

North Whidbey

Community Diversification Action Plan

Prepared for:

City of Oak Harbor
Island County

Washington State, Department of Community Development
U.S. Department of Defense, Office of Economic Adjustment

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*"Cities do not deteriorate overnight and, similarly
are not reborn overnight. Quick fix solutions
at best camouflage problems and
at worst exacerbate them.*

*Cities respond most durably in the hands of many participants
accomplishing gradually small bits,
making small and big differences at the same time."*

*-- Roberta Brades Gratz, *The Living City**

City Council of Oak Harbor

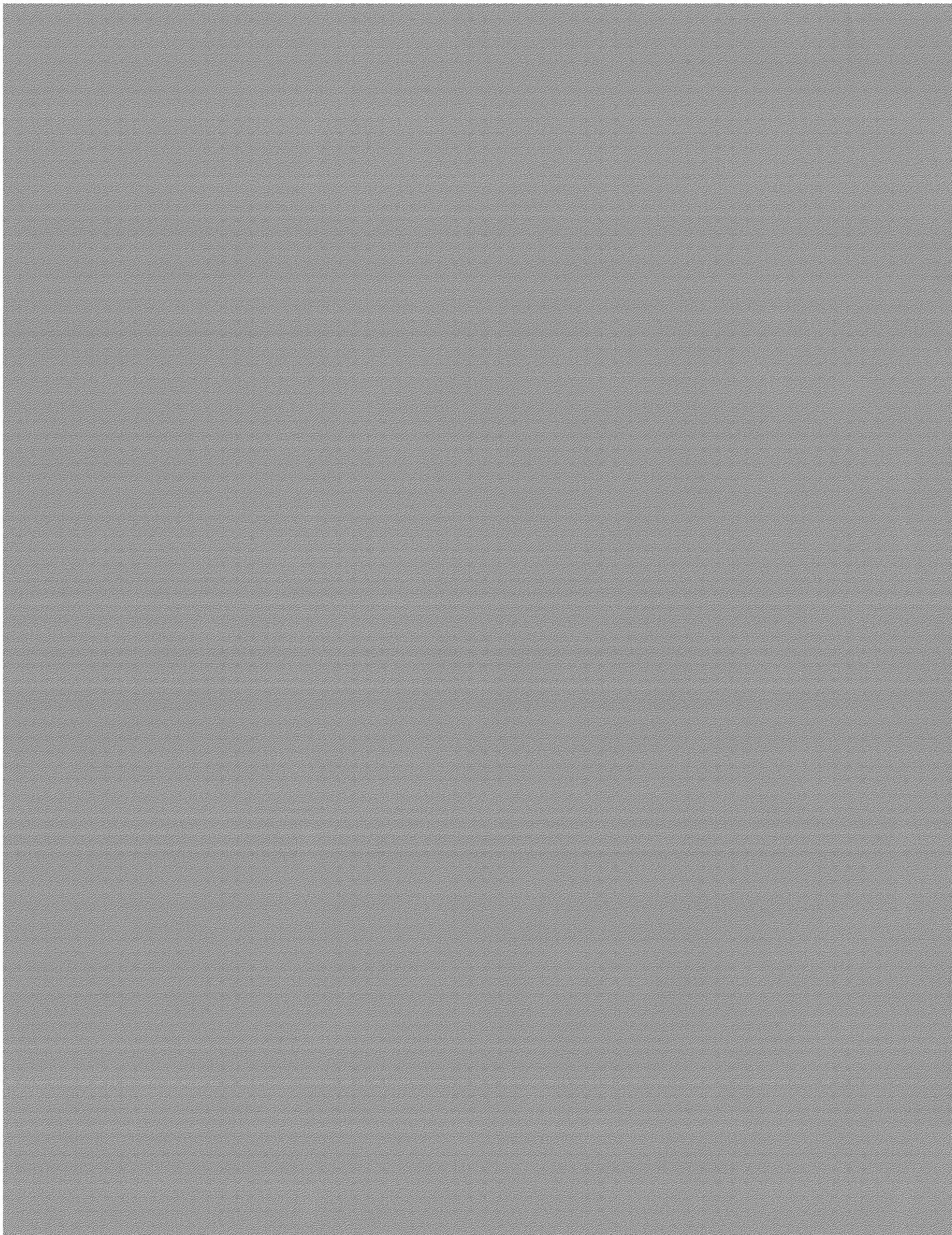
Al Koetje, Mayor
Ed Boonstra
Patty Cohen
Steve Dernbach
Larry Eaton
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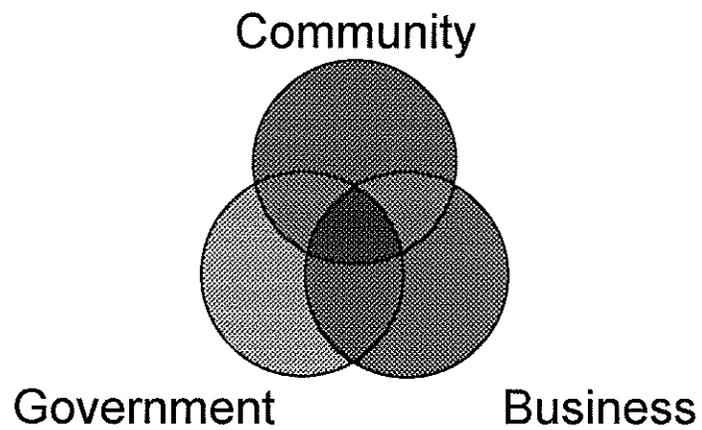
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Creating the Partnership



Introduction, Project Overview and Assumptions

Project Purpose and Goals

This project was designed to create implementation strategies for a strategic economic Action Plan for the Greater Oak Harbor, North Whidbey area. (A map of the initial area of study is contained at the conclusion of this chapter). To accomplish this goal a process was established to facilitate a candid and objective look at the social, political and community trends related to the economic future of North Whidbey Island. The results of the analysis will be used to create a road map which will guide future economic development strategies for North Whidbey.

The need for this planning process has been clearly articulated by the community. The support for the creation of an overall economic plan has been demonstrated through consensus by the more than 150 people who participated in the Community Economic Summit in October, 1991; the unanimous support by the members of the Oak Harbor City Council in 1993; the unanimous support of the County Commissioners in 1993; and, the requirement for the community to respond to the State of Washington's Growth Management Act, which requires local communities to develop policies which balance economic growth, community values and other priorities. In addition, the value of creating this Action Plan was further reinforced by the strong support and receipt of planning grants from Washington State and the U.S. Department of Defense.

This project is designed to accomplish the following goals:

- Create a balanced economic and tax base for the community;
- Identify opportunities for increased career wage employment for the citizens of North Whidbey;
- Develop strategies which will enhance the vitality of existing area businesses;
- Outline strategies to target and attract new appropriate businesses; and,
- Guide the investment of the public and private sector in terms of organizational resources, infrastructure improvements and land use policies.

The result of the project will be the creation of a coordinated public and private sector effort which will achieve the community's vision, enhance the quality of life, create new jobs and businesses which are synergistic with the existing business and military economies, and diversify the local economy to absorb potential down sizing of the military presence.

It is important to note that the Action Plan is not an end in itself for two reasons.

- The Action Plan will be used in the development of overall comprehensive plans for the City of Oak Harbor and Island County. This Action Plan is designed to provide the basis for the economic element of these comprehensive plans. Additional elements of the local comprehensive plans include areas such as transportation, capital facilities, housing, resource lands, critical areas and others and are currently being developed by local government in conjunction with other consulting teams. This Action Plan will assist the local community to integrate the economic strategy with the requirements of the Growth Management Act.
- Second, the goal of this project is not to "create another study." Implementation plans fail for two reasons. First, they do not create mechanisms to build community input and ownership into a project. Second, they do not create a process which ensures legislative approval at key check points. Consequently, as outlined below, extensive public involvement and an open planning process has been created to build community ownership in the Action Plan. In addition, legislative approval, both at the City and County levels, has been sought at three key stages. The first stage presents the economic analysis and targeted opportunities. The second stage provides a cost/benefit and implementation strategy for each opportunity. The third stage outlines the final course of action. This approach allows for public participation and input and, finally, buy-in by the local government authorities. Simultaneously, approval has been sought at each stage by local economic development organizations. For this plan, this includes the Greater Oak Harbor Chamber of Commerce, the Oak Harbor Downtown Development Council and the Island County Economic Development Council. Through this approach, public consensus is achieved and the Action Plan becomes policy for both the public and private sectors.

This planning project began in January 1994, with completion in August 1995. This will allow the results to be incorporated into the Economic Elements for the local Comprehensive Plans for Oak Harbor and Island County.

Project Sponsors

This project is made possible thanks to grants from the City of Oak Harbor, Island County, the Washington State Department of Community Development and U.S. Department of Defense's Office of Economic Adjustment. The project was managed through and by the City of Oak Harbor.

Partnership Oak Harbor, which is a community-wide organization that was created as a result of the 1991 Greater Oak Harbor Community Development Summit, formed the basis for the steering committee for the creation of the Action Plan.

The purpose of this steering committee was to:

- Meet with the consultant team on a regular basis to review the progress of the project and,
- To provide local background and expertise to the process.

We wish to thank the following members of the steering committee who gave generously and enthusiastically to this project and helped guide its development: Chairperson Rhoda Kimball Zylstra; Linda Haddon, Island County Planning Commission; Gregor Strohm; Mick Donahue, Skagit Valley College; Steve Dernbach, Oak Harbor City Council; Steve Potter, Oak Harbor School District; Patty Cohen, Oak Harbor City Council; Rich Malaas, Community Liaison, NAS Whidbey; Sharron Votry; Chris Saxman, Chair, Oak Harbor Planning Commission; Tom Burdett, City of Oak Harbor Planning Director; John Hitt, Executive Director, Island County Economic Development Council; Theresa Champion; Mac McDowell, Island County Commissioner; Mike Waller; Betty Isaacson; Linda Wright, Executive Director, Greater Oak Harbor Chamber of Commerce; Peter Borden, Island County Planning Department; and, Cherly Jaeger, Board of Realtors.

The Consulting Team

To assist the community, the following consultants were selected following a competitive bidding process to develop the Action Plan:

Project Coordinator:

- Ken Saunderson, President, *krs services*

Associate Consultants:

- Dr. David Eacret, President, *Real Estate Economics*
- Dr. Charles O. Russell, Director of the Center of Entrepreneurship and Professor Economics and Marketing, School of Business and Economics, *Seattle Pacific University*
- Leland Smith, President, *ELESCO, Ltd.*
- Stan Stanley, President, *Business Development Associates*

The consulting team acknowledges that Stan Stanley through his work with his Oak Harbor company works with a number of businesses in North Whidbey and throughout the Northwest on a variety of business and economic development projects. He is also active in the community in a variety of activities, including participating on the Oak Harbor Planning Commission, Greater Oak Harbor Chamber of Commerce, Island County Economic Development Council, Downtown Development Council, Yacht Club,

Rotary and Navy League. In addition, he has worked since 1991 for NAS Whidbey Task Force on a variety of analyses and presentations and is recognized as the local expert on base loading and cost and impact of alternative scenarios. He has taken appropriate actions to formally step down if any potential conflict has arisen during the course of this project. Stan Stanley's role in this project has been primarily in market survey development and providing community demographics and economic background, including information and analysis on the past, present and future of NAS Whidbey. Based on his actions and the role he has played in the creation of the Action Plan, we do not believe there is a conflict of interest.

Summary of Project Products

The process was designed to create the Action Plan in three phases: Situation Analysis, Strategic Economic Plan Development and Plan Implementation. The following is a review of the key elements of each phase.

Phase I: Situation Analysis - During this stage, an objective community economic assessment is created. The assessment documents past, current and projected economic trends and develops an analysis of the community's economic strengths, weaknesses, threats and opportunities. This assessment is based on primary research, interviews and a review of secondary data and existing information.

Based on this assessment, an initial series of Targeted Diversification Opportunities, such as the development of light manufacturing, tourism or agriculture, are developed. These opportunities are generally presented in terms of the overall strategy, potential business development, general location and potential economic impact.

The first phase report is then presented to the community for comment and approval by the Oak Harbor City Council and the Island County Commissioners. Following approval, the specifics of each recommended strategy and an implementation action plan is developed.

Phase II: Strategic Economic Plan Development - This phase builds on the foundation of the base line analysis by analyzing alternative economic scenarios. The key components of this phase include:

- Land Use Inventory
- Draft Targeted Business Analysis
- Draft Ideas for Business Enhancement
- Draft Ideas for Business Recruitment
- Draft Funding Requirements

The Strategic Economic Development Plan is presented to the community for comment and approval by the Oak Harbor City Council and the Island County Commissioners.

Phase III: Final Community Diversification Action Plan - This final phase is based on the previous two steps, with the results designed to be incorporated for implementation by local government and community organizations, such as the Greater Oak Harbor Chamber of Commerce and the Island County Economic Development Council. The key components of this phase include:

- Final Economic Diversification Strategies
- Comprehensive Planning Integration
- Public Sector Action Plan
- Private Sector and Community Organization Action Plan

Summary of Project Approach

The project was designed to result in an adopted Action Plan which incorporates input and priorities from the community at large as well as the appropriate legislative bodies. The planning process was created to allow for the generation of local ownership in the plan and to ensure the success of implementation. Consequently, the project approach:

- Is built on community values.
- Builds community ownership in the assessment and planning process, thereby helping to build partnerships for long-term implementation.
- Recognizes the past, present and potential future unique strengths, weaknesses, opportunities and threats, thereby creating a market-specific plan.
- Challenges the community to dream by painting various pictures of potential economic development scenarios.
- Tests scenarios based on economic realities.

