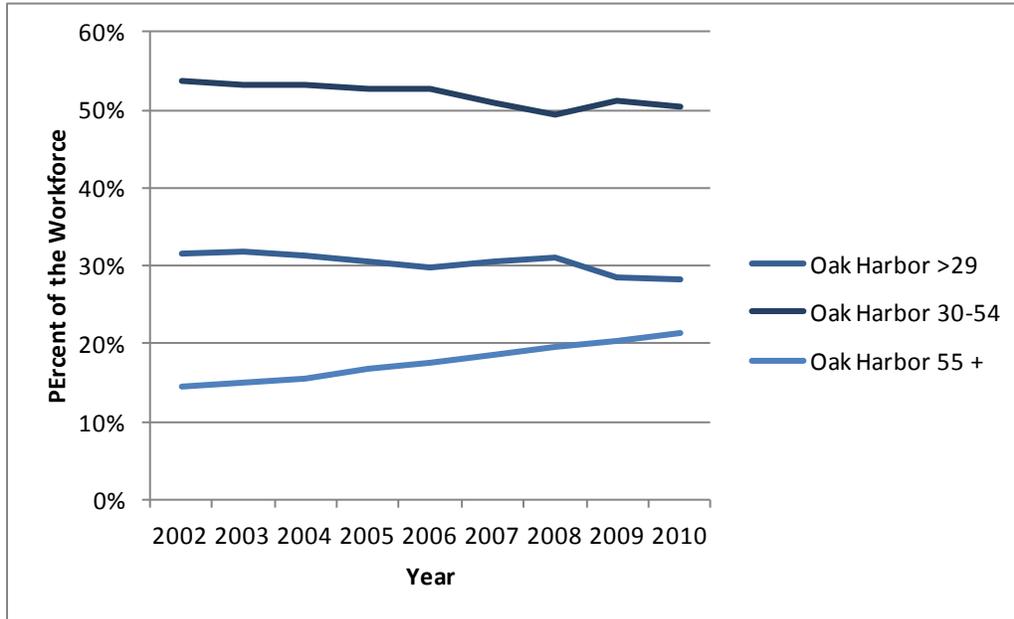
Oak Harbor needs to diversify its economy and look for new opportunities in growing industries such as arts, entertainment, and recreation, health care, administration and support. As long as Oak Harbor's economy is concentrated in only a few, low paying industries, its economy will underperform.

**Strength:** Oak Harbor's economy has grown in certain sectors such as (1) construction (2) transportation and warehousing and (3) arts, entertainment, recreation, accommodation and foods services. It may want to capitalize on this growth in the future by having a targeted attraction effort for these industry sectors.

**Weakness:** Oak Harbor's overly concentrated economy threatens to undermine future job and business growth, especially during downturns. Oak Harbor should work to retain jobs in sectors which have contracted over the past decade such as information.

## Age of the Workforce Analysis

Figure 22. Estimated Proportion of Jobs by Age of Worker, 29 or less, 30-54, and 55 and over for Oak Harbor from 2002-2010



Source: US Census "On the Map" Program accessed via internet in January, 2013. Data is from Quarterly Census of Employment and Wages (QCEW), Unemployment Insurance Wage Records, and the Office of Personnel Management.

Like the County and the State, the City has an aging workforce with a declining share of workers under 55 and an increasing share over 55. The City is different than the County and the State in that its workforce is still younger on average. Approximately 23 percent of the workforce in the County and the State are 29 or less versus 28 percent in the City. Additionally, 50 percent of the workforce in the City is age 30-54 versus 60 percent at the State level.

### Implications for Economic Development

As is common all over the nation, the City has an increasing share of workers who are 55 or older. People are working longer and retiring later than they ever have before because of good health, unpaid bills from earlier in life, the impacts of the recession, or by choice.

The City stands out for its higher-than-average share of younger workers. Younger workers usually have less experience, but also typically cost less for employers due to their lack of experience and lower health care costs.

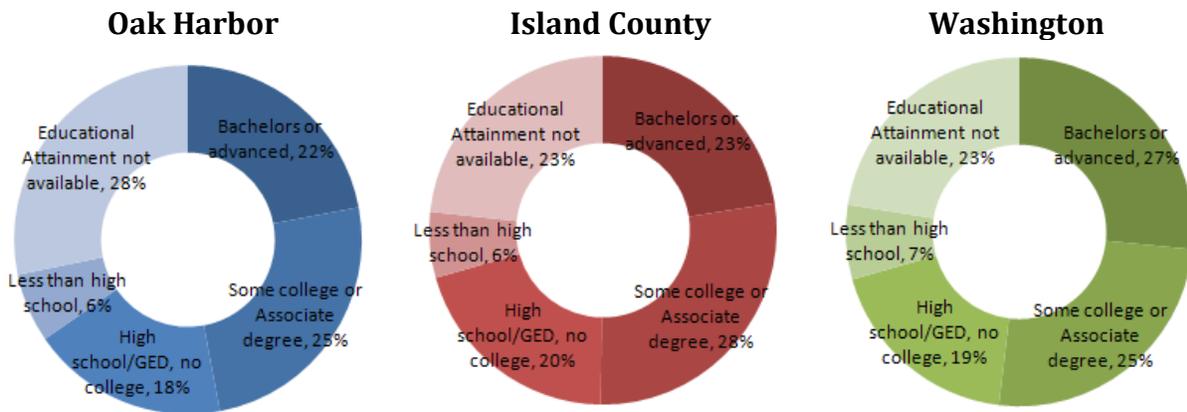
The City should seek to attract new employers and help existing employers expand who appreciate this young demographic. An example of an employer who may appreciate this young workforce would be a recreational company (boating, hiking, mountain biking, etc.).

**Opportunity:** Like many communities, Oak Harbor has an aging workforce. Unlike many rural areas, Oak Harbor also has a stable population of young workers, as well. Both of these trends represent opportunities for Oak Harbor to cater to these groups. Oak Harbor should consider investing in public facilities like an updated senior center and trails, the later of which would likely be popular with both

the younger and older worker demographic. Alternatively, the City could attract private sector investment to build senior communities with recreational facilities.

**Educational Attainment Analysis**

Figure 23. Educational Attainment for Workers in Oak Harbor, Island County, and Washington for 2010.



Source: US Census "On the Map" Program accessed via internet in January, 2013. Data is from Quarterly Census of Employment and Wages (QCEW), Unemployment Insurance Wage Records, and the Office of Personnel Management.

In a State with a highly educated workforce, Oak Harbor and Island County have a lower than average number of workers who have completed bachelors or advanced degrees. Education has a positive impact on economic development because workers with degrees are paid more and have lower unemployment rates. Furthermore, many employers require Bachelor’s Degrees at a minimum. Thus, a highly educated workforce makes a location more likely to attract new employers.

**Implications for Economic Development**

Oak Harbor and Island County lag behind the State in the education level of its workforce. This makes it more difficult for the County and the City to attract new employers who may require bachelors or advanced degrees as a minimum for obtaining a job.

With the number of young people exiting military service in Oak Harbor, and the number of young people from established families who leave the Island to go to college, the City and Skagit Valley College might want to explore the possibility of starting four year degree programs. Perhaps Washington State University could team with Skagit Valley College to provide four year degree programs at the Oak Harbor campus.

**Weakness:** Because Oak Harbor has a lower proportion of its workforce, which has a college education, it is likely in a weaker position to attract employers who require Bachelor’s Degrees. Oak Harbor should work to support its existing educational institutions such as its public schools and Skagit Valley College. Support could include opening lines of communication to anticipate expansions and development of new schools and campuses in town.