Methodology: The Creation of the Action Plan

An extensive open planning process began in January 1994 to create this Action Plan. The following is a review of the strategies used in the development of the first phase of the Action Plan.

- Initial presentations were made to the Oak Harbor City Council and the Island County Commissioners in January. During each presentation, the elected officials were asked to appoint additional representatives to the project steering committee.
- The project steering committee met monthly beginning in January to review project process and ensure community outreach. All steering committee meetings were open to the general public.
- A community meeting was held to launch the project on January 24.
- Key community, business and government leaders were interviewed in a series of meetings to gather information. A total of 33 interviews were held and the list of those interviewed is contained in the Appendix.
- Key segments of the community met in small group discussions to gather additional information. Discussion groups were held from February through April with the groups representing: automobile dealers, Greater Oak Harbor Chamber of Commerce members, the community, Downtown retailers, financial institutions, hospitality industry, Island County Economic Development Council Board members, NAS Whidbey Master Chiefs of the Command, North Whidbey businesses, Oak Harbor High School leadership, professional services, property owners/developers and social service providers. The list of those who participated in the discussion groups is contained in the Appendix.
- A speaker's bureau was established to present information to a variety of civic and government organizations. Presentations were made from February through April to the following: Downtown Development Council membership, Greater Oak Harbor Chamber of Commerce membership, Island County Planning Commission, League of Women Voters, Lions Club (day), Lions Club (evening), Oak Harbor Planning Commission, Rotary (morning), Rotary (noon), Soroptomists and Whidbey Island Board of Realtors.
- A scientific, random-sample telephone survey was conducted in March and April. Background on the survey is contained in a subsequent chapter.
- The Whidbey News-Times agreed to insert a similar survey in the community newspaper in April. While not a scientific sample, the results are of interest.
- A survey was mailed to all business owners in the targeted area. Background on the survey is contained in a subsequent chapter. We wish to thank InterWest Savings Bank for donating the printing of this survey.
- Press releases were distributed regularly and coverage was obtained in the local media regarding the project, community survey, business survey and community meetings.

- Local organizations, such as the Greater Oak Harbor Chamber of Commerce and the Island County Economic Development Council, created articles about the project for their membership newsletters.
- The consultants reviewed a variety of historic and current planning documents and studies regarding the local economy and previous diversification activities.
- Phase I culminated with the presentation of the results to a community meeting on May 2 and subsequent hearings before the Oak Harbor City Council and the Island County Commissioners.

The action strategies and priorities outlined in the recommendations are a result of further public involvement through a series of meetings and discussions. Specifically, the recommendations were discussed during the following meetings and workshops:

- A joint workshop between City and County elected officials and staff on August 15, 1994, during which individuals had the opportunity to comment, ask questions and prioritize strategies;
- A town meeting on September 12, 1994, where more than 100 individuals had the opportunity to comment, ask questions and prioritize strategies;
- A joint workshop between City and County elected officials and staff on November 7, 1994, during which individuals had the opportunity to comment and ask questions regarding the Action Plan Matrix and suggested priorities;
- A joint board meeting of the Downtown Development Committee (DDC), Greater Oak Harbor Chamber of Commerce and Island County Economic Development Council (EDC) on November 28, 1994, to review the plan and organizational responses;
- A meeting of the Citizens' Comprehensive Plan Task Force on November 30, 1994 to discuss the North Whidbey Diversification Action Plan and suggested priorities;
- A joint board meeting of the Downtown Development Committee (DDC), Greater Oak Harbor Chamber of Commerce and Island County Economic Development Council (EDC) on January 18, 1995, to further review the plan and organizational responses;
- Presentation of a draft of the final complete plan to the steering committee on February 16, 1995;
- A public workshop to gather public input on the draft of the final plan on March 16, 1995 (comments from this workshop are contained in the Appendix);

- Public hearings and final adoption of the plan by the City of Oak Harbor and Island County in August, 1995.

Assumptions

Assumptions Regarding NAS Whidbey

Regarding the future of NAS Whidbey, this study used the conclusions reached in the February 1994, "Update for the Defense Base Closure and Realignment Commission," prepared by the NAS Whidbey Task Force. This report conducted an analysis regarding the continuing need for this national asset and made projections regarding its future size. The following key points emerged:

- On April 12, 1991, the Department of Defense recommended to the Defense Base Closure and Realignment Commission that NAS Whidbey and the supporting Naval Hospital Oak Harbor be closed. On July 1, 1991, the Defense Base Closure and Realignment Commission voted unanimously to remove NAS Whidbey from the closure list. In 1993, NAS Whidbey was not nominated for closure by the Department of Defense nor was it subsequently selected for consideration by the Defense Base Closure and Realignment Commission. It is expected that the Department of Defense will recommend to the Defense Base Closure and Realignment Commission in March 1995, that additional military assets be closed. The consulting team, nor the people interviewed for this study, could not determine at this time if NAS Whidbey will be placed on the base closure list in 1995.
- The "Update for the Defense Base Closure and Realignment Commission" states that the "1991 and 1993 Commission findings remain valid today. The immense value of NAS Whidbey as the hub of an irreplaceable Northwest training complex, which is uniquely suited to the training needs of the EA-6B and P-3 aircraft, and which offers assets not found elsewhere in the country for aircraft of all branches and services... NAS Whidbey is a modern facility, with exceptional training assets. Air space is a precious commodity, which cannot be reclaimed when lost. The increasing crowding of airspace in other regions of the country has significantly impaired the ability of the military services to conduct realistic airborne training, a fact which greatly enhances the value of the unencumbered airspace in the Pacific Northwest... To close NAS Whidbey would not only lose irreplaceable training assets, but would also require significant and unnecessary construction costs to expand other facilities to accommodate the current and projected NAS Whidbey units. Reductions in force structure will occur in the post cold war military. However, the reductions must meet readiness standards and must be closely scrutinized for accuracy and feasibility. If all standards are uniformly applied, NAS Whidbey will remain open well into the 21st Century."

- The "Update for the Defense Base Closure and Realignment Commission" states that "current DOD position regarding future force levels calls for 12 deployable carriers and 10 active and 1 reserve carrier air wing... While this level could decrease in the future based on political considerations and/or fluid international situation, the assumption has been made that these force levels will apply to the 1995 round."

Based on this force level, the "Update for the Defense Base Closure and Realignment Commission" provided the following past, current and projected NAS Whidbey personnel population figures:

1991	10,411 personnel
1994	10,860 personnel
1999	9,167 - 9,767 personnel

- Consequently, personnel will decline by between 10% and 16% from 1994 to 1999. As outlined in the following chapters, for a community so dependent on NAS Whidbey in terms of jobs, service and retail economy based businesses and tax revenue, this decline will significantly impact the future of North Whidbey.

Assumptions Regarding The Potential for Joint Use of NAS Whidbey

This study was designed to focus on the North Whidbey area and not the property occupied by NAS Whidbey. However, the foundation for healthy economic diversification is usually built on several key building blocks. These building blocks include proximity to markets through strong transportation linkages, the ability to develop on lands which do not encroach on existing or planned residential areas, available land, adequate water and sewer and other aspects. For these reasons, the use of NAS Whidbey for civilian economic activities is an intriguing idea. Consequently, preliminary discussions were conducted regarding potential joint use. However, following a review of Department of Defense and U.S. Navy documents and discussions with the NAS Whidbey community liaison, we do not believe that joint military and civilian use of NAS Whidbey should be considered at this time.

The operations of NAS Whidbey and related directives regarding military operations, security and other logistical, environmental and surplus issues clearly make joint use not a viable option, particularly for the scope of time of this study.

Assumptions Regarding Transportation Development and a New Bridge to Whidbey Island

According to preliminary regional comprehensive planning documents, for the North Whidbey and greater region to accommodate projected growth, additional investments will be required in improvements to transportation systems. These new systems are required by the Washington State Growth Management Act, as all elements of regional comprehensive plans must be internally consistent (i.e. one cannot project population growth without documenting the required infrastructure improvements needed to support that population's growth). Consequently, local and regional government agencies are currently meeting to discuss the potential for future transportation to and thorough the area. These discussions will raise a number of environmental, economic development and budget issues. In addition, a major capital project, such as a new bridge to Whidbey Island, will require significant resources and political support from Washington State and the United States government.

We encourage the community to consider future transportation options. These analyses should be conducted in open discussions and offer the larger community the opportunity for meaningful participation. However, due to the length of time that these deliberations will take, as well as the uncertain political or financial support, this Action Plan has not included diversification strategies which rely on the construction of major new transportation infrastructure, such as a new bridge.

Assumptions Regarding the Comprehensive Planning Process

As indicated, this Action Plan is not an end itself, but rather a part of overall comprehensive planning efforts being conducted by the City of Oak Harbor and Island County. Consequently, the Action Plan uses assumptions being developed by these plans in areas such as growth boundaries, transportation, infrastructure and other elements. As the specific strategies are being developed during Phase II of this Action Plan, the consultants hope to work closely with local government and the consultants who are working on these elements to openly discuss economic related questions, for example, the ability of the greater Oak Harbor area to support additional economic growth with its current water supply and sewer system, investment in infrastructure and other areas.

Introduction Conclusion

Creating a community economic diversification action plan will allow citizens to clearly articulate a shared economic vision of the future. The plan allows a community to create a framework for not only determining which types of economic activity to discourage, but, more importantly, creates a pro-active system to encourage appropriate new economic activities and jobs. That is the ultimate goal of this Action Plan: Maintain and create quality job opportunities which enhance and respect the unique quality of life in North Whidbey. Having a strong quality of life includes having access to a quality job.

SKAGIT COUNTY (057)
ISLAND COUNTY (029)

Community Development Action Planning Study Area

NORTH WHIDBEY DIV

9701

Ault Field

Oak Harbor M.A.S.
(Whidbey Is.)

Oak Harbor
M.A.S.
(Whidbey Is.)

9703

9704

9706 Oak Harbor

Oak Harbor
M.A.S.
(Whidbey Is.)

Community Development Action Planning Study Area

9709

HASTIE LK. RD.

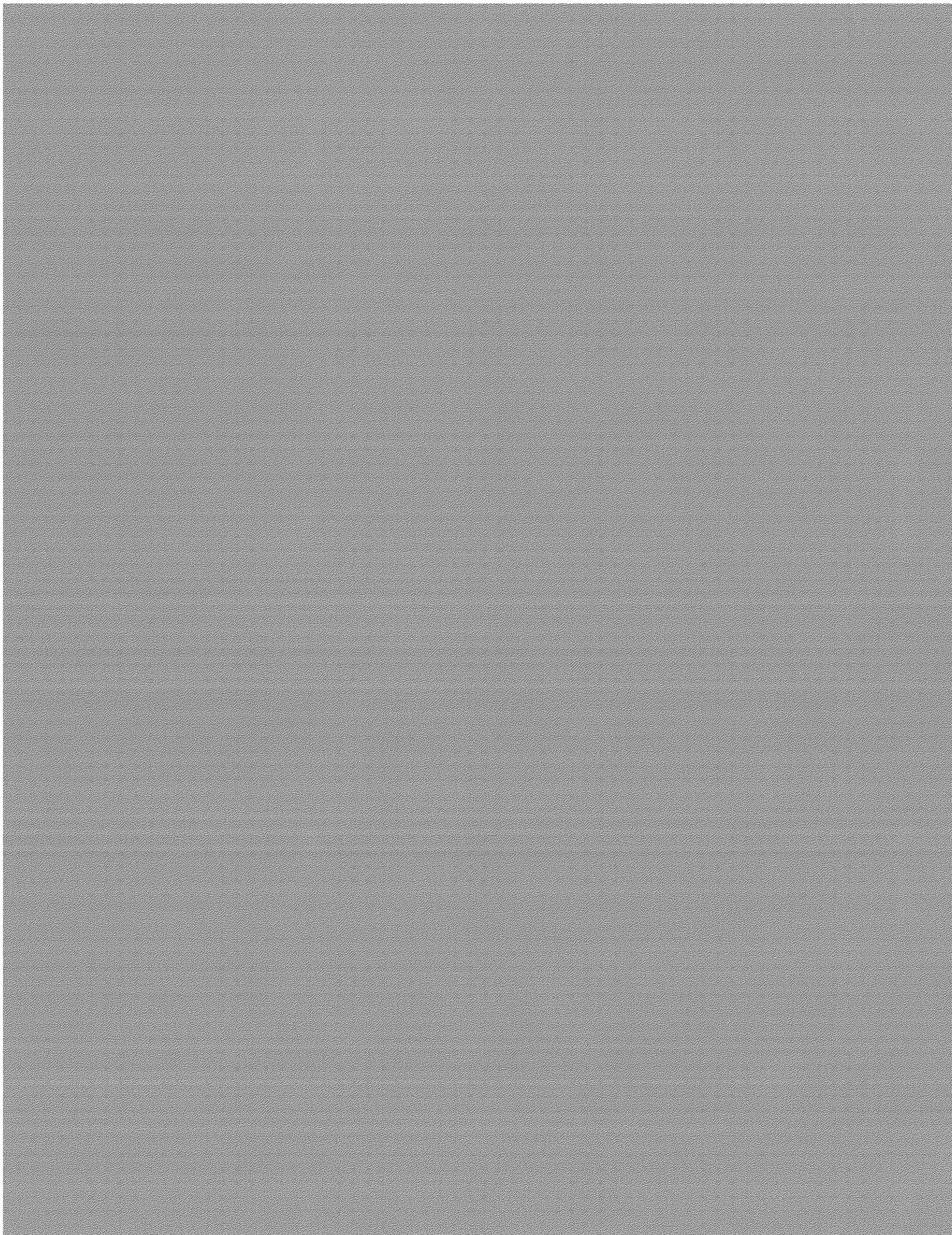
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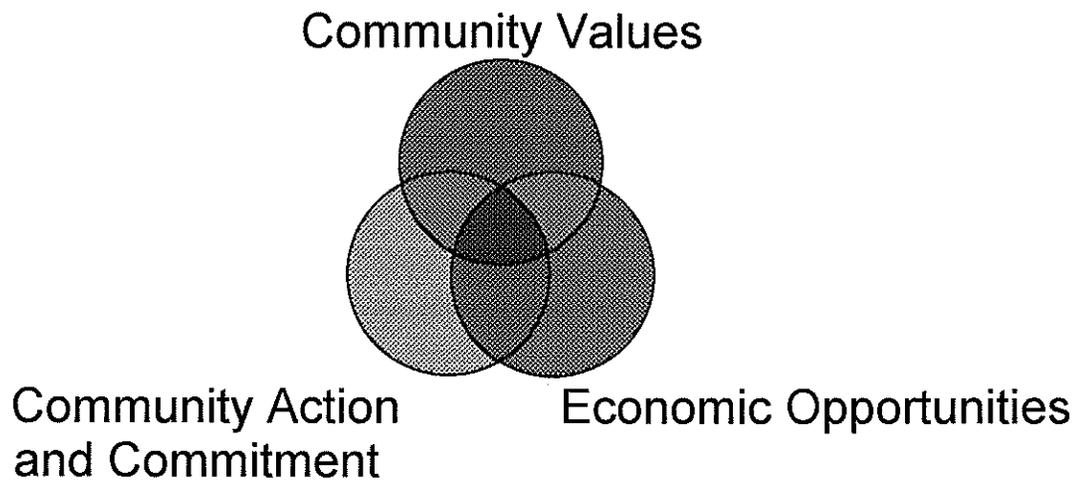
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9710