**Threat:** Oak Harbor’s lower than average proportion of workers with Bachelor’s Degrees are a threat to attracting employers who require four-year degrees. Oak Harbor should work to emphasize positive

aspects of its workforce such as its younger-than-average age, and higher percentage of the population with Associate’s Degrees.

***Retail Sales***  
**Analysis**

Table 12. Sales Tax Rates for Washington Cities with Populations between 20,000-30,000.

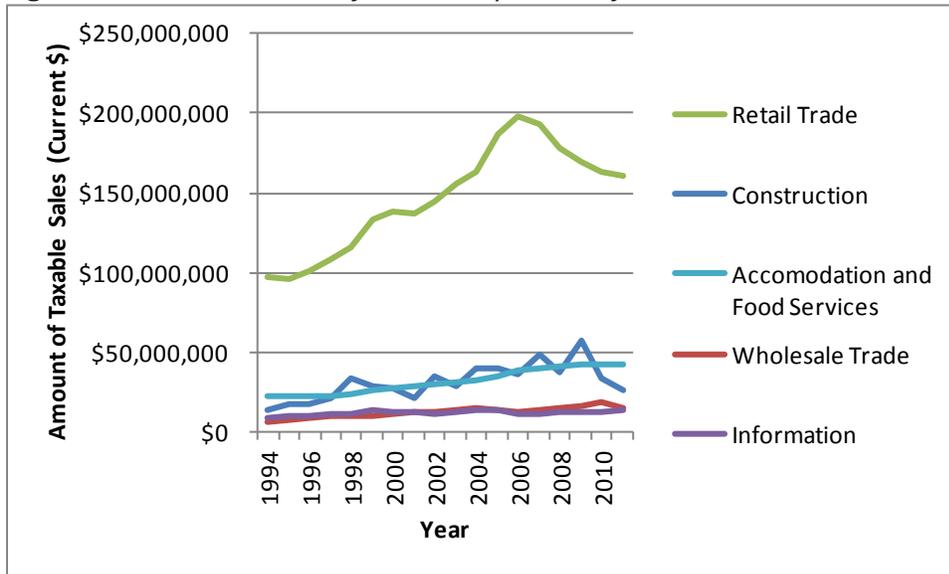
City	Local Rate	State Rate	Total
Moses Lake	1.4%	6.5%	7.9%
Camas	1.9%	6.5%	8.4%
Bainbridge	2.1%	6.5%	8.6%
Lake Stevens	2.1%	6.5%	8.6%
Maple Valley	2.1%	6.5%	8.6%
Oak Harbor	2.2%	6.5%	8.7%
Average	2.5%	6.5%	9.0%
Des Moines	3.0%	6.5%	9.5%
Kenmore	3.0%	6.5%	9.5%
Mercer Island	3.0%	6.5%	9.5%
Mountlake	3.0%	6.5%	9.5%
Mukilteo	3.0%	6.5%	9.5%
SeaTac	3.0%	6.5%	9.5%

Source: From the Washington Department of Revenue

Sales taxes are a major source of revenue to Washington cities and towns. The state base rate is 6.5 percent on all sales and cities may charge up to 0.85 percent. Oak Harbor’s local rate of 2.2 percent includes local option levies such as transit and public safety taxes. Sales taxes are levied on the sale of tangible personal property and some services, with food and prescriptions being two of the most noteworthy exceptions.

Taxable sales are reported quarterly by all Oak Harbor businesses. Oak Harbor’s taxable sales are heavily weighted toward retail sales, with construction, accommodation and food services, wholesale trade, and information making up smaller amounts. As shown in Figure 24, there was a large build up of retail sales from the mid 1990s until the most recent recession began in 2007 and then a subsequent decline. Since 2007, retail sales have not stopped their downward slide although the decline leveled off in 2011. Construction made up over \$50 million of revenue to local businesses in 2009, but there was a precipitous fall off in taxable construction sales thereafter. Interestingly, accommodation and food services, wholesale trade, and information have not seen recessionary declines as did construction and retail trade.

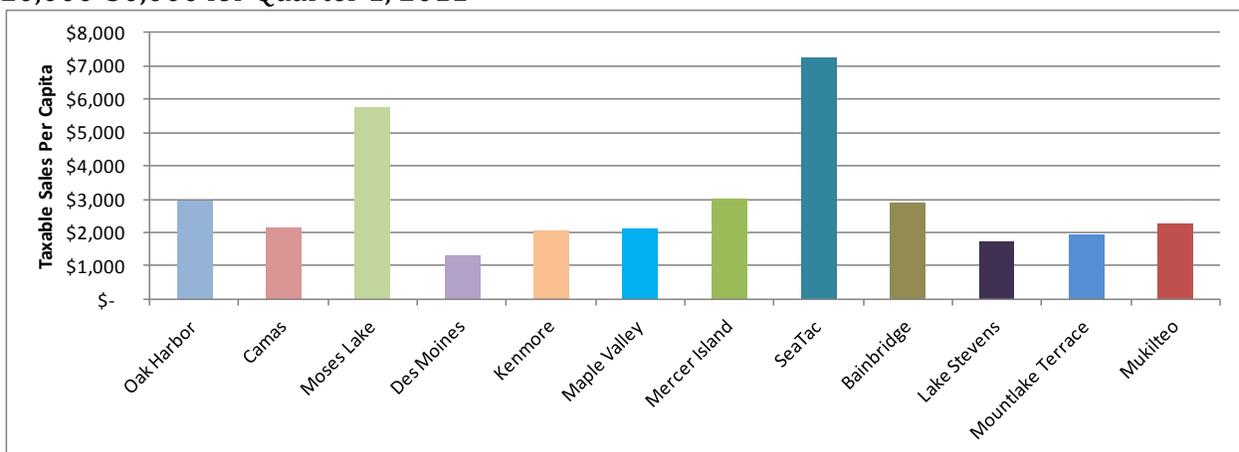
Figure 24. Taxable Sales by Business/Industry Sector in Oak Harbor 1994-2011.



Source: Washington Department of Revenue

Looking at taxable sales, Oak Harbor is a standout performer. Figure 25 shows the per capita sales taxes for all Washington cities with populations between 20,000 and 30,000 for the first quarter of 2011. Oak Harbor averaged about \$3,000 per person in taxable sales which was about equal to that of Mercer Island and the Bainbridge Island, which are both much more affluent communities. Moses Lake and SeaTac were top performers in the State. Looking again at Table 12, there does not appear to be a strong relationship between the local tax rate and the per capita amount of taxable sales; lower local rates do not result in greater sales or economic activity. SeaTac has one the highest local rates, but also has the highest amount of taxable sales. Lake Stevens has one of the lowest local rates, and one of the lowest taxable sales totals.

Figure 25. Taxable Sales Per Capita for Washington Cities with Populations Between 20,000-30,000 for Quarter 1, 2011



Source: Washington Department of Revenue and the Office of Financial Management

## **Implications for Economic Development**

**Opportunity:** Oak Harbor has a very healthy level of taxable sales, which are third highest among cities its size in the state. Only SeaTac and Moses Lake have higher per capita sales. This is a surprising finding considering that Oak Harbor’s median household income are well below State averages. Consumer-oriented businesses commonly conduct market studies of which income is a primary consideration. Oak Harbor’s income levels would suggest that its residents have little disposable income, but the high taxable sales figures say otherwise. Hypothetically, this could be due to the presence of the US Navy; active service personnel receive housing and childcare allowances, which increases their disposable incomes. This finding has positive implications for attracting new retail stores to Oak Harbor and may even mean that Oak Harbor has the ability to attract a variety of stores appealing to a range of consumers.

### ***Sales Leakage*** **Analysis**

Island County Economic Development Council (EDC) recently completed a sales leakage study examining spending in Island County and its cities. The study looked at per capita spending by the state’s residents in different types of business and compared those state averages to averages in those same types of businesses in Oak Harbor. The study shows industry sectors where sales revenue per capita in Oak Harbor are below state averages, and therefore implies that Oak Harbor consumers are leaving the City to purchase these products.

The leakage study gives both surprising and, perhaps, not so surprising information. For instance, new car dealers were identified as one type of business at which Oak Harbor residents do not spend as much as the statewide average. Given that a number of new car dealers have closed in Oak Harbor over the past five years, this finding will not come as a surprise to most. Perhaps more surprising would be the finding that Oak Harbor residents spend less at “general automotive” businesses than the statewide average. Table 13 gives a complete list of all businesses and industries in Oak Harbor at which per capita spending levels are at least \$10 per quarter per capita (approximately \$40 per year) below the statewide average. Spending of \$10 per quarter per capita is equal to annual revenues of \$888,000 per year based on Oak Harbor’s current population of 22,200.

One important caveat about the study is that it assumes that Oak Harbor consumers demand goods and services in the same quantities as the average consumer across the state not accounting for age, income level, or other factors which may affect a consumer’s desire for a good or service. Thus, even though the study identified that Oak Harbor consumers do not spend as much for certain goods and services as the statewide average, that does imply certainty that there is a strong market for that good or item in Oak Harbor.

Table 13. Businesses and Industries for Which There is a Sales Deficit of \$40 Per Capita or More in Oak Harbor as Compared with State Averages for Quarter 1, 2012.

Sector	NAICS	Businesses/Industries
Construction	23	New single-family housing construction; residential remodelers; highway, street, and bridge construction; electrical contractors; plumbing heating and electrical contractors; all other specialty trade contractors
Wholesale Trade	42	Automobile and other motor vehicle merchant wholesalers; computer & computer peripheral equipment & software; medical & dental supplies; industrial machinery & equipment
Retail Trade	44-45	New car dealers; used car dealers; boat dealers; furniture stores; electronic stores; other building material dealers; family clothing stores; sporting goods stores; all other miscellaneous store retailers (except tobacco)
Information	51	Wireless telecommunication carriers
Real Estate & Rental Leasing	53	Other commercial and industrial machinery and equipment rental leasing
Professional, scientific, and technical services	54	Computer systems design services
Accommodation and Food Services	72	Hotels & Motels

Source: Island County EDC

Note: NAICS is the North American Industry Classification System

### **Implications for Economic Development**

Detailed market studies are needed to determine if there is demand for a good or service offered by a particular business. The Island EDC leakage study gives a general indication that there may be significant out-of-town sales occurring for certain categories of businesses and industries. This information could be useful as a first step in determining what type of businesses there *may* be a market for and that the City should potentially recruit.

**Weakness:** Oak Harbor appears to have a large amount of sales leakage with residents relying heavily on businesses from outside of the City and the island.

**Opportunity:** The sales leakage data would suggest that there are a number of types of businesses that should further explore locating in Oak Harbor, especially those listed in Table 13.

### **Local Taxes**

#### **Analysis**

##### **Sales Taxes**

As previously mentioned, Oak Harbor's local tax rate is 0.85 percent, the maximum allowed under state law. Over 99 percent of cities levy the full 0.85 percent, so Oak Harbor is on a level playing field with other cities in this respect.

##### **Business and Occupation Taxes**

Washington businesses are subject to state business and occupation taxes on the gross proceeds from business transactions. These rates vary by industry, but are the same for industries across the state and

are not set at a local level. The state does offer tax credits for new employees in rural areas, for high technology, and small business which Oak Harbor businesses should be aware of and use.

In addition, cities may impose their own business and occupation up to 0.2 percent of gross proceeds. Only 13 percent of cities across the state do this of which Oak Harbor is not one.<sup>1</sup>

Property Taxes

Property taxes are levied at the County level. Cities may impose their own property taxes, but the base property tax levy amount cannot rise more than one percent per year under state law. Special levies can be approved by voters for specific city expenses, such as new capital facilities (parks, fire stations, etc.). This has left cities and counties with declining revenues since expenses, especially employee health care, are rising much faster than one percent. Overtime, cities are, thus, left no choice but to decrease the level of services they provide to their residents or find new sources of revenue. Oak Harbor’s regular levy is \$2.04 per \$1,000 of property value, which is below the statewide city average of \$2.17 per thousand of assessed value<sup>2</sup>. The total Oak Harbor levy including all special districts (hospital, parks, cemetery, roads, etc.) is between \$8 and \$9 per \$1,000 assessed, an especially low rate considering that the average for counties across the state is \$11.78 not including city rates and special city levies. Table 13 shows per capita property taxes for cities in Island County in 2011. Oak Harbor’s property taxes are lower than Coupeville and Langley on a per capita basis.

Table 14. Total Property Tax Levies and Per Capita Property Tax for Coupeville, Langley, and Oak Harbor, 2011

City	Total Levy	Population	Per Capita Amount
<b>Coupeville</b>	\$ 328,786.17	1855	\$ 177.24
<b>Langley</b>	\$ 377,786.17	1045	\$ 361.52
<b>Oak Harbor</b>	\$3,745,984.59	22,200	\$ 168.74

Source: Island County Assessor and Washington Office of Financial Management.

Lodging Taxes

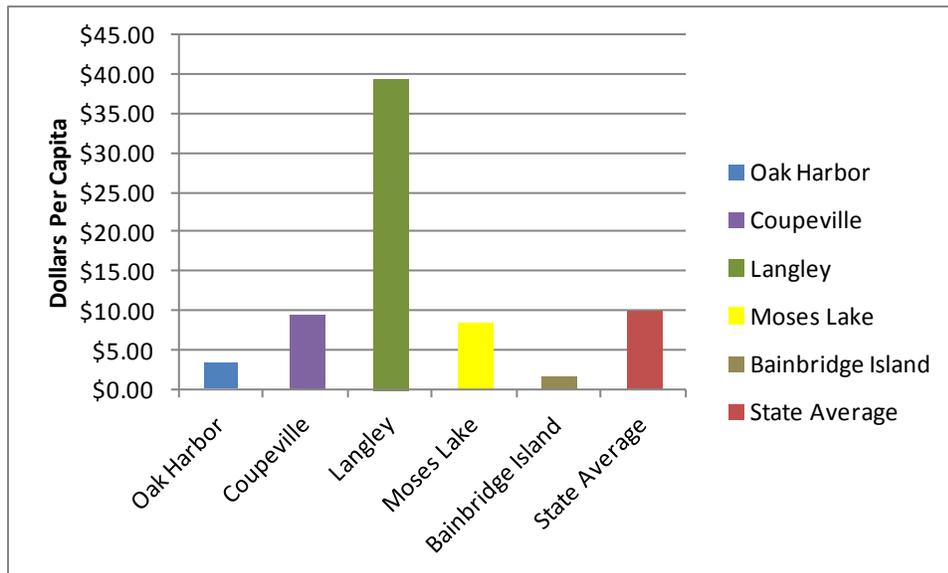
Lodging Taxes are one indication of tourist activity in a community, since it is primarily tourists who stay in hotels, motels, and bed and breakfasts. Most cities in the state, including Oak Harbor, are authorized to levy a rate of up to two percent on lodging in addition to the local sales tax. Certain jurisdictions, including Grey’s Harbor County, Pierce County, Chelan, Leavenworth, Long Beach, Bellevue, Yakima, and Winthrop can levy up to four percent<sup>3</sup>. Figure 26 shows the 2012 per capita lodging tax receipts for Oak Harbor, Coupeville, Langley, Moses Lake, and Bainbridge Island. Bainbridge Island, Moses Lake, and Oak Harbor are the only two communities in the state with populations between 20,000 and 30,000 that impose a lodging tax. Oak Harbor averaged \$3.35 per capita of lodging tax, which was only 1/3<sup>rd</sup> of the statewide average of \$9.80. The tourist-oriented community of Langley averaged \$40 per capita.