Coupeville



Creating a Community Economic Action Plan



Summary of Findings and Recommendations

Preface

We are optimistic about the potential for North Whidbey's economic diversification, including opportunities to create primary jobs.

North Whidbey's unique island location offers an incredible, high quality of life. The presence of NAS Whidbey has historically meant a fairly stable economy and captive market for the area. North Whidbey is in close proximity to Interstate 5 and important markets in the Seattle and Vancouver, British Columbia, corridor. In this environment, primary jobs have been created. One only needs to examine the successful growth of North Whidbey businesses such as Technical Services, Inc., Upchurch Scientific, Mostad & Christensen, Finewood Cabinets and Logos Research and the abilities of these small companies to serve regional and world-wide markets.

Any diversification action plan must also recognize the inherent constraints of the North Whidbey area. The current economy is based on small, fragile service and retail businesses. Access to future markets will be limited due to transportation constraints and this will limit the size and types of businesses who can succeed in this economy. The uncertainty regarding the future of NAS Whidbey has had a negative impact on new investment in the area. There are few existing defense related businesses in the area. The overall market wealth is lower than that in the region. Housing is limited.

To achieve future success in economic diversification, we recommend that the following fundamental building blocks serve as a foundation for community economic activity:

1. The community should create and commit to policies which recognize that the overall quality of life will be enhanced through a planned and diversified local economy that creates opportunities for fairly paid employment and a strong local tax base.
2. Business sites must be created which allow for the expansion of existing companies (Logos is busting at its seams with nowhere to go) and facilitate the attraction of compatible businesses in targeted industries.
3. A commitment to action must be made by public and private sector leadership following an open community planning process which seeks participation by stakeholders.

This is a 20 year plan. It does not offer magical or quick fix solutions. Rather it suggests a reasonable and realistic approach to achieving diversification goals over the course of time. The approach focuses on the nurturing of local and synergistic small businesses. Furthermore, attention is paid primarily to providing quality job

opportunities for local residents - as opposed to attracting workers from outside of the area - by creating expansion opportunities for existing businesses and taking advantage of existing market assets, such as the millions of people who visit Deception Pass annually.

Change is inevitable. If North Whidbey can organize itself to proactively respond to change and help guide desired economic activity, the potential for economic diversification is bright.

The Need for Diversification

Today, more than ever, North Whidbey's economy is dependent on NAS Whidbey. At best, there is projected to be a slow downsizing in the defense industry locally and nationally. Consequently, there is a clear need for diversification. Furthermore, we believe based on community research and analysis that the majority of people within the North Whidbey area support efforts toward appropriate economic diversification, particularly for the creation of primary jobs north of the current City limits of Oak Harbor. The following is a summary of some of the findings of this analysis.

Dependence on NAS Whidbey

- In 1990, Oak Harbor had a population of 17,176 and the combined North Whidbey/Greater Oak Harbor area had a population of 34,595. Of that population, 27,073 were either active duty military, civilian employees and contractor personnel, or dependents directly associated to the Naval Air Station. Therefore 78% of the population of the project area is directly associated with NAS Whidbey.
- In 1992, the Navy payroll was \$295 million. This payroll represented one-third of the entire personal income of Island County. In 1991, the average annual civilian wage for all of Island County was \$17,160, while the average wage from NAS Whidbey was \$28,518. Using 1990 census figures, the Naval Air Station accounted for 66.4% of the entire employment of North Whidbey/Oak Harbor and 54% of the entire employment in Island County.
- The base closure analysis process has resulted into a new era of economic instability. For example, in 1990 there were 311 housing starts in the greater Oak Harbor area and in 1991 and 1992, there were 29 and 96 starts, respectively. In 1990, there were 211 multi-family housing units built, many of which were low and moderately priced units for Navy personnel. In 1991, no multi-family units were built and only 67 were constructed in 1992. Commercial activity has also lagged. For example, the City of Oak Harbor was budgeted to receive \$545,000 in sales tax through equalization from the State of Washington. Based on 1993 sales, the community will receive \$670,000, indicating softer sales than projected and that other communities in Washington are performing better. Other area tax projections, such as liquor board profits (down \$17,000) and gas taxes for the street fund (down \$9,000) are also down from projections.

Community Survey

A scientific, random-sample telephone survey of North Whidbey residents was conducted during the period March 24 to April 7, 1994. Some 654 Oak Harbor/North Whidbey residents were interviewed. The overall population response was 50%, providing a margin of error of 3.77 % and a 95% confidence level. The telephone survey found:

- Income levels in the study area are generally low. Sixty-four percent of the respondents stated that they had household incomes of \$35,000 or less. The estimated 1993 median household income in the Seattle-Everett-Bellevue Metropolitan Statistical Area, of which Oak Harbor is a part, is \$40,210.
- Almost without exception, respondents indicated they felt there were too few job opportunities on North Whidbey. Whether employed full-time, part-time or retired, they were virtually unanimous in saying there were more people looking for work than there were jobs.
- Generally, the respondents supported business growth and/or expansion in North Whidbey. Large retail stores, high-tech or light manufacturing received the strongest support for the area north of Oak Harbor.

Survey of Businesses

To better understand the current nature of the North Whidbey business community and the perceptions and attitudes of business owners, a survey was conducted in February and March of 1994. A total of 645 surveys were mailed to registered businesses within the targeted area. A total of 150 completed responses were received. This is a return rate of 23.26%. The following are some of the key findings:

- The business owner does expect to add new employees during the next three years and will probably not need additional space for expansion.
- The business owner is concerned about his sales dependence generated by NAS Whidbey, because of the base's uncertain future. Any significant downsizing will probably effect the ability of the business to continue operation.
- The business owner also recognizes that the location limits growth potential. For the business to expand a great deal, the owner would probably have to move due to problems regarding transportation and the work force.
- The business generates a gross income of less than \$500,000 annually. Current sales are average. Over the past three years, the owner has had more difficulty in maintaining sales income.

- Generally, the owner believes that the following businesses should be targeted for recruitment to North Whidbey: light industry, retail stores, tourism businesses, including possibly a destination resort, high quality restaurants and recreational and entertainment businesses.

Community Interviews and Comments

Through 33 one-on-one interviews, 12 discussion groups involving 108 individuals and 19 community meetings, including three community workshops, the public had the opportunity to discuss economic diversification. The following is a summary of some of the key trends, thoughts and ideas which emerged from these interviews.

- Preserving the quality of life and small-town rural lifestyle on North Whidbey is a top priority for everyone interviewed. It is the main reason why people move there or decide to do business there. In 20 years, most people did not envision the economy to look much different than it does now.
- There was consensus that there is not a tradition of economic development on North Whidbey. There is a general sense of "Islanditis," which causes residents to be inwardly focused and wanting to protect their property and encourage slow growth. As one person said, "people want to be left alone." This combines with the steady source of income derived from the military, creates almost a sense of community complacency/apathy about the economic climate.
- There was general consensus regarding the positive aspects of doing business in North Whidbey. The main reasons repeatedly stressed focused on two areas. First quality of life - the environment and beauty of the area, little traffic, low crime, good schools, good people, rural/island lifestyle, families and kids, etc. - was by far the main reason. Second, NAS Whidbey provides a stable economy.
- Bankers, realtors and others generally indicated that few people are looking for business development opportunities in North Whidbey. There is virtually no vacant space. No one is building speculative buildings.
- Housing costs are surprisingly high. A new average home runs approximately \$160,000. Can employees who are making \$5 to \$10 an hour afford to live here? Can they pay the area daycare costs of more than \$300 a month?
- Demand for social services is increasing. The local food bank has seen an increase of 45% during the past year in demand on their services. They are currently serving more than 300 families a month. Two years ago, the community's Christmas gift program served 250 families and 500 kids. This past Christmas, the program served nearly 500 families and 900 children. Twenty percent of all clients served by Help House are in the military. The Navy Relief Society will spend more than \$1 million in the area to support military personnel.

The business community is seen as very supportive of community social agencies. However, United Way funding will be reduced when companies consolidate, such as GTE, move their operations or close.

- There is general consensus that there are not enough quality jobs in North Whidbey.
- Most people interviewed recommended industrial development take place north of town - the Goldie Road area.
- There was general consensus that the Action Plan should reclaim the Waterfront and connect it to Downtown and provide strategies to support agriculture and maintain open space. There was general consensus that the community needed a multi-purpose facility to serve seniors, teens, meeting space, performing arts space and other needs. There was general consensus that the community should pursue strategies, such as health care, for the retirement market. Recreation seems to be an important community value. Those interviewed suggested opportunities such as an expanded marina, athletic complex, new golf courses, bike rentals, boardwalk, amphibious plane museum and others.
- Enhancement of tourism appears to be supported by all segments of the community. There is also a general recognition that tourism is woefully underdeveloped in the community.
- There appears to be a lack of land which is zoned properly with infrastructure for light industrial development. Those interviewed expressed great concern about development which would encroach upon NAS Whidbey. There is not adequate infrastructure out to the Goldie Road area.
- There is currently no coordinated program to support/help expand existing businesses. There is currently no coordinated business recruitment plan or program, loan pools or venture funds or other incentive programs.
- The Economic Development Council and Chamber spend as much time on survival as they do on helping businesses.
- There is an overall sense that government does not support business growth.

The Opportunity for Diversification

Preface and Economic Goals

The overall purpose of this report is to recommend an appropriate action agenda to diversify the North Whidbey Island economy. This analysis compliments and is consistent with the Washington State Growth Management Act and work on this Community Diversification Action Plan has been done in conjunction with the development of the Island County and North Whidbey Comprehensive Plans.

This analysis focuses on the creation of primary jobs to diversify the economy. Local economies can be divided into two fundamental activity sectors:

- Firms that produce a product or service that serves markets *outside* the community,
- Firms serving markets *within* the community, such as retailers.

Primary jobs from firms that produce a product or service drive an economy. For example, NAS Whidbey is the principal economic driver of the local economy. Firms offering primary jobs provide full employment opportunities for local residents and encourage the expansion or recruitment of synergistic businesses. (A good example of this can be found on the high-technology corridor in the Silicon Valley). Earning opportunities create incentives for additional retail and service businesses. Employment, income and population are the chain of key quantifiable variables typically used to measure this growth process.

For North Whidbey, we would recommend the following economic goals for the creation of primary jobs in the market to achieve desired diversification results:

- Policies should be created to double the share of North Whidbey area manufacturing jobs to eight percent of all non-agricultural workers by the year 2013. (The Washington State average is approximately 15% of all jobs within a community)
- Policies should be created to double transportation and utility jobs to three percent of total non-agricultural workers by the year 2013.