<sup>1</sup> According to the *Tax and User Fee Survey, 2012* from the Association of Washington Cities.

<sup>2</sup> According to the *Tax and User Fee Survey, 2012* from the Association of Washington Cities.

<sup>3</sup> According to *A Revenue Guide For Washington Cities and Towns*, Municipal Research Services Center, 2009.

Figure 26. Lodging Tax Receipts Per Capita for Oak Harbor and Select Washington Cities in 2012.



Source: Washington Department of Revenue and the Washington Office of Financial Management

### Utility Taxes

Utility taxes are levied on the gross operating revenues of utilities operating within city boundaries. Oak Harbor’s utility rates are six percent for natural gas, electricity, telephone, storm drainage, and cable TV. and 6.25 percent for water, sewer, and garbage. The following table shows the state average rates for each of the utilities.

Table 15. Average Utility Tax Rates in Washington by Utility Type for 2012

	Average	High Low	Low
<b>Natural Gas</b>	5.9%	9.0%	2.0%
<b>Electricity</b>	5.9%	9.0%	2.0%
<b>Telephone</b>	5.9%	9.0%	2.0%
<b>Water</b>	9.3%	36.0%	1.5%
<b>Sewer</b>	9.1%	36.0%	1.5%
<b>Storm drainage</b>	8.0%	23.0%	1.0%
<b>Cable TV</b>	5.5%	10.0%	1.0%
<b>Garbage</b>	8.5%	10.0%	2.0%

Source: From the Association of Washington Cities *Tax and User Fee Survey*

### **Implications for Economic Development**

As shown by the data, Oak Harbor has not traditionally been a tourist-oriented community. Tourist-oriented communities, especially Langley, restrictively monitor their character for the purposes of drawing tourists and creating a certain look and feel for their town. Oak Harbor’s downtown is the most unique part of the City and it currently has very little in the way of special restrictions which protect its character that are not common to other parts of the City. Oak Harbor should consider special protections for its historic center that will help protect the character for this area and draw tourists in

the future. Oak Harbor also needs to consider implementing more events and festivals which draw tourists to the area.

**Strength:** In general, Oak Harbor’s tax rates are largely comparable to other Washington cities. It doesn’t have remarkably lower or higher tax rates, with the exception of property taxes. Oak Harbor can use this advantage to market itself to new businesses and employees.

**Weakness:** Oak Harbor collects a remarkably small amount of lodging tax receipts per capita. Lodging taxes are generated by hotel and motel visits to a community and are, therefore, a good indication of a community’s overall appeal to tourists.

**Opportunity:** The City has an opportunity to increase tourism by creating a tourist atmosphere and tourist facilities. For example, the City could revise regulations for downtown Oak Harbor to make the design of new businesses in this area more appealing to tourists. It could also invest in public facilities, such as an amphitheater in Windjammer Park, as called for in the City’s Comprehensive Plan.

### *Development Fees*

#### Analysis

Lower-than-average fees tend to stimulate development activity. However, fees which are too low can hurt economic development since the fees are used to pay for new capital facilities supporting population growth. Very low fees might, therefore, mean that the City’s facilities are not keeping up with growth and can negatively impact economic development.

#### Transportation Impact Fees

Recently, the City of Bellingham commissioned a study looking at transportation impact fees (TIF) across the State. Oak Harbor’s TIFs were some of the lowest in the state, with a fee of \$907 per single-family dwelling unit and \$589 per trip. Only Everett, Kitsap County, Mountlake Terrace, SeaTac, Anacortes, and Bonney Lake had lower fees of 60 cities in the Bellingham study.

#### Park Impact Fees

Average park impact fees for single-family residential units across the state are \$6,998 and for multifamily are \$4,408. Oak Harbor’s park impact fees are \$1,673 for single-family and \$1,344 for multifamily, both of which are much lower than state averages.

#### Building Fees

Oak Harbor has building permit fees very comparable to state averages. Building plan review fees are also comparable to state averages. Thus, no further discussion is provided on this topic here.

**Weakness:** Oak Harbor’s impact fees are so low that it is likely that the City’s roads and parks are not keeping up with new population growth and possibly impeding economic development. The City should also consider adopting a level of service standard for parks (i.e. acres per person) so that it does not fall behind the average for all other cities.

**Opportunity:** The City should update all of its impact fees to meet future anticipated growth.

### *Permit Activity*

#### Analysis

For cities with a population of 10,000-24,999, the average number of permits issued per year is 324. Oak Harbor averaged 117 permits per year from 2000-2012, far below the average for cities in its population category, especially since Oak Harbor is near the upper end of the category.

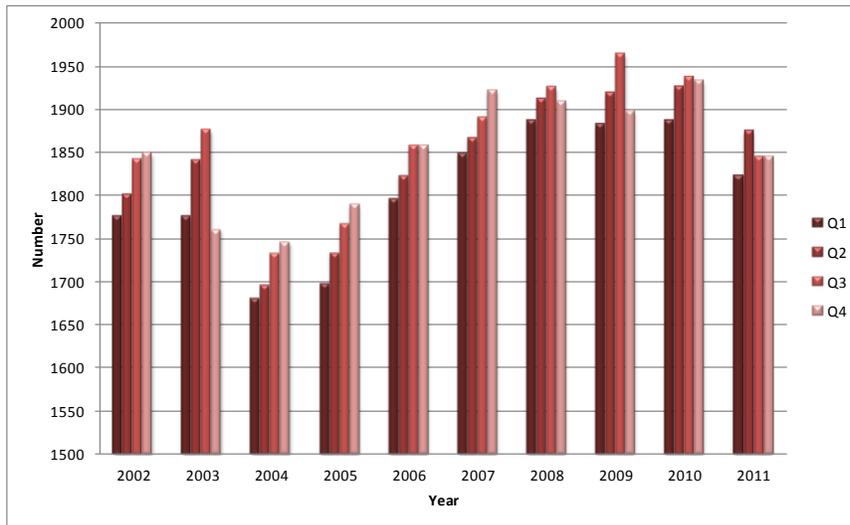
**Implications for Economic Development**

Permit levels are an overall indication of construction activity in communities, which is an important part of the overall economy. Oak Harbor’s permit levels are much lower than communities its size meaning that the construction economy has not been as fast paced as for other communities. This means fewer construction jobs have been available in Oak Harbor.