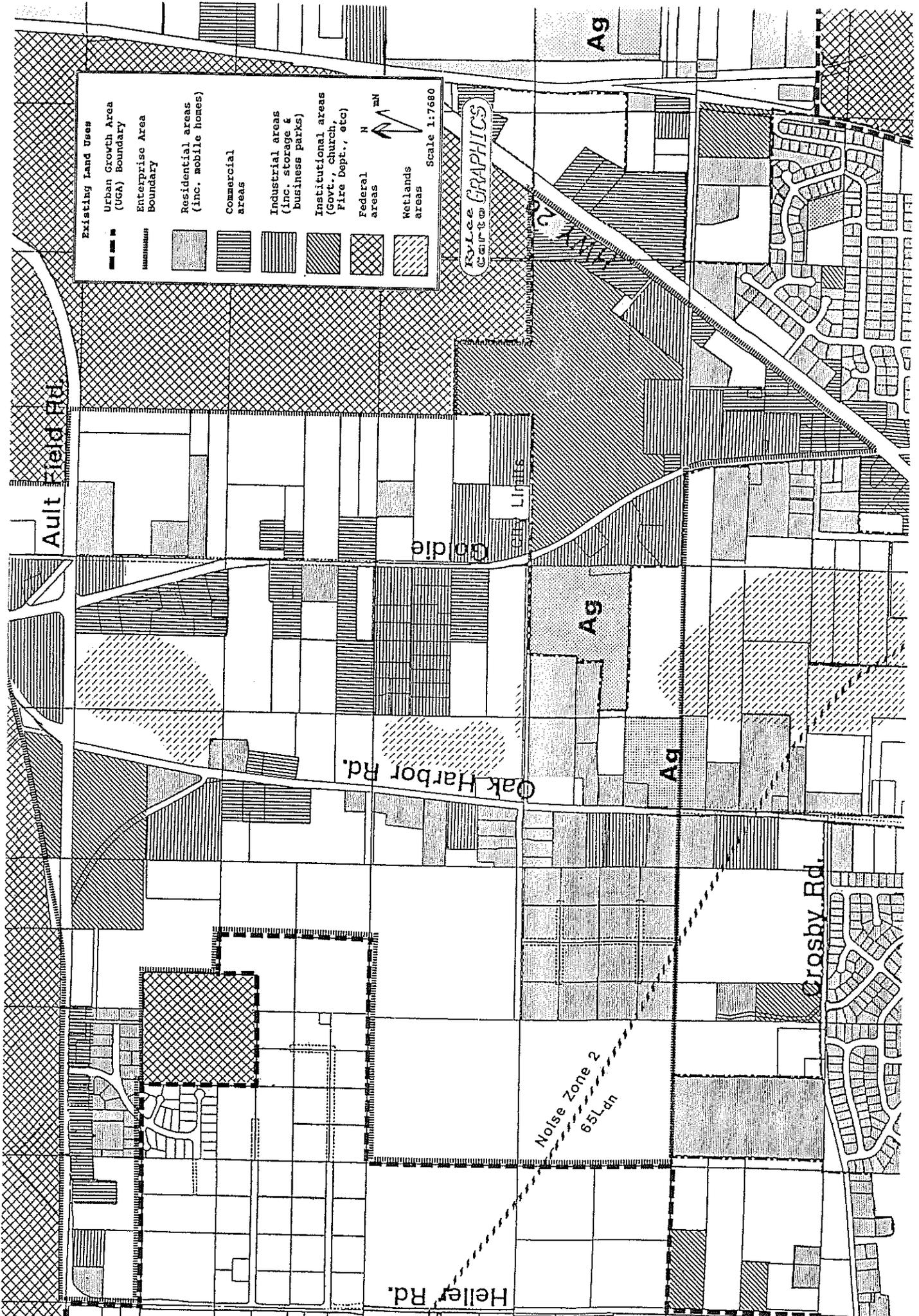
These goals are very conservative and will not significantly reduce dependence upon NAS Whidbey. But it is a beginning and offers the area much brighter future economic prospects.

Industrial Location

A major component of North Whidbey's strategic diversification plan is selecting locations where various kinds of industrial economic activity should be encouraged. This report looks primarily at sites within or adjacent to the City of Oak Harbor.

Community input showed a strong preference for concentrating industrial development within an area bounded by Ault Field Road on the north, and generally between Heller Road on the west and the Goldie Road industrial areas on the east. That includes the existing industrially-zoned land west of Goldie Road, plus all the land between Goldie Road and the Naval Reservation properties north of the existing City limits. No south boundary was established, but interviews with City planners show the potential to extend Cemetery Road east/west between Goldie Road and Heller Road. This would form a natural southern boundary for the area preferred for industrial development. In addition, there is a small triangle of existing industrial land between Goldie Road and SR 20, south of Cemetery Road, that has vacant sites available. It was recommended that strip industrial/commercial facilities *not* be developed along SR 20 north of Oak Harbor.

Therefore, based on community input and the land analysis, we would recommend a targeted diversification strategy to locate primary jobs within this area. (See map on following page).



Existing Land Uses

- Urban Growth Area (UGA) Boundary
- Enterprise Area Boundary
- Residential areas (inc. mobile homes)
- Commercial areas
- Industrial areas (inc. storage & business parks)
- Institutional areas (Govt., church, Fire Dept., etc)
- Federal areas
- Wetlands areas

Scale 1:7680

Boyle & Graphics

Noise Zone 2
65Ldn

Ault Field Rd.

Goldie

Oak Harbor Rd.

Heller Rd.

Crosby Rd.

AG

AG

AG

Targeted Business Analysis

Community input and market analysis for this study evaluated the economic profile of North Whidbey Island and its economic resources, concluding with implications for a diversification strategy. Five key implications were identified:

1. Economic diversification should encourage the use of the existing labor force, including the secondary labor force associated with NAS military and civilian workers, rather than on activities that would require recruiting workers from outside the area.
2. There should be emphasis on communications-driven industries, such as information processing and other industries that export services rather than products.
3. Manufacturing should focus on firms producing high value, low-bulk products that can utilize package express services and local delivery systems without a competitive cost disadvantage.
4. Diversification should capitalize on the unique resource of the Oak Harbor Waterfront and Downtown.
5. Economic enhancements should be sought from commercializing business opportunities derived through the operations of the NAS.

Based on these implications, it was recommended that the economic diversification strategies for North Whidbey Island focus on five targeted opportunities:

- Information Processing Centers
- Light Manufacturing/Assembly
- High-Technology Operations
- Downtown & Waterfront Development/Tourism
- Economic Linkages with NAS Whidbey

Examples of types of businesses within each category and locational requirements are contained in the report. These areas are not necessarily exclusive and do not preclude the development of other opportunities, particularly those that are initiated by firms or individuals outside of the implementation of the diversification strategies. However, these five categories set a direction and can provide the necessary stimulus for sustained diversification of the North Whidbey Island economy. In addition, recommendations were received to discuss opportunities for the senior market. These opportunities, while not a creator of primary jobs, are discussed in the Appendix.

Business Enhancement Plan

There are four types of business enhancement objectives that provide the basis for an economic diversification strategy:

1. Retention and expansion of existing firms in North Whidbey, with primary emphasis on firms in the targeted categories and those that enhance their development on the Island.
2. Facilitation of start-ups and spin-offs, primarily in the targeted categories.
3. Recruitment of new firms in the targeted categories from off the Island.
4. Accommodation of "natural" industrial expansion and development, i.e. firms that locate in North Whidbey without the stimulus of the economic diversification efforts.

Efforts to meet these objectives will have the result of enhancing the business climate on North Whidbey for all firms located there. While there are several components to each objective, there are also commonalities that apply to all of them. These are discussed below in major subject groups.

Labor Force Training and Development Strategies

There is not a ready supply of technical and skilled labor available on North Whidbey. Most firms hire unskilled or semi-skilled workers and provide them with their own in-house training. This enables firms to train workers on the equipment they will actually use, which may not be available at Skagit Valley College or other facilities.

While the main campus is in Mount Vernon, the Whidbey campus in Oak Harbor offers numerous course opportunities. It also offers employers the ability to structure special training classes that fit their specific needs. These programs may not fit the needs of all employers, but they should significantly enhance the ability of most firms to obtain and/or train qualified workers. This resource needs to be aggressively promoted as part of local business development and recruiting programs.

Business Management Assistance Strategies

Another valuable aid to small businesses is business management assistance services, including the development of business and financial plans, marketing strategies, record keeping systems, and similar kinds of support.

In addition to private sector suppliers, these kinds of services are provided by the Small Business Resource Center at Skagit Valley College, including its Oak Harbor branch. Spring, 1994, workshops at the Oak Harbor branch included such subjects as: Smart Marketing; Business Plan Made Easy; and Starting a New Business. Workshops at the Mount Vernon campus included such subjects as Strategic Marketing; TQM; Basics of Cash Flow Management; and Record Keeping for Small Business.

Capital Development Strategies

Lack of capital, especially equity capital, has been cited as a specific constraint on business development in North Whidbey. While this is a fairly common problem in smaller communities throughout the nation, it appears to be more pronounced in North Whidbey. The base closure announcement in 1991 effectively put a freeze on lending by the financial community, particularly for any kind of speculative building or loans to businesses dependent on the local economy. The area is currently waiting until the next round of base closure decisions in 1995. Despite the prevailing view that NAS Whidbey will be kept open, few financial commitments are being made. In the meantime, there are no loan pools, venture capital funds or other sources of start-up or expansion capital for small businesses.

Effective solutions might be found through programs to leverage state and federal funding sources. These could include the formation of a Small Business Investment Corporation (SBIC), SBA 504 Program Loans, SBA 7(a) Guaranteed Loan Program, Revolving Loan Funds, FmHa Business and Industrial Loans, Energy Conservation Loans, Industrial Revenue Bonds and EDA Loans and Grants Community Development Block Grants. These types of financing mechanisms can be used to their maximum capabilities to provide funding sources for new business development. It can still be expected, however, that not all business funding needs can be met on North Whidbey or at any other location.

Business Incentives/Government Assistance

No local incentives are available to firms locating in North Whidbey to supplement the standard State and federal incentives programs, such as labor force training and the capital funding programs described above. Numerous people interviewed for this report cited the incentive programs offered by the Port of Skagit County and stated that Island County is not competitive. Those incentives primarily offer land and building packages at the Skagit Valley Airport at reasonable costs.

It was interesting that most local business firms do not share this attitude. They tend to discount the value of incentives, preferring instead to develop and operate their businesses without government assistance. *As a trade-off, they also want to be less constrained by government permitting and regulatory processes.*

It would appear that solving these problems would provide the greatest incentives for business development in North Whidbey. There is no demand for financial or other incentives, and there is no advantage in offering them if businesses continue to feel that government is working against them.

Industrial Sites

The final component of a business enhancement strategy is to create the kinds of industrial site environments that will attract new companies and facilitate the development and expansion of firms in the target industries.

There appears to be adequate industrial land in the Goldie Road corridor to accommodate most of the "natural" industrial growth in the North Whidbey area for the foreseeable future. This will occur in mixed-use industrial sites, with a variety of building types and limited controls. These properties will accommodate the continued growth of heavy commercial and light industrial uses such as warehousing, storage and distribution; automotive repair and rebuilding shops; cabinet makers; industrial and commercial service facilities; and machine shops and fabricators.

Not presently available, however, are controlled-use sites for firms wanting higher quality environments. These include most of the uses described in the target industries listed above. An industrial site strategy, then, is a key part of the overall strategies for economic diversification of the North Whidbey economy.

Economic Mission Statement

Based on community comments and analysis, we would recommend the following mission statement be adopted to guide diversification efforts in North Whidbey:

North Whidbey is committed to creating a planned and diversified local economy that creates opportunities for fairly paid employment and a strong local tax base, while respecting the unique quality of life we treasure. To accomplish this mission, we will create proactive community and customer service driven program which maintain NAS Whidbey, support the vitality of existing businesses and encourage the compatibility of new economic activities.

Action Strategy: Enterprise Area

It is recommended that the community initiate a program aimed at business diversification of North Whidbey Island, based on the following elements:

1. The City should plan to annex all of the properties along the Goldie Road corridor, between the government-owned land east of Goldie Road and Oak Harbor Road, from the present city limits to Ault Field Road. In addition, the City should annex the properties west of Oak Harbor Road, in the vicinity of Gun Club Road, that are currently being proposed for development of a business park (for lack of a better name, this property is referred to as the Gun Club Business Site). This annexation should include properties required for access from Oak Harbor Road to the business site.

On an interim basis through their comprehensive plans, the City of Oak Harbor and Island County should create identical zoning and land use plans for this area.

2. Planning should be initiated to service all of this area with City utilities. Most of the area is presently served by City water, but sewer lines will need to be extended as well.

On an interim basis, the City of Oak Harbor should revisit its policies regarding providing service to this area. Pre-annexation agreements should be discussed which could allow a firm, such as Upchurch, to access the infrastructure prior to annexation.

3. The Goldie Road corridor should be upgraded to City standards for roads, utilities and performance requirements. These can be phased in over a period of time, using improvement districts, development agreements or other mechanisms to pay for the costs.
4. About 40 acres of the Gun Club Business Site should be designated as the North Whidbey Enterprise Park, with high standards and performance zoning to accommodate companies not presently served by sites along Goldie Road. It would essentially be a technology park, but with special high design features to support and enhance entrepreneurial enterprises.