**Weakness:** Oak Harbor’s construction economy has not been as fast paced as compared to other cities its size.

***Number of Business Establishments***  
**Analysis**

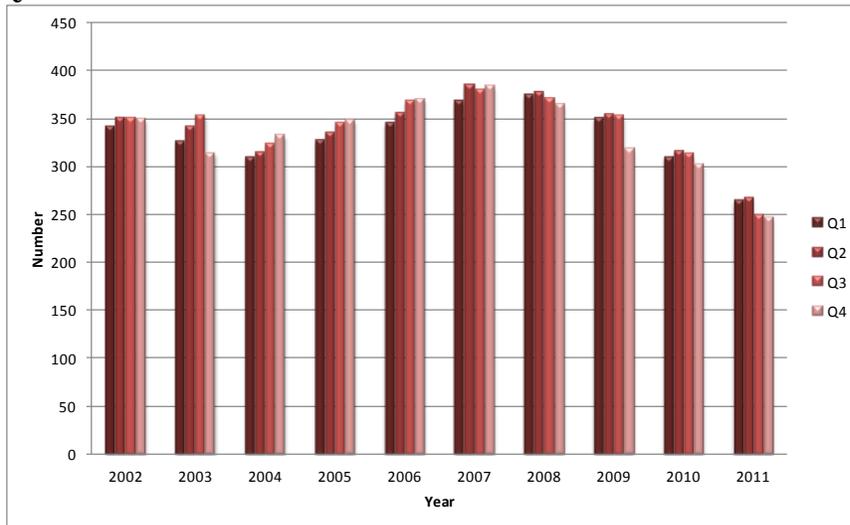
Figure 27. Estimated Average Number of Establishments by Quarter, Island County, 2002-2011



Source: Washington State Employment Security Department, Labor Market Economic Analysis Division

Figure 27 shows the number of business establishments for Island County, by quarter for the years 2002-2011. Data is not available at the city level. The County experienced a business downturn in 2004 and then again beginning in 2010. As of 2011, the number of business establishments had not recovered to prerecession levels. The number of Island County businesses typically peaks in the later part of each year, with a few exceptions such as 2008, 2009, and 2011. The number of business establishments has fallen to 2005 and 2006 levels, meaning that the County lost five to six years of business growth because of the most recent recession.

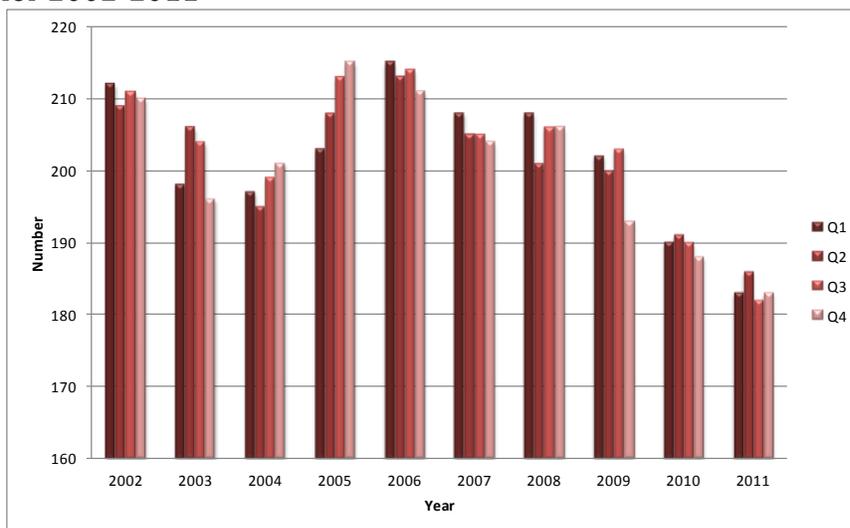
Figure 28. Average Estimated Number of Construction Establishments in Island County by Quarter 2002-2011



Source: Washington State Employment Security Department, Labor Market Economic Analysis Division

As was true of all establishments, the number of construction businesses declined in 2004 in Island County and then recovered until 2007. Since 2007 and the beginning of the most recent recession, which was strongly connected to mortgage lending, the number of Island County construction businesses has continued to decline. The number of construction establishments has fallen 47 percent since their peak in 2007.

Figure 29. Average Estimated Number of Retail Establishments, Island County by Quarter for 2002-2011



Source: Washington State Employment Security Department, Labor Market Economic Analysis Division

The number of retail establishments decreased in Island County in 2004 then gained until 2006 and have fallen ever since with a notable exception in 2008. The downturn in retail establishments began a full year earlier than for the business community at large. Since their peak in 2006, the number of retail establishments in Island County has fallen by 16 percent.

## **Implications for Economic Development**

Island County's business community has suffered during the most recent recession, especially in the construction and retail sectors. Retail and construction combined comprised about 1/5<sup>th</sup> of the civilian economy in Island County in 2010. These two sectors are especially vulnerable to recessions because they are highly dependent upon discretionary income.

This information speaks to the need for Oak Harbor to diversify its economy. The national economy has reached bottom or has even begun to recover in many cases. Island County's economy, as measured by the number of business establishments, continued to retract in 2011, the most recent year for which data is available. This is troubling for Island County which also seemed to experience a recession somewhat earlier than the rest of the nation, with retail businesses shutting down starting in 2006.

**Weakness:** Nearly 1/5<sup>th</sup> of Oak Harbor's economy is in retail and construction in typical years. This concentration has made Oak Harbor sensitive to recessions because these industries are sensitive to consumer spending and disposable income.

## ***Size of Business Establishments*** **Analysis**

Table 16. Size of Firms in Oak Harbor (Zip Code 98277) for 2010

<b>Number of Employees</b>	<b>Number of Firms</b>	<b>Percent</b>
1 to 4	366	54%
5 to 9	162	24%
10 to 19	97	14%
20 to 29	40	6%
50 to 99	9	1%
100 to 249	5	1%
250 to 499	0	0%
500 to 999	0	0%
1000 or more	0	0%
<b>Total</b>	<b>679</b>	<b>100%</b>

Source: U.S. Census Bureau, 2010 ZIP Code Business Patterns, Washington Department of Employment Security

Oak Harbor has predominantly small businesses with 50 or less employees and a just a few large employers with 100 or more employees. Seventy eight percent of all Oak Harbor firms have nine employees or less.

## **Implications for Economic Development**

Small firms make up the vast majority of the nation's economy and are the backbone of Oak Harbor's economy, as well. Small firms with innovative leadership are nimble and can adapt quickly to changing economic circumstances more easily than larger firms, but often don't have enough cash on hand to weather recessions.

Oak Harbor needs to support its existing small businesses in growing and becoming gradually larger businesses. This support could include frequent communication with these firms about their needs and how they might grow through an annual business survey, as well as analysis about which industry sectors and firms are most likely to grow in the future.

**Strength:** Oak Harbor's economy is dominated by small business. Small businesses are the backbone of the US economy, as well. Oak Harbor should help its small businesses grow by engaging them in business development activities provided by the Island EDC and Skagit Valley College, so that these businesses have the know-how to grow.

**Weakness:** Oak Harbor has a lack of medium to large businesses, making it more sensitive to recessions which can close small businesses entirely. Larger businesses can often weather recessions without shutting down. Oak Harbor should focus attraction efforts on medium to large businesses. The lack of medium and large businesses may signal an underlying economic disadvantage in Oak Harbor which prevents firms from growing.

## ***Commuting Patterns***

### **Analysis**

#### **Mode Split**

Table 17. Mode Split for Commuters in Oak Harbor, Island County, and Washington State 2010 (Estimates)

	<b>Oak Harbor</b>	<b>Island County</b>	<b>Washington</b>
<b>Drive Alone</b>	84%	74%	73%
<b>Carpool</b>	10%	11%	11%
<b>Public Transit</b>	1%	3%	6%
<b>Walk</b>	3%	3%	3%
<b>Other Means</b>	1%	2%	2%
<b>Worked At Home</b>	1.9%	6.1%	5%

Source: American Community Survey 2009-2011, 3-year estimates

Oak Harbor is notable for its commute patterns. Over 84 percent of commuters drive alone to their place of work, versus 74 percent in Island County and 73 percent in Washington State. Oak Harbor has many fewer public transit users, likely because public transit does not serve NASWI during morning commute hours.