Action Strategy: Downtown and Waterfront Development

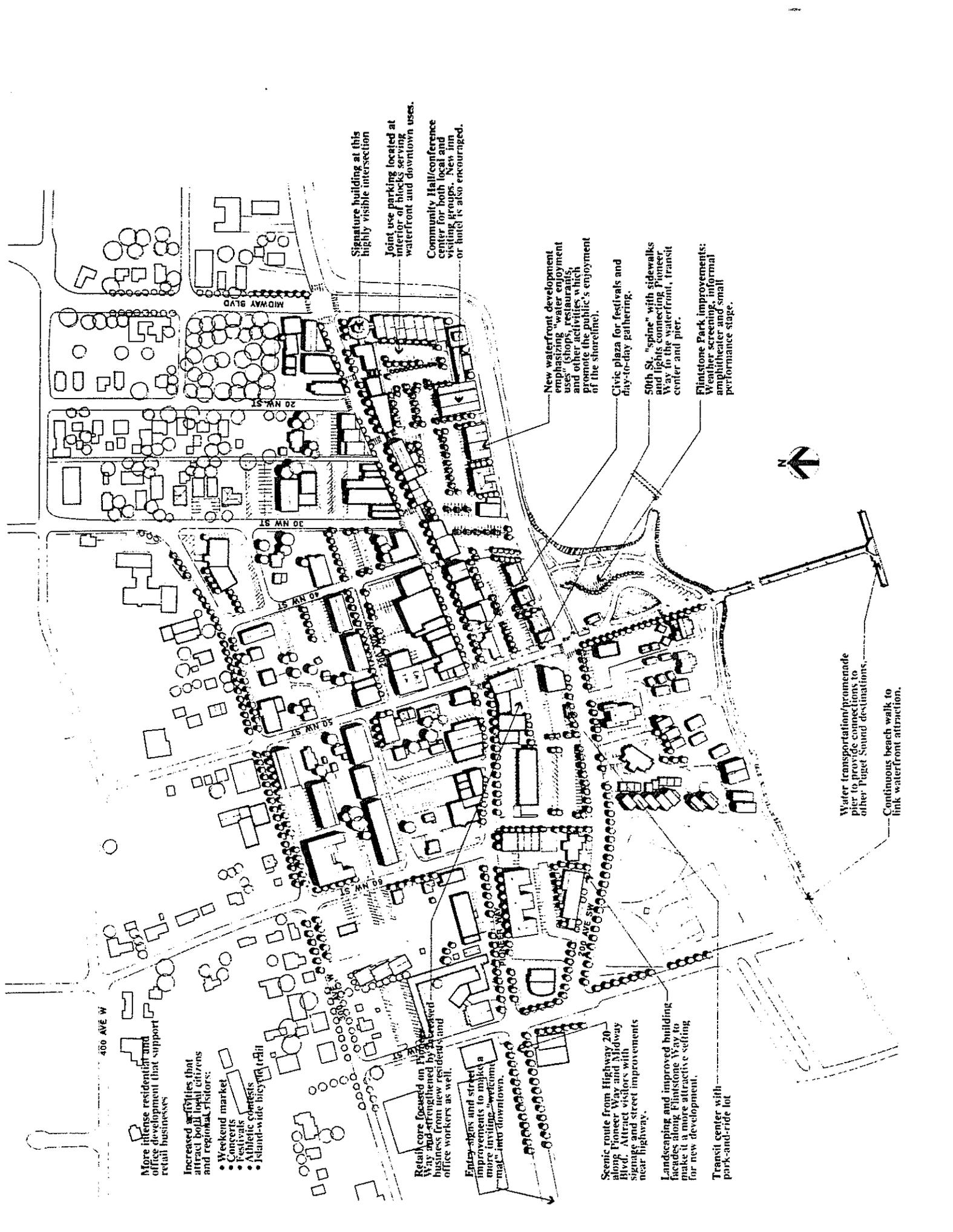
Downtown and the Oak Harbor Waterfront are the heart of the community. To strengthen economic opportunities, we believe the Harbor Watch Downtown Redevelopment Plan, completed in 1989, is a viable and attractive development strategy. We strongly encourage full implementation of this exciting plan. (See map of targeted area on following page).

This strategy of the Harbor Watch Plan is based on meeting three markets:

1. A stronger local market for residential space producing a greater in-town population needing local services for every day personal needs.
2. A market arising for increased office space as the Downtown becomes the focus for business and professional needs on North Whidbey Island. This will result in a greater need for business services.
3. A recreational/retail market developed to serve visitors from throughout the area as well as residents and office workers.

The following actions would be appropriate to continue the strategic plan and meet the target markets:

1. Commence plans to establish an LID to finance the remainder of the capital projects with revenue bonds.
2. Establish a Property Improvement/Beautification program.
3. Continue applications to the Interagency Committee for Outdoor Recreation (IAC) for funding for the Waterfront Walk, Pier, and Plaza/Clock Tower.



More intense residential and office development that support retail businesses

Increased activities that attract both local citizens and regional visitors:

- Weekend market
- Concerts
- Festivals
- Athletic contests
- Island-wide bicycling trail

Signature building at this highly visible intersection

Joint use parking located at intersection of bluffs, serving waterfront and downtown uses.

Community Hall/conference center for both local and visiting groups. New inn or hotel is also encouraged.

New waterfront development emphasizing "water enjoyment uses" (shops, restaurants, and other activities which promote the public's enjoyment of the shoreline).

Civic plaza for festivals and day-to-day gathering.

50th St. "spine" with sidewalks and lights connecting Pioneer Way to the waterfront, transit center and pier.

Flintstone Park improvements: weather screening, informal amphitheater and small performance stage.

Water transportation/promenade pier to provide connections to other Puget Sound destinations.

Continuous beach walk to link waterfront attraction.

Retail core focused on Pioneer Way, and strengthened by increased business from new residents and office workers as well.

Entry signs and street improvements to make a more inviting "welcome mat" into downtown.

Scenic route from Highway 20 along Pioneer Way and Midway Blvd. Attract visitors with signage and street improvements near highway.

Landscaping and improved building facades along Flintstone Way to make it a more attractive setting for new development.

Transit center with park-and-ride lot



4. The Downtown businesses should continue efforts to create a Main Street management program.

Action Strategy: Tourism Development

The future success of tourism development in North Whidbey relies on the ability of the North Whidbey community to:

- Create product to attract visitors and visitor spending; and,
- Fund a year-round marketing program.

To accomplish these two goals, we would recommend the following strategies be considered:

1. Destination activities must be developed in Downtown and along the Waterfront. The successful implementation of the Harbor Watch Plan will create a tremendous attraction for local residents and visitors.
2. The EDC and Chamber should work together on programs to encourage new tourism activities.
3. Public recreation is a highly held community value. The development of recreational facilities and community amenities can also be great tourism attractions. Oak Harbor and Island County must make a commitment to the continual upgrading of public recreation programs and facilities. This would include continuing investment in marina facilities, parks, hiking trails, athletic fields and other recreational activities.
4. We strongly encourage that financial and management systems be implemented to ensure the long-term success of important community events.
5. The potential creation of a community center offers an outstanding opportunity for North Whidbey. This facility has the potential to satisfy local needs for meeting space and community activities, but could be a powerful lure for visitors and small convention/retreat needs.
6. To coordinate the development of a tourism action program, we would encourage the following:
 - A. North Whidbey should create a Tourism Commission, with staffing provided by the Chamber, to create an annual action agenda.
 - B. The Tourism Commission should hold an annual community workshop on tourism to solicit ideas and determine community priorities.

- C. The Tourism Commission should work with the community to build consensus on raising the local hotel-motel tax. These funds could be used to enhance marketing and potential development projects, such as the meeting space for a community center.

Action Strategy: Economic Linkages with NAS Whidbey

A key diversification strategy in other communities around the country is to use the primary industry as the basis for spin-off economic opportunities. Currently, outside of a few contractors, there are very few substantial linkages between NAS Whidbey and the local economy. We recommend an aggressive program to enhance these linkages in the future as a part of an overall diversification strategy. Specifically, we would recommend the following opportunities:

1. Partnership Oak Harbor should bring together the business community and the military on an annual basis to hold a procurement conference.
2. Partnership Oak Harbor should coordinate a planning retreat with the business community and top military leadership to discuss opportunities for technology transfer and the privatization of services.

Action Strategy: Agriculture Development

"Rural atmosphere" is an essential part of the quality of life on North Whidbey Island. While agriculture is not a major industry in terms of employment and income, it will be essential to address the economic development of a viable agricultural industry to ensure the future of the rural atmosphere and the associated quality. The following strategies offer opportunities for agriculture and open space:

1. The tax rate for agricultural, forest and other dedicated open space should reflect the community's encouragement to maintain these lands for the overall population.
2. A local retail market for farm products should be developed.
3. High value crops, such as seed crops, for export should be encouraged. The Co-op or Grange should provide export assistance for such crops.

Action Agenda

Based on the recommendations and the diversification strategies outlined in this report, we would suggest the following Action Plan be adopted for 1994/95. This Action Plan would also form the basis for a way to evaluate the first year success of the community's economic diversification efforts.

We recommend that the basic focus of the 1994/95 Action Plan be on building the foundation for future economic diversification. As discussed, the North Whidbey area must first address capacity, infrastructure and organizational issues before its leaders can implement strategies such as business recruitment.

While we believe the recommendations outlined should be addressed over the course of the next 20 years, there appears to be consensus on a number of major action items. This prioritization of strategies also recognizes the limited local development capacity, in terms of the number of local professional development specialists, limited City and County staffs and finite public and private sector financial and volunteer resources.

The action strategies and priorities listed below are a result of a series of public meetings and discussions. From this input six priorities have emerged as critical immediate actions which should be addressed in the short term to achieve economic diversification. These priorities include:

1. *Establish a Local Commitment to Economic Diversification*
2. *Create a Community Economic Coordination Work Program*
3. *Establish a North Whidbey Enterprise Park Area*
4. *Enhance Downtown Oak Harbor*
5. *Enhance Tourism on North Whidbey*
6. *Enhance Open Space and Agriculture*

The first two priorities address basic philosophical and organizational issues. The third priority offers the greatest opportunity for economic diversification. The fourth priority supports the recommendations of the Harbor Watch Study. The final two recommendations focus on opportunities associated with the unique and exciting natural, rural environment of North Whidbey.

The following is an outline of implementation strategies which are designed to achieve these goals. The most detail focuses on the biggest opportunity: the creation of the enterprise park area.

The following is a review of 1994/1995 priorities and goals.

Priority 1: *Establish a Local Commitment to Economic Diversification*

Goal:

Develop a series of policies to be supported by the City of Oak Harbor and Island County to commit local government to implement strategies which will ensure a commitment to long-term economic diversification. To implement the first year Action

Plan, commitments are required of local stakeholder organizations, including the City of Oak Harbor, Island County, the Economic Development Council, the Chamber of Commerce and the Downtown Development Council. Furthermore, other stakeholders must be involved in an open planning process to ensure community consensus. These stakeholders include local residents, the school district, Skagit Valley Community College, Naval Air Station Whidbey Island and others in the North Whidbey area.

Priority II: Create a Community Economic Coordination Work Program

Goal:

Strengthen communication between North Whidbey stakeholder organizations by creating consensus on the overall Action Plan and strategies. Implement or ensure implementation of selected diversification strategies. Ensure the efficient use and leveraging of private sector resources.

These recommendations include the following:

1. Partnership Oak Harbor will be a forum for all sectors and stakeholders, public and private, to discuss and coordinate the economic future of North Whidbey Island. Implementation would primarily be the responsibility of existing organizations, such as the City, Chamber, Planning Commission, Skagit Valley College, etc. However, Partnership could still be responsible for coordinating a special project, such as overseeing the progress of the development of this plan.
2. The Board of Directors of the Downtown Development Council, Greater Oak Harbor Chamber of Commerce and Island County Economic Development Council should meet jointly twice a year to review progress on private sector initiatives, work programs and the coordination and leveraging of private sector resources. A key initiative for 1995 would be for the Boards of all of the organizations to commit to an evaluation of the opportunity to share office space to create "one-stop" shopping and organizational efficiencies.

Priority III: Establish a North Whidbey Enterprise Park Area

Goal:

Create an identified area and environment to facilitate the creation of primary jobs in targeted business sectors. This area would be defined as that area inside the proposed Urban Growth Area bounded by Ault Field Road on the north, and generally between Heller Road on the west and the Goldie Road commercial/industrial areas on the east. This includes the existing Oak Harbor-industrially-zoned land west of Goldie Road, plus all the land between Goldie Road and the Naval Reservation properties north of the existing City Limits. Cemetery Road would be extended east/west between Goldie Road and Heller Road to form a natural southern boundary. In addition, there is a small triangle of existing Oak Harbor industrial land between Goldie Road and SR 20, south of Cemetery Road, that has vacant sites available. Finally, strip industrial/commercial

facilities should not be developed along SR 20 north of Oak Harbor. The North Whidbey Enterprise Area would see utilization by both existing North Whidbey businesses and targeted businesses.

To implement this goal the following strategy is recommended.

1. Set Goals - The community should formulate a strategy in the context of the community development goals it is intended to achieve. These goals have been defined above, which establishes a commitment to economic diversification.
2. The community should establish a North Whidbey Enterprise Area - This is the overall strategy that accomplishes the goals set forth above.
3. Consolidate industrial/commercial sites in the Enterprise Area - Identify and annex industrial/commercial properties within the Enterprise Area into the City of Oak Harbor. The City of Oak Harbor needs to begin a process of working with Island County and the owners of properties outside the City Limits to identify properties suitable for industrial/commercial uses and annex those properties into the City.
4. Create a Successful Business Marketing Program - When the Enterprise Area, the Enterprise Park and the incubator center are established, the key to successful economic diversification will be recruiting and/or developing companies in the target industries that meet the stated policy objectives. This is essentially the function of a well-conceived and executed marketing plan.

Recruitment of companies and/or the development of start-up firms is logically the responsibility of the Island County EDC, assisted in the Oak Harbor area by the Greater Oak Harbor Chamber of Commerce, the City of Oak Harbor, and the owners/developers of the industrial sites. A baseline marketing program needs to be established for the EDC that will make it effective in competing for new businesses, and the program needs to be adequately staffed and funded.

Priority IV: *Enhance Downtown Oak Harbor*

Goal:

Strengthen Downtown Oak Harbor as a place to shop, visit, work, live and have fun. To accomplish this task the community is committed to seeing the full implementation of the Harbor Watch Plan.

Priority V: *Enhance Tourism on North Whidbey*

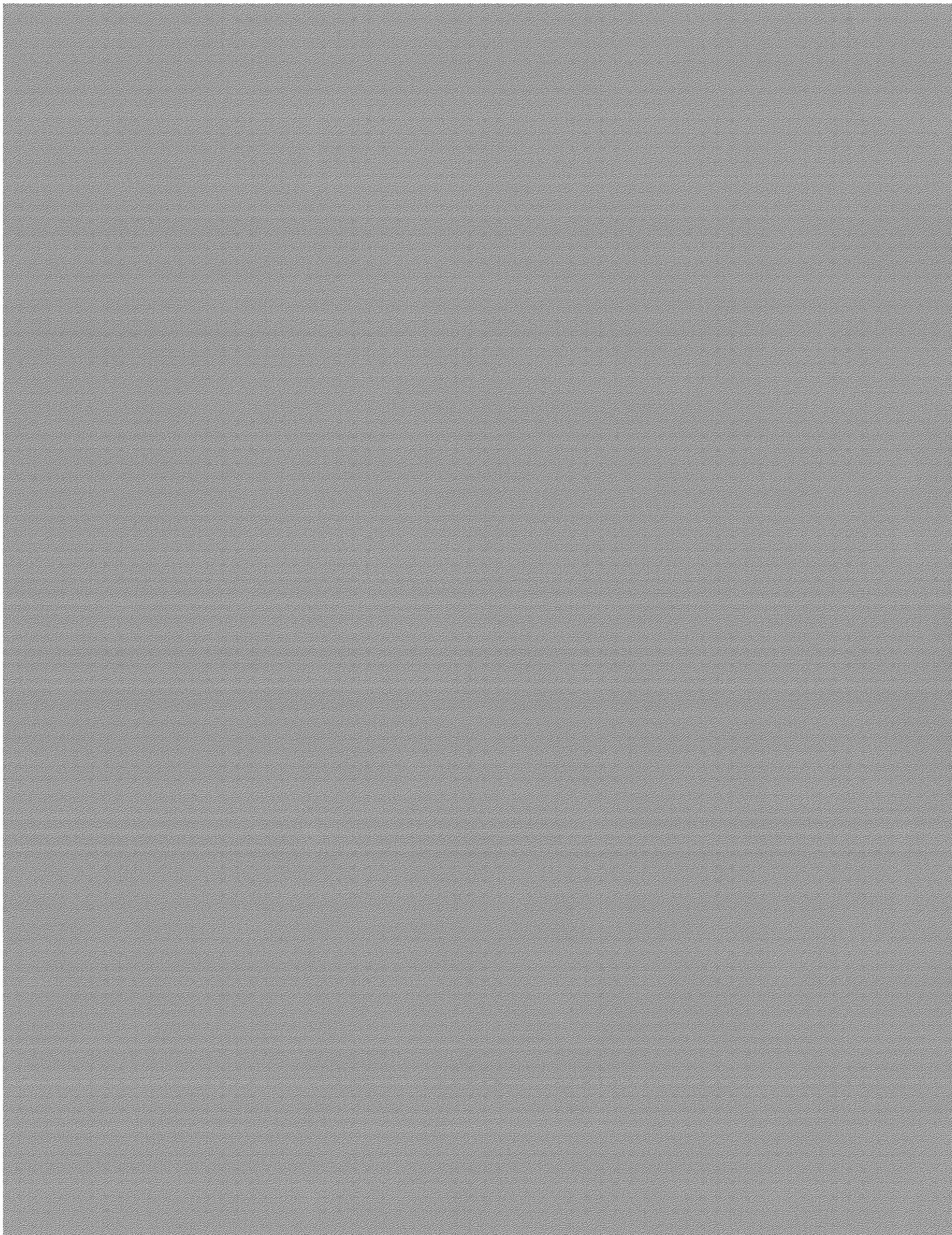
Goal:

Strengthen the tourism industry on North Whidbey by creating product to attract visitors and visitor spending and to provide a plan for year-round marketing.

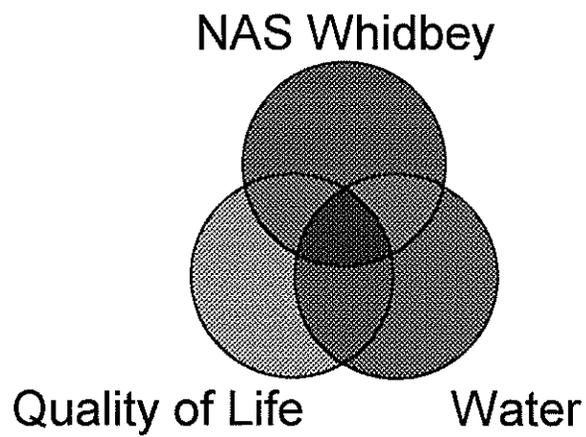
Priority VI: *Enhance Open Space and Agriculture*

Goal:

Maintain the rural atmosphere of North Whidbey Island as a major factor in the quality of life and the economic attractiveness of the area. Strategies to accomplish this goal include encouraging open space and promoting a viable market for local agricultural goods.



The Community Today



Chapter 3: *Community Overview*

Location, Historical Information and the Impact of NAS Whidbey

The study area is located on Whidbey Island in the Puget Sound, Washington. The area is approximately 30 minutes west via automobile from Interstate 5, Mount Vernon, and Burlington; approximately two hours north of the City of Seattle; and, two hours southwest of the City of Vancouver, British Columbia.

North Whidbey Island and its major city, Oak Harbor, were settled in the 1850's by predominantly Northern European immigrants who arrived looking for mild climate, good farmland and, in some cases, an escape from the disappointment of the California gold rush. The three original settlers of Oak Harbor, frustrated gold seekers who arrived together by canoe in 1850, were named Sumner, Freund and Taftzion. One of the direct decedents of the canoe adventurers still lives in Oak Harbor with approximately 50% of the original land grant still intact.

North Whidbey developed as a semi-isolated subsistence agricultural community through the late 1880's until the need for timber to build a growing nation created an economic boom which lasted until approximately 1915. The old-growth douglas fir forests that covered most of North Whidbey were for all practical purposes totally cut down, skidded to the nearest shoreline and floated to the mills in Coupeville on Whidbey Island, Seattle or Camano Island. Subsequent to the timber boom, the next major economic milestone in the history of the area occurred with the arrival of Dutch farmers who came searching for good land, a mild climate and an ocean atmosphere similar to their homeland. Through hard work, excellent small field farming practices and extensive diking and draining, the Dutch farmers turned sections of North Whidbey into an extremely productive agricultural area. Their efforts far outstripped any previous agricultural attempts on Whidbey Island. Thorough the 1920's and 30's, the original pioneer families and the later arriving Dutch grew and prospered on North Whidbey.

The coming of World War II commenced an entirely new phase in the history of Oak Harbor and North Whidbey. In 1941, Oak Harbor was a farm and shopping town of approximately 450 people. The United States Navy found that Oak Harbor's sheltered bay was perfect for seaplane operations and built a large facility on the outskirts of the City on Maylor's Point to conduct seaplane training and ordinance evaluation activities. The Navy observed that the flying conditions were nearly perfect in spite of the reputation for rain in the Northwest. Consequently, in 1942 the Navy built a land plane base, Ault Field, four miles north of Oak Harbor. This activity, NAS Whidbey, became and remains today the primary economic factor on North Whidbey Island.

In 1990, Oak Harbor had a population of 17,176 and the combined North Whidbey/Greater Oak Harbor area had a population of 34,595. Of that population, 27,073 were either active duty military, civilian employees and contractor personnel or dependents directly associated to the Naval Air Station. Therefore 78% of the population of the project area is directly associated with NAS Whidbey.

In 1992, the Navy payroll was \$295 million. This payroll represented one-third of the entire personal income of Island County. In 1991, the average annual civilian wage for all of Island County was \$17,160, while the average wage from NAS Whidbey was \$28,518. Using 1990 census figures, the Naval Air Station accounted for 66.4% of the entire employment of North Whidbey/Oak Harbor and 54% of the entire employment in Island County.

With steady growth, particularly from the mid 1960's through 1990, the Naval Air Station provided a general recession free and stable economic base during national recessions and growth periods. In addition, from 1980 through 1990, Island County was the fastest growing county, percentage wise, in Washington State. This growth was fueled by the same factors which led to the founding of the area: mild climate, rural atmosphere and a fairly stable economic opportunity. During this period the county population grew over 38%.

The community was stunned in March 1991 when the Department of Defense listed NAS Whidbey on its list of bases to be closed. This announcement brought two major results.

- According to many in the community, people from every walk of life in the area rallied together for the first time to jointly work to maintain the active status of NAS Whidbey and its associated facilities. This community crisis prompted an incredible amount of energy, focus and determination. The tremendous level of community support and the unique military asset of NAS Whidbey combined to successfully remove the facility from the base closure list.
- However, the announcement has also resulted into a new era of economic instability. For example, in 1990 there were 311 housing starts in the greater Oak Harbor area and in 1991 and 1992, there were 29 and 96 starts, respectively. In 1990, there were 211 multi-family housing units built, many of which were low and moderately priced units for Navy personnel. In 1991, no multi-family units were built and only 67 were constructed in 1992. Commercial activity has also lagged. For example, the City of Oak Harbor was budgeted to receive \$545,000 in sales tax through equalization from the State of Washington. Based on 1993 sales, the community will receive \$670,000, indicating softer sales than projected and that other communities in Washington are performing better. Other area tax projections, such as liquor board profits (down \$17,000) and gas taxes for the street fund (down \$9,000) are also lower than projections.

Future economic growth will continue to be affected by the lack of assurances of the future of the dominant economic factor in the area.

The closure of NAS Whidbey would have a devastating effect on the local economy. An extensive study of the potential impacts of closing NAS Whidbey was conducted by the Washington State Employment Security Department in 1991. The key findings included:

- Closure would immediately reduce the population of Island County by 45% and the population of North Whidbey by 78%.
- First-round impacts of base closure would include a loss of 2,520 jobs with a total payroll of \$37.6 million.
- County personal income would be immediately reduced by 32%, rising to above 40% through induced job and income loss.
- Because of Whidbey Island's limited transportation access to the mainland, diversification apart from tourism and retirement communities would be severely constrained.

Currently, NAS Whidbey is the home of all of the Navy's United States based EA-6B carrier based electronic warfare squadrons, all Pacific Fleet A-6E medium attack squadrons and two regular and one reserve P-3 patrol squadron, as well as numerous support, training and other shore based Naval units which support aviation, surface and shore units in the Pacific Northwest.

NAS Whidbey has been designated to receive two or four additional P-3 anti-submarine and maritime patrol squads, one EP-3 electronic counter measure squadron and an Explosive Ordnance Disposal Mobile Unit. The A-6E medium attack squadrons are expected to stand down by 1998.

In December 1993, NAS Whidbey had a total assigned complement of 8,829 military and 2,031 civilian personnel. In addition, there were 13,295 dependents of the base military and civilian personnel. A total of 94% of the base personnel and dependents live in the North Whidbey/Oak Harbor area.

Since 1976, a total of \$215,864,606 has been spent modernizing NAS Whidbey. Only one hanger and a handful of structures remain from the World War II era. Overall, NAS Whidbey is a modern facility, with exceptional training assets, uniquely capable of filling the maritime patrol, anti-submarine, electronic warfare and power projection mission training requirements.

NAS Whidbey will again be subject to the 1995 round of the Defense Base Closure and Realignment Commission.

Geographic Setting and Climate Characteristics

Whidbey Island is the longest island in the continental United States. It is over 40 miles long with 148 miles of shoreline. It consists of glacial till with steep banks, rolling wooded hills, spectacular view of the Strait of Juan de Fuca and the Olympic and Cascade Mountain ranges.

Past and current farming activities, open vistas, parks and other aspects of the area combine to contribute to a rural lifestyle that is highly prized by the local residents and businesses.

The climate of North Whidbey is mild. The north end of the Island and the City of Oak Harbor are in the rain shadow of the Olympic Mountains. As such, the area receives approximately 18 inches of rainfall per year. This is approximately half of the annual rainfall of South Whidbey and Seattle. The mild climate allows a growing season of 180 to 200 days. The mean temperatures vary from 39 degrees in January to 61 degrees in July.

Major Land Features

The north end of the study area is bordered on the north by Deception Pass, which is the area's major tourism attraction and one of the leading tourism attractions in the United States. More than three million people a year are drawn to an historic bridge, from which there are spectacular views, and Deception Pass State park.

The south end of the study area is bordered on the south by Ebey's Landing National Historic Preserve. It's purpose is to preserve the cultural and natural heritage of the prairie that was at one time the central part of the Northwestern Washington culture and civilization. The preserve, in conjunction with Fort Casey and Fort Ebey, which were built prior to World War I, offers visitors the opportunity to explore beaches and bluff trails.

In addition, there are numerous other parks, trails, beaches and other natural amenities to visit and enjoy throughout the study area.

Transportation

Whidbey Island is connected to the mainland at the north end by a bridge over scenic Deception Pass, by a ferry from Clinton (45 minutes via automobile from Oak Harbor) to the mainland north of Seattle and from west side by a ferry to Port Townsend and the Olympic Peninsula.

Highway 20 provides the major north-south route on Whidbey Island. The highway provides one lane of traffic in either directions and has numerous places for turn-outs for trucks and recreational vehicles that often clog this major transportation artery.

North Whidbey is served by a private airport with a 3,200 foot runway. Harbor AirLines provides regular air service to Seattle, a 25-minute flight, and to the San Juan Islands. Private charters and limited air freight service are also available at the airport.

There are no marine shipping facilities in the study area. Transient moorage is available in the Oak Harbor Marina.