## Place of Work

Table 18. Place of Work for Commuters Residing in Oak Harbor, Island County, and Washington State, 2010 (Estimates)

	Oak Harbor	Island County	Washington
<b>PLACE OF WORK</b>			
Worked in state of residence	99%	98%	97%
Worked in county of residence	85%	69%	81%
Worked outside county of residence	14%	29%	15%
Worked outside state of residence	1%	2%	3%

Source: American Community Survey 2009-2011, 3-year estimates

Oak Harbor has a far smaller share of commuters who travel outside of Island County for their job than does the County as a whole. Oak Harbor's share of workers traveling outside the county is about equal to the state's as a whole. Nearly 1/3<sup>rd</sup> of Island County commuters travel outside Island County for work.

## Travel Time to Work

Table 19. Travel Time to Work for Oak Harbor, Island County, and Washington, 2010 (Estimates)

	Oak Harbor	Island County	Washington
<b>Mean Travel Time to Work (Minutes)</b>	17.1	26.5	25.4

Source: American Community Survey 2009-2011, 3-year estimates

Not surprisingly, Oak Harbor has shorter commute times than compared to the County or the State. Oak Harbor's commute times are nearly 10 minutes shorter, likely due to the proximity of the NASWI.

## **Implications for Economic Development**

Oak Harbor is fortunate to have shorter commute times than average due to the presence of NASWI. Since people generally prefer short commutes, the location of NASWI near to Oak Harbor is a built in economic advantage for Oak Harbor. To the degree that short commute times are more desirable, Oak Harbor can market itself and attract workers who value this as a part of their quality of life.

The data also indicates that Oak Harbor's commuters tend to rely more on drive alone options, probably due in part to the fact that there aren't ample public transit options which serve NASWI. Public transit can be an important aspect of economic development, because it can reduce commute costs as well as provide greater access to jobs for those who cannot afford vehicles. More park-and-ride lots may also be a necessity for Oak Harbor residents who commute to jobs in Anacortes or elsewhere such as to the Tesoro refinery or to Boeing. In coordination with Island Transit, Oak Harbor might want to advocate for expanding transit service to NASWI. At the time this report was produced, there was no Island Transit service which shuttled commuters to the base by or before 8:00 a.m. during the typical morning peak commute.

**Strength:** Oak Harbor commuters enjoy shorter commute times and are more likely to work close to where they live. Oak Harbor should capitalize on this positive aspect of its quality of life in attracting new businesses and residents.

**Weakness:** Oak Harbor’s commuters overwhelmingly drive alone to get to their place of work. This fact places greater strain on Oak Harbor’s road infrastructure, leading to greater costs for resurfacing and street expansions. Oak Harbor should plan for transit, bike and pedestrian transportation options in new developments and in already developed areas of town.

**Opportunity:** Oak Harbor can work with Island Transit to provide greater frequency of transit service to NASWI and decrease the number of drive alone commuters on Oak Harbor roads.

## Chapter 4: Needs Assessment

This chapter summarizes the findings from chapters 1-3 into a strengths, weaknesses, opportunities, and threats (SWOT) analysis and then into a needs assessment by categories of economic development.

### SWOT Analysis

In the context of municipal economic development, a SWOT analysis looks at a city's inherent strengths and weaknesses, as well as opportunities and threats that may influence it from external sources. The following figure illustrates a SWOT analysis.

Figure 30: SWOT Analysis Diagram



Source: [businessteacher.org.uk](http://businessteacher.org.uk)

As identified in Chapters 1-3, the following is a discussion of the City's strengths, weaknesses, opportunities and threats.

### Strengths

- **Age of housing:** Oak Harbor's housing stock tends to be newer than what is found in the County or the State. All things considered, newer housing tends to be more attractive than older housing. Thus, a newer housing stock may help attract employees and businesses to the area.
- **House prices:** Oak Harbor's relatively lower home prices as compared with Island County and the State are a comparative advantage in attracting new residents and new employers.
- **Growing incomes:** Oak Harbor's wages and incomes are growing and it has a smaller proportion of low income households and jobs than it did a decade ago. The growing wages will help attract new residents and employees to the City.
- **Economic Growth in Certain Industry Sectors:** Oak Harbor's economy has grown in certain sectors such as (1) construction (2) transportation and warehousing and utilities and (3) public administration. The City should seek to capitalize on this growth in the future by having a targeted attraction effort for these industry sectors.
- **Taxes:** In general, Oak Harbor's tax rates are largely comparable to other Washington cities. With the exception of property taxes, it doesn't have remarkably lower or higher local tax rates. Oak Harbor can use its low property tax rates to market itself to new businesses and employees.
- **Business Size:** Oak Harbor's economy is dominated by small businesses, which means there may be a potential for these firms to grow. Oak Harbor should help its small businesses grow by engaging them in business development/education efforts provided by the Island EDC and Skagit Valley College, so that these businesses have the knowledge to grow.

- **Commute Times:** Oak Harbor commuters enjoy shorter commute times and are more likely to work close to where they live. Oak Harbor should capitalize on this positive aspect of its quality of life in attracting new businesses and residents.

### *Weaknesses*

- **Education Level and Attainment:** Because Oak Harbor has a lower proportion of the population and workforce which has a four-year degree, it is in a weaker position to attract employers who require Bachelor's Degrees. Oak Harbor should support its existing educational institutions such as its public schools and Skagit Valley College and help them expand to include four-year degree programs, if feasible. Support could include opening lines of communication to anticipate expansions and development of new schools and campuses in town.
- **Wages and Income levels:** Oak Harbor's lower-than-average incomes are an impediment to economic development. Furthermore, the number of jobs with high wages (above \$100,000) is not growing as fast in Oak Harbor as in Island County or the State. Even more disturbing, jobs paying wages of \$200,000 or more per year are leaving Oak Harbor, but increasing in the County and the State as a whole. Oak Harbor needs to work to retain and attract higher paying jobs.
- **Character of housing:** Newer housing may lack the aesthetic character of older housing. Oak Harbor needs to ensure that its housing stock meets quality standards so that its houses are appealing for generations to come not just for the first or second owner. The City should analyze the pros and cons of design regulations to ensure that older neighborhoods maintain their character.
- **Apparent lack of smaller units.** Oak Harbor has a relative lack of one-bedroom units, especially when looking at its large renter population. Looking at ways to provide for more one-bedroom units may help ease overcrowding situations in existing neighborhoods where single-family homes currently house more than one family.
- **Housing affordability:** Oak Harbor has an affordability problem for existing residents, which threatens to undermine economic growth because residents and employees will choose to move elsewhere. Because we know that housing prices are lower in Oak Harbor than Island County or the State, Oak Harbor's housing affordability problem is almost entirely related to the income of its residents. Nevertheless, Oak Harbor should explore strategies to maintain an adequate supply of affordable housing and to reduce the effects of housing price inflation that come from constrained supply.
- **Vacancy rate:** Oak Harbor had higher owner and renter occupied vacancy rates in 2010 than the County or State.
- **Segmented economy:** Oak Harbor's economy is narrowly focused on a handful of sectors/industries a fact which may undermine future job and business growth, especially during recessions. Oak Harbor should work to retain jobs in sectors which have contracted over the past decade such as Information, while diversifying into new areas.
- **Taxable sales leakage:** Oak Harbor appears to have a large amount of sales leakage with residents relying heavily on businesses from outside of the City and the island.
- **Weak tourist economy:** Oak Harbor collects a remarkably small amount of lodging tax receipts per capita. Lodging taxes are a good indication of a community's overall appeal to tourists. As a waterfront community, Oak Harbor has a strategic advantage in attracting tourists with strategic investments along its waterfront.
- **Low impact fees:** Oak Harbor's impact fees are very low and it is likely that the City's roads and parks are not keeping up with new population growth and possibly impeding economic development. Oak Harbor should update all of its impact fees periodically (i.e. every three years)

and tie them to inflation. The City should also consider adopting a level of service standard for parks (i.e. acres per person) so that its level of service does not fall.