Finally, the area is also served by Island County Transit.

Utilities

The area is served with electricity (Puget Power & Light Company), natural gas (Cascade Natural Gas), telephone (GTE) and water - Oak Harbor by the City and by a number of private water districts.

Government

The study area is in the 10th Legislative District. The County seat is located in Coupeville and Island County is governed by three elected commissioners. Oak Harbor is the only incorporated city in the study area and is governed by a mayor and city council. Oak Harbor has a strong mayor form of government.

The Oak Harbor Police Department employ 39 full-time people, while the Fire Department has five full-time employees and 37 reserve fire fighters. The area currently has a 5 rating for fire fighting. The City works closely with Island County on a variety of mutual service agreements and with organizations such as the County Sheriff's office.

Taxes

In addition to the Washington State Sales Tax, the local communities have a 1.3 percent local sales and use tax. Property taxes in North Whidbey in 1992 ranged from \$6.82 to \$9.01 per \$1,000 of assessed value. The property taxes are significantly lower than those paid by residents in Central and South Whidbey. Neither Island County or the City of Oak Harbor require business licenses. In addition, neither Island County or the City of Harbor impose any special business fees or taxes, except for an annual business personal property assessment.

Economic Development Organizations/Responsibilities

The area is served primarily by three, private sector driven economic development organizations.

- The Greater Oak Harbor Chamber of Commerce has approximately 225 members and has an overall budget of approximately \$60,000. The Chamber, which also coordinates Visitor Bureau activities for the area, has a full time director and assistant. The mission of the Chamber is "to create and maintain a business environment conducive to strong economic growth." The Chamber provides a variety of services including information on the local economy, press activities, lobbying, promotions and marketing, networking, business development and other programs. Its working committees include community development, government affairs, visitor and convention services, business development and membership.
- The Oak Harbor Downtown Development Council is a Main Street program which has been working for the past six years to "make the Oak Harbor Downtown a viable and attractive place for people and business." The organization is just beginning its first membership drive and has no staff. Its committees include promotion, design, economic restructuring and manager search/funding. Its past work program included working on efforts such as implementing the recommendations of the HarborWatch Plan, promotions, the Pioneer Way landscaping project, beautification projects and networking meetings. Recent discussions were held about the possibility of merging the organization with the Chamber. This merger was not recommended.
- The Island County Economic Development Council has approximately 135 members and a total budget of approximately \$60,000 annually, of which \$1,000 comes from Island County and \$1,000 from the City of Oak Harbor. The EDC has a full time director and assistant. The mission of the EDC is to provide "a partnership for the future by working together toward a better economy and a better future for Island County." The EDC offers referrals, information, seminars, lobbying, business counseling, promotion of existing businesses and general business recruitment assistance. Major recent efforts have been in the areas of permitting and regulatory review and comprehensive planning.

Approximately 50% of the current EDC's budget comes from Washington State. Due to a revision in the funding of local development organizations, the Island County EDC may lose this funding. Instead of direct funding to EDCs, the State will offer a grant pool of approximately \$200,000 which will be given on a competitive basis to approximately 20 to 25 EDCs around Washington. Island County will be competing for these funds.

Currently, no City or County staff have full-time responsibility for economic or community development.

Education

The Oak Harbor School District includes six elementary, two middle and one high school.

Approximately 60% of District students are military dependents and the military impact funds make up an important part of the school district's budget. Washington State provides 85% of local school funding requirements. Ten years ago, impact funds essentially provided the balance of funding. Today, impact funds only contribute 7 to 8% of the budget. Consequently, there is a funding short fall. Unfortunately, Oak Harbor has a history of not supporting school levies. Consequently, local schools have been challenged to operate on par with those in other State school districts.

In addition, the Oak Harbor Christian School has been providing religious and educational instruction for 30 years in Oak Harbor.

Oak Harbor is host to the Whidbey Island campus of Skagit Valley College, which is a two-year institution headquartered in Mount Vernon. The local campus currently has 1,000 full time equivalent students. The campus is modern and recently refurbished with the addition of a new library and academic building. Another building is being planned in the next five years.

Western Washington University (WWU), headquartered in Bellingham, has opened a degree program in Education in Oak Harbor. The program is now in its second year and its enrollment is virtually filled. It is anticipated that WWU will offer a Human Services degree program within the next year. Embry Riddle Aerospace University and Chapman University maintain extension campuses at NAS Whidbey. These universities are open to both military personnel and civilians. Total enrollment in the two schools is approximately 500 students. They offer undergraduate degrees in Management, Psychology, Business, Accounting, Aeronautics, and graduate degrees in Administration and Human Resource Management.

The Oak Harbor Library is co-located with Skagit Valley College and is a branch of the Snohomish/Island County Library System.

Medical Facilities

The North Whidbey/Oak Harbor area is served by Whidbey General Hospital, which is located approximately 10 miles south of Oak Harbor in Coupeville and the Naval Air Station hospital located at NAS Whidbey. Whidbey General has 51 beds and a 24-hour emergency room. The Naval hospital provides care to Navy personnel and their dependents. In addition, the Navy provides helicopter medical evacuation services for civilian and military personnel to mainland hospitals in Seattle.

Twenty-four hour paramedic ambulance service is available throughout Whidbey Island.

Over 100 privately owned health care facilities provide medical and dental care, nursing home and other services throughout Whidbey Island.

Cultural and Community Recreation Activities

Local cultural activities focus on community special events and a community theater. Major community special events, which often attract regional visitors, include the Holland Happening festival during the last weekend in April, the Olde Fashioned Fourth of July and the Sea 'n Sky Fest in mid-July, and Whidbey Island Race Week during the first week of August. A local theater group presents productions on a year round basis. In addition, a local concert series sells out on an annual basis.

Oak Harbor also offers a movie theater, and a drive-in theater is located just south of town. In addition, there is a go-cart track, gun range, bowling alley and other activities in the area.

The North Whidbey area is a mecca for outdoor recreation. Outdoor activities include deer, waterfowl and upland bird hunting for rifle, shotgun and bow; fishing, clamming and year-round crabbing; sailing and boating; hiking, biking, mountain biking, photography, eagle and bird watching and beach combing; camping, picnicking, scuba diving and swimming; and, other recreational opportunities. With three public golf courses within an hour drive and one private country club, the area provides year-round golfing.

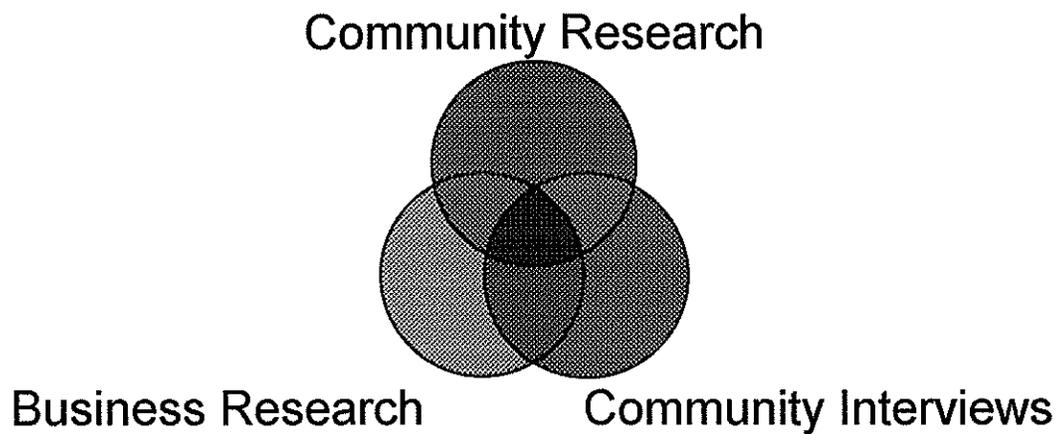
Religious Diversity

There are approximately 35 churches in the North Whidbey/Oak Harbor area.

Local News and Media Services

The North Whidbey area is served by a twice weekly local paper, Whidbey News Times and a local monthly magazine, Whidbey magazine. The area is also served by the local KJTT Radio, a daylight only station, and 36 channels of cable television, including a public access channel.

Listening to the Community



Community Survey

Background

A telephone survey of Oak Harbor and North Whidbey Island residents was conducted during the period between March 24, 1994, to April 7, 1994. The telephone interviews were conducted by students at Seattle Pacific University under the auspices of the Center for Entrepreneurship of the School of Business and Economics. Some 654 Oak Harbor and North Whidbey Island residents were interviewed. The overall population response was 50%, providing a margin or error of 3.77 % and a 95% confidence level.

Major Conclusions

- Almost without exception, respondents indicated they felt there were too few job opportunities on North Whidbey. Whether employed full-time, part-time or retired, they were virtually unanimous in saying that there were more people looking for work than there were jobs. Average needs overall were less than \$35,000.
- Generally, the respondents supported business growth and/or expansion in North Whidbey. Large retail stores, high-tech or light manufacturing received the strongest support for the area north of Oak Harbor.
- Retail and commercial business activity is highly influenced by the commissary, exchange and entertainment facilities on NAS Whidbey, as evidenced by the high percentage of non-military residents who enjoy base privileges. The preponderance of professional and health services are also purchased on base.
- Professionals and business owners, the highest income groups, are more likely to purchase off-island. The high percentage of clothing purchased off-island suggests retail business opportunities in the area.
- Fifty nine percent of the respondents were either active duty military, professional (26%) or business owners (9%). The high percentage of respondents in the professional and business owner categories who can use the base suggests a large population of retired military personnel pursuing second careers. The degree of such relationship cannot be determined on the basis of this survey.
- Income levels in the study area are generally low. Sixty-four percent of the respondents stated that they had household incomes of \$35,000 or less. The estimated 1993 median household income in the Seattle-Everett-Bellevue Metropolitan Statistical Area, of which Oak Harbor is a part, is \$40,210. The respondents seemed to find this income level acceptable. Professionals, the highest paid group, indicated that they needed just \$37,000 per year to live in North Whidbey.

Findings

Military Exchange and Commissary Users

More than 57% of the respondents said they were authorized to shop in the military exchange and commissary. Next to active duty military personnel, persons who classified themselves as "other" (69%) were the most likely to use these facilities, followed by persons in sales or marketing (60%) and business owners (51%). Persons in construction (18%) and service (24%) were the least likely to have base access. A breakdown of usage by occupation is provided below at Table 1.

Table 1: Military Exchange and Commissary Users

<u>Occupation</u>	<u>Yes</u>	<u>No</u>
Active Duty Military	91.45%	8.55%
Professional	33.61%	66.39%
Business Owner	51.22%	48.78%
Service	24.32%	75.68%
Sales or Marketing	60.87%	39.13%
Clerical	42.86%	57.14%
Construction	17.65%	82.35%
Management/Adminis	38.46%	61.54%
Manufacturing	40.00%	60.00%
Other	69.44%	30.56%
Total	57.36%	42.64%

Percentage of Purchases Made On Whidbey Island

Personal services (85%) health care (80%) hardware and building materials (70%) and professional services (70%) were the goods and services most likely to be purchased on Whidbey Island. The respondents indicated that they were more likely to go off-island for entertainment and goods such as furniture and appliances. There was just one category however, clothing, that respondents indicated a majority of their purchasing was made off-island.

Table 2: Purchases Made On Whidbey Island

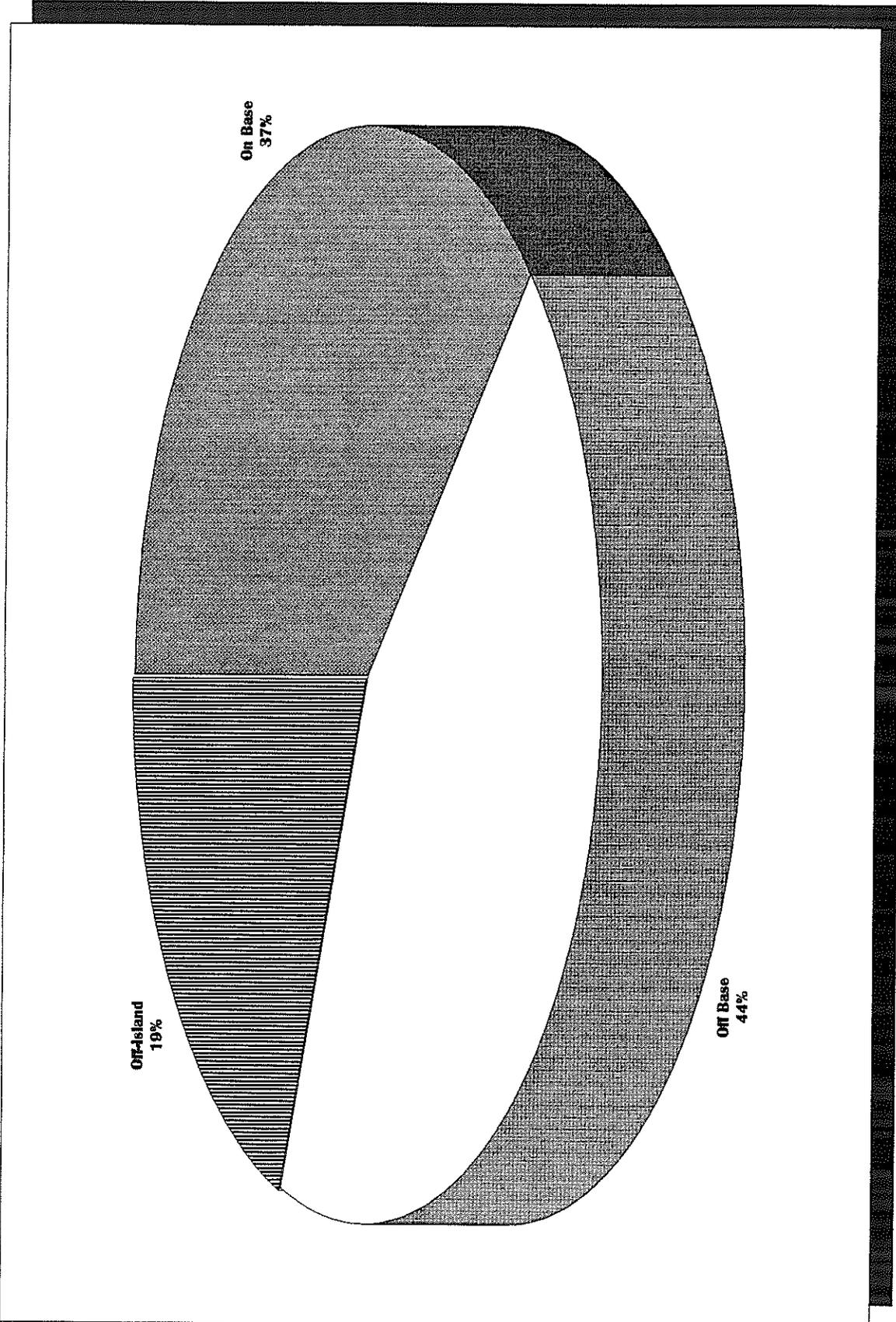
Products	Percentage Purchased Locally
Personal Services (barber, beauty shop, etc.)	85%
Health Care	80%
Hardware and Building Materials	70%
Professional Services, Lawyer, Accountant, etc.	70%
Groceries and Drugs	69%
Dining Out	69%
Entertainment (movies, sporting events, etc.)	57%
Appliances, Furniture and Housewives	55%
Clothing	45%