- **Weak economy for new construction:** Oak Harbor's permit activity has not been as fast paced as compared to other cities its size.
- **Lack of medium to large businesses:** Since Oak Harbor's economy is dominated by small businesses, it is more sensitive to recessions. Larger businesses can often weather recessions without shutting down. Oak Harbor should have focused attraction efforts for medium to large businesses.
- **Drive-alone commuting:** Oak Harbor's commuters overwhelmingly drive alone to get to their place of work. This fact places greater strain on Oak Harbor's road infrastructure, leading to greater costs for capacity expansions especially when combined with its abnormally low transportation impact fees. Oak Harbor should plan for transit, bike and pedestrian transportation options in new developments and in already developed areas of town, as well as make a greater effort to execute capacity-enhancing projects.

### *Opportunities*

- **Potential future US Navy expansion:** The US Navy has provided a stable source of population growth for Oak Harbor in the post-World War II period. The Navy has announced that they will be adding P8-A squadrons to the base leading to an influx of population and US Navy jobs.
- **Young demographic:** Oak Harbor has the opportunity to take advantage of its youthful population. Businesses can market to this demographic by focusing on products and services, which tend to be more in demand by younger people. On the public side, the City might do well to place a greater emphasis on infrastructure investments that cater to the young demographic, such as parks, that serve school-age children or trails that allow for recreational opportunities for those in their 20s and 30s (and older residents too!). There may be an opportunity to expand secondary educational programs such as Associate's and professional degrees focusing on those transitioning out of the US Navy or which compliment US Navy training.
- **Growing demographic of seniors:** Although not growing as quickly as their counterparts in Island County, Oak Harbor has a fast growing population of seniors. Oak Harbor should plan for this demographic by ensuring that its infrastructure, housing, and businesses are taking this demographic into account.
- **Married Demographic:** The Oak Harbor business community has an opportunity to focus on the consumer needs of married couples. Married couples have different consumer preferences than do single people, including for cars, houses, clothing, and if they have children, for kids items.
- **Veteran population:** Oak Harbor is blessed to have a high proportion of veterans due to the influence of NASWI. Veterans bring unique life experiences that give them skills to succeed in the private sector and have lower unemployment rates than the population at large. Oak Harbor should become more aware of the skills of its veterans and attract businesses which use these skills. This could be done by opening greater lines of communication with the US Navy.
- **Growing housing stock:** Oak Harbor's housing stock grew faster than Island County or the State in the decade 2000-2010. Housing growth brings some construction jobs and spending to a community's economy. Additionally, a growing housing stock helps keep housing prices low which, in turn, helps attract new residents. Oak Harbor's tenure mix is heavily weighted toward renters. Renters typically desire smaller units, which are usually built at greater densities. Greater densities, especially in infill areas, can help Oak Harbor make better use of infrastructure (roads, sewers, water, stormwater, parks, etc.) and build a vibrant central core.
- **Diversity of housing options:** Oak Harbor's unit mix has a greater diversity than Island County or the State. Oak Harbor should explore making a greater amount of land available for an even

more diverse housing stock to meet the large market for rental housing and to encourage home ownership. A greater diversity of units tends to support a greater diversity of new residents and employees looking to relocate to the City.

- **Decreasing household size:** The decreasing average household sizes represent an opportunity for the City to explore zoning which encourages different types of residential units such as condos, townhouses, and apartments which are tastefully integrated into existing and new neighborhoods.
- **Aging Workforce:** Like most communities, Oak Harbor has an aging workforce. Unlike many rural areas, Oak Harbor also has a stable population of young workers, as well. Both of these trends represent opportunities for Oak Harbor to cater to these groups. Oak Harbor should consider investing in public facilities like an updated senior center for the aging population and trails which might be popular with both groups.
- **High level of taxable sales:** Oak Harbor has a very healthy level of taxable sales, which are third highest amongst cities its size in the state. Only SeatTac and Moses lake had higher per capita sales during the first quarter of 2011. This is a surprising finding considering that Oak Harbor's median and per capita incomes are well below State averages. Consumer-oriented businesses commonly conduct market studies of which income is a primary consideration. Oak Harbor's income levels would suggest that its residents have little disposable income, but the high taxable sales figures say otherwise. Hypothetically, this could be due to the presence of the US Navy; active service personnel receive housing payment vouchers and subsidized childcare, which raises their disposable incomes. This finding has positive implications for attracting new retail stores to Oak Harbor and may even mean that Oak Harbor has the ability to attract higher end retail stores that typically locate in areas with higher disposable incomes.
- **Sales leakage:** The sales leakage data would suggest that there are a number of types of businesses that should further explore locating in Oak Harbor as listed in Table 13.
- **New tourism market possibilities:** The City has an opportunity to increase tourism by creating a tourist atmosphere and facilities. For example, the City could revise regulations for downtown Oak Harbor to make the design of new businesses in this area more appealing to tourists. It could also invest in public facilities, such as an amphitheater in Windjammer Park as called for in the City's Comprehensive Plan.
- **Unusually low impact fees:** The City should update all of its impact fees to meet future anticipated growth.
- **Transit service:** Oak Harbor can work with Island Transit to provide greater frequency transit service to NASWI and decrease the number of drive alone commuters on Oak Harbor roads.

### *Threats*

- **Potential US Navy contraction:** Although the US Navy has announced that they will increase squadrons and personnel at NASWI associated with the relation of P-8A squadrons, there continues to be some uncertainty in the long run (10-20 years) about the political climate and budget cuts at the federal level. Political priorities can change leading to possible contractions at the base. Thus, Oak Harbor should focus on diverse, private sector growth as a long-term economic strategy.
- **Lack of experienced workers:** Oak Harbor's young population also means that it has fewer-than-average people of prime working age (late 30s, 40s and 50s). Companies looking for an experienced workforce might interpret Oak Harbor's young demographic as a sign of inexperience. The City, non-profits, and businesses should consider training programs and opportunities to help workers obtain, keep, and be promoted in local businesses. Additionally,

the City might want to place a greater emphasis on creating an atmosphere and attracting businesses with experienced workers in their 40s, 50s, and early 60s.

- **Educational attainment:** Oak Harbor’s lower-than-average educational levels for the population and its workforce are a threat to attracting employers who require degrees and also tend to drive wages and income down. Oak Harbor should work to emphasize positive aspects of its workforce such as its young average age.
- **Low income levels:** Oak Harbor’s lower than average household and per capita incomes mean that many mid and high-end consumer oriented businesses may choose not to locate here. Lower incomes are interpreted by businesses as a population which has less disposable income.
- **Housing demand and supply mismatch:** There is an apparent mismatch between the tenure of Oak Harbor’s units (predominantly renter) and the availability of units (predominantly single family). This mismatch could hinder economic development in the City. Anecdotal evidence shows that multiple families are living in single-family houses, creating impacts for neighborhoods and perceived overcrowding issues. Workers who cannot find the type of housing they need may live in other communities and spend their incomes in those communities, rather than Oak Harbor. Employers looking to locate in Oak Harbor may conclude that the housing stock does not match their worker’s needs and may locate their business elsewhere.
- **Decreasing household size:** The decreasing housing size could mean that Oak Harbor’s housing stock, which is heavily slanted toward single-family units, becomes outdated and too large for smaller household sizes. Thus, the City should proactively track the supply of land zoned for alternative types of housing to make sure that it has enough land to meet future needs for all types of housing.
- **Potential US Navy downsizing:** Since the City has no control over US Navy staffing levels, it is possible that the US Navy will decrease operations at NASWI at some point in the future. The decrease in operations and personnel at NASWI would negatively affect Oak Harbor’s economy. To mitigate the impacts from potential future NASWI job losses, Oak Harbor should work to attract a greater diversity of employers in the private sector, as well as maintain open lines of communication with the US Navy and federal officials. Furthermore, Oak Harbor should preserve the integrity of the base by preventing growth from encroaching too close to the base.
- **High unemployment rate:** Oak Harbor’s higher unemployment rates are probably due to the lack of diversity in its employment base, which is overly concentrated on low-paying retail, hotel, and restaurant jobs. Oak Harbor should work to attract a greater diversity of employers and businesses to the community in higher paying sectors.

## Needs Assessment

Based on the SWOT analysis above, input from the business community, and expert analysis, the following economic development needs have been identified and are organized by major categories of economic development.

- **Economic Development Coordination.**
  - External coordination: Oak Harbor should coordinate more frequently with its economic development partners such as Island EDC and the Oak Harbor Chamber of Commerce. Coordinating will include open communication lines and eliminating overlap in economic development activities.
  - Internal coordination: Oak Harbor should consider developing a streamlined development review process and implementing it, including a “fast response” review team for the review of new business and job-generating uses. In addition, Oak Harbor

needs to maintain its economic development committee and business membership on boards and commissions.

- The City needs to secure funding for economic development staff and programs, including grant funding from the State.
- The City should explore creating a business impact section in its agenda bills.
- **Business Development.**
  - Based on the large percentage of small businesses in Oak Harbor, the City should get the word out to Oak Harbor businesses about the Island EDC entrepreneurial counseling and direct business counseling for new and expanding businesses. The City should periodically invite the EDC to speak to business owners in Oak Harbor about EDC's services. The City should also get the word out about Skagit Valley Colleges business classes and secure possible grant funding to send business owners to these classes.
  - The City should work with Island EDC to explore the possibility and financing for a business incubator at an appropriate location in Oak Harbor.
  - The City should explore creating a business resources section of its website with a library and reading materials on different aspects of running a business.
- **Development Incentives and Financing**
  - The City should commission a study to look at a range of development incentives and financing for job generating uses including, reducing/waiving/abating fees and taxes in appropriate instances. The City should track tax increment financing legislation at the state level and be poised to create a tax increment district if such legislation is approved.
  - The City should explore the possibility of providing in-kind engineering and planning services for small businesses and employers. In-kind services might include preparation of SEPA documents and basic site design under an appropriate legal arrangement.
  - The City should explore issuing industrial revenue development bonds for industrial development projects as do a handful of cities in the state including Anacortes and Bellingham.
  - The City should explore selling land to the private sector for a catalyst development in downtown or elsewhere. The City little league fields may be a prime candidate if a relocation site were identified.
  - The City should develop an impact fee deferral or reduction program for job generating uses.
  - The City should explore creating a revolving fund to provide low interest loans to businesses for store front improvements also know as a "storefront improvement program."
  - The City should correctly set its impact fee levels so that it can provide incentives to job generating uses while also maintain the integrity of the impact fee program.
  - The City should complete a cultural resources management plan so that all new developments do not have to complete archaeological surveys.
- **Business Attraction**
  - The City should look into targeted attraction efforts for growing business and industry sectors such as for (1) Arts, entertainment, and Recreation (2) Transportation and Warehousing. There could be potential to create a light manufacturing business incubator in conjunction with the high school vocational program and support from Oak Harbor businesses.
  - The City should create "Welcome Packages" for new businesses in retail, office, and industrial sectors apprising them of the steps required to open a business in Oak Harbor.

The City should consider updating its website to include a list of steps and contact numbers at the City to open a business.

- The City should create a demographic summary pamphlet to give to potential employers highlighting strategic advantages of locating in Oak Harbor.
- The City should investigate the parking supply in downtown. Parking is critical to attracting new businesses to downtown. Despite the fact that the Central Business District zoning does not require parking, investors in new developments require adequate parking for new businesses as a condition of financing. If Oak Harbor does not have enough parking in downtown, it should investigate financing and building a public garage which could dramatically help reduce costs for new development and businesses, thereby promoting new development in downtown.

- **Business Retention**

- The City should establish open communication lines with existing businesses to anticipate their expansion or relocation needs. To do so, the City should implement a business survey with questions about how the City can help existing businesses remain successful or avoid going out of business.
- The City should conduct periodic “breakfast with the Mayor” events, if budget allows, to keep communication going with existing businesses.
- The City should explore a “shop local” campaign and related programs to encourage local patronage of businesses in coordination with the Chamber of Commerce.
- The City should explore creating a historic district in downtown to preserve the character of that area, raise property values, and attract and retain new businesses. In addition, building code waivers could be explored for historic properties, including for ADA access which can be cost prohibitive to provide.
- The City needs to explore what it can do to increase tourism, including creating tourist attraction(s) and a regular schedule of events.

- **Workforce Education**

- Given trends in educational attainment levels, the City should maintain strong relationships with the Oak Harbor High School Vocational Program, Workforce Northwest, and Skagit Valley College and explore expanding training and education programs at these organizations. The City may be able to assist Skagit Valley College in expansion efforts as the community grows. Skagit Valley College’s marine technology building is sitting empty on Goldie Road and could be used as training/industry incubator.
- Businesses need to be connected with students from the high school vocational program. This is an untapped resource for businesses. Businesses could offer paid or free internships for high school students taking vocational classes.

- **Land Supply**

- The City should create a buildable lands study for residential, commercial, and industrial properties. There is anecdotal evidence that there few remaining large commercial parcels. Industrial land is ample, but there is a question as to whether it is buildable. Special emphasis should be placed on studying the capacity of infill parcels. The buildable lands study needs to have a strong link to the Capital Improvement Plan (CIP) to reduce the risk for investors in financing development.
- The City should explore rezoning parts of Pioneer Way to allow bed and breakfast establishments in proximity to the water and within walking distance of downtown.
- The City should explore rezoning parts or all of the Midway, Highway 20 and Barrington “triangle” to allow a greater intensity of residential and commercial uses.

- In compliance with the Comprehensive Plan, the City should explore redevelopment possibilities and incentives along Midway Boulevard.
- The City should explore the capacity and best uses for land located near its waterfront including existing and underutilized park lands.
- **Infrastructure**
  - The City needs to set impact fees at appropriate levels for future growth and regularly update these impact fees.
  - The City needs to establish a stronger link between its budget and the Capital Improvement Plan (CIP). Many communities make the first year of the CIP the capital budget. Currently, the City's CIP does not reflect true project costs. Additionally, projects are rarely completed in the timeframes shown in the CIP, increasing the uncertainty for developers as to when infrastructure will be provided and increasing the risk for investors in these developments.
  - The City should research the provision of city-financed wifi networks in key areas to reduce business costs.
  - The City should explore the feasibility and benefits of better utilizing Windjammer Park in accordance with the "Windjammer Plan" including the possibility of an amphitheater to host events and draw tourists to the area. If the amphitheater is determined to be feasible, then it may, in turn, help attract a waterfront hotel or events center.
- **Quality of Life**
  - The City should consider tracking and maintaining information on quality of life indicators which it can distribute to interested parties.