Purchases Made On Base, Locally and Off-island

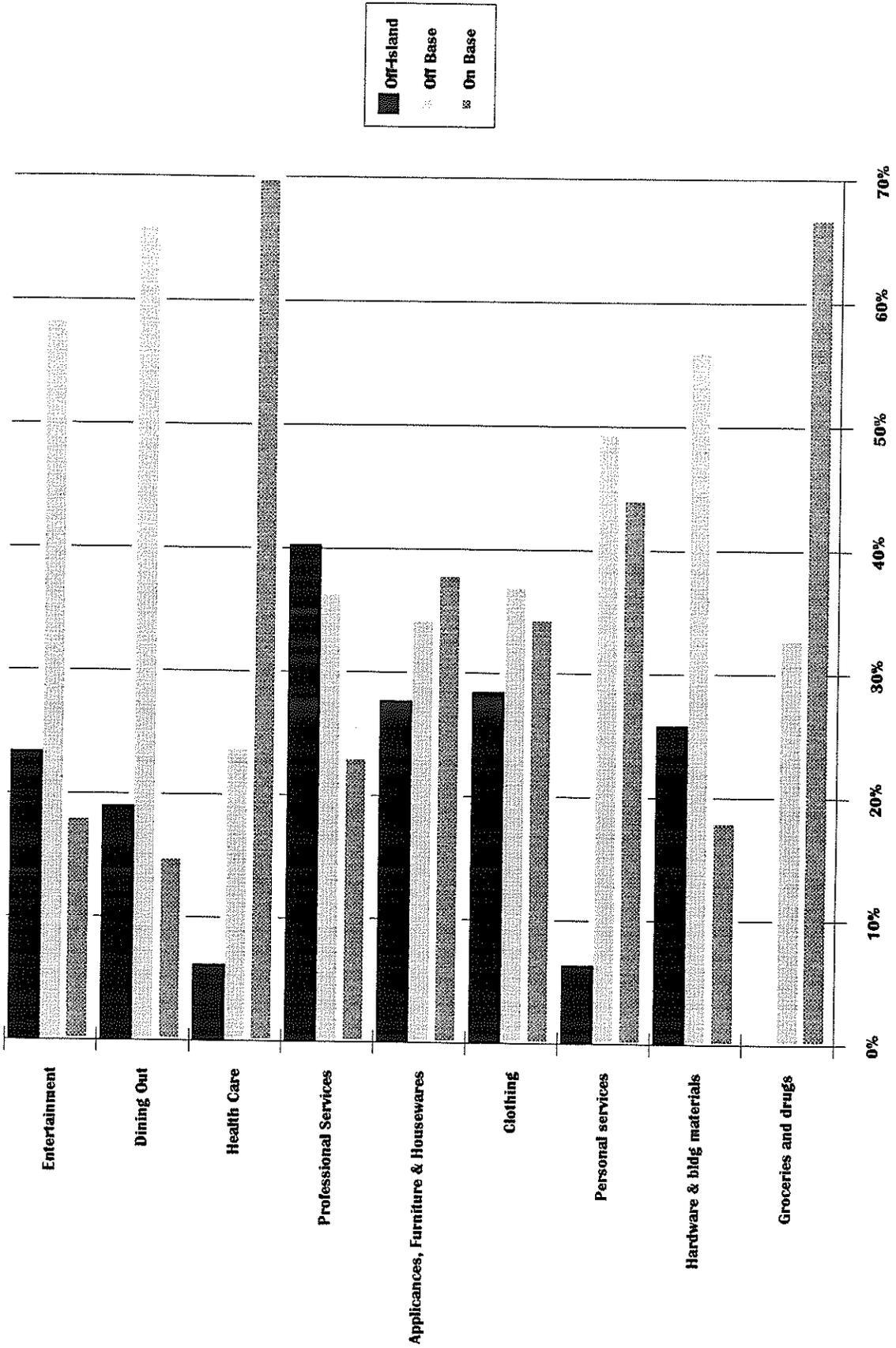
When asked what percentages of purchases were made on the base, off the base locally and off-island, the respondents indicated they were most likely to seek entertainment off the base and health care on the base. The following pages shows the percentage of purchases by major product area.

Percentage Of Total Spending On Base, Off Base and Off-Island

n = 684



Percentage Of Purchases Made On Base, Off Base Locally and Off-Island



Percentage Of Purchases Made On Whidbey Island

n = 649

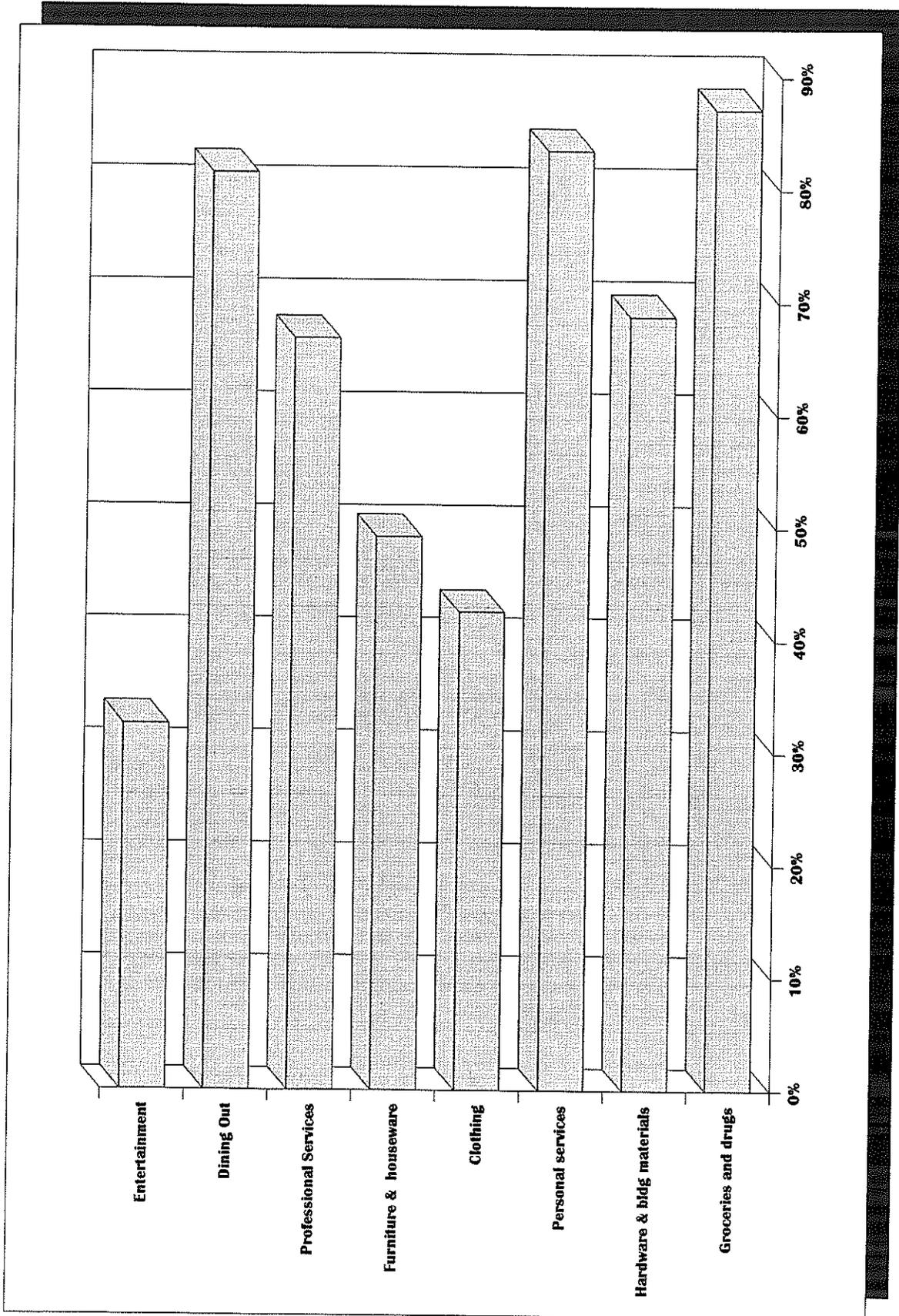


Table 3 examines purchasing habits by occupation. Military personnel purchase the majority of their groceries and drugs on base (69%). Health care (89%) is obtained almost exclusively on the base as are professional services. Entertainment (54%) dining out (52%) and clothing (52%) are the three items most military personnel are most likely to purchase off the base. The military respondents indicated that about 35% of their appliance and furniture purchases are made off-island. They also indicated that they leave the island to dine out about 30% of the time.

Professionals, sales and marketing persons, clerks, service, manufacturing, construction and other respondents all indicated that they buy 70% or more of their groceries and drugs on the base. These groups also obtain 60% or more of their professional services and health care on base. These high percentages among non-military personnel are believed to reflect retired military pursuing second careers in the Oak Harbor, Island County area.

Personal services, dining out, entertainment and hardware and building materials are the products and services most frequently purchased off of the base by all groups. Overall the respondents indicated that clothing is the product they are most likely to leave the island to purchase. This included military personnel, who buy about 35% of their clothing off-island.

Table 3: Percentage Of On Base, Off Base And Off-Island Purchases

Active Duty Military	<i>On Base</i>	<i>Off Base</i>	<i>Off-Island</i>
Groceries and drugs	69%	29%	2%
Hardware & bldg. materials	17%	53%	29%
Personal services	48%	48%	16%
Clothing	36%	52%	12%
Appliances, Furniture & Housewares	29%	36%	35%
Professional Services	61%	23%	16%
Health Care	89%	11%	0%
Dining Out	18%	52%	30%
Entertainment	23%	54%	23%
Professional			
Groceries and drugs	71%	29%	0%
Hardware & bldg. materials	26%	58%	16%
Personal services	52%	45%	4%
Clothing	14%	41%	45%
Appliances, Furniture & Housewives	17%	19%	64%
Professional Services	29%	47%	24%
Health Care	30%	38%	32%
Dining Out	11%	81%	8%
Entertainment	19%	71%	10%
Business Owner			
Groceries and drugs	37%	37%	27%
Hardware & bldg. materials	14%	57%	28%
Personal services	35%	41%	24%
Clothing	39%	12%	49%
Appliances, Furniture & Housewives	33%	38%	29%
Professional Services	33%	63%	4%
Health Care	52%	48%	0%
Dining Out	12%	76%	12%
Entertainment	11%	61%	28%
Sales Or Marketing			100%
Groceries and drugs	81%	21%	
Hardware & bldg. materials	13%	64%	24%
Personal services	6%	57%	37%
Clothing	5%	33%	62%
Appliances, Furniture & Housewares	23%	56%	22%
Professional Services	23%	52%	25%
Health Care	86%	14%	0%
Dining Out	17%	73%	10%
Entertainment	35%	65%	0%

Clerical

Groceries and drugs	80%	13%	8%
Hardware & bldg. materials	47%	48%	5%
Personal services	3%	86%	11%
Clothing	24%	61%	15%
Appliances, Furniture & Housewares	13%	43%	45%
Professional Services	62%	13%	25%
Health Care	96%	3%	1%
Dining Out	17%	64%	20%
Entertainment	18%	60%	22%

Service

Groceries and drugs	81%	19%	0%
Hardware & bldg. materials	25%	13%	63%
Personal services	3%	69%	28%
Clothing	39%	19%	42%
Appliances, Furniture & Housewares	11%	80%	9%
Professional Services	88%	12%	0%
Dining Out	21%	56%	23%
Entertainment	20%	80%	0%

Management/Administration

Groceries and drugs	59%	41%	0%
Hardware & bldg. materials	1%	82%	17%
Personal services	10%	70%	20%
Clothing	2%	30%	68%
Appliances, Furniture & Housewares	0%	10%	90%
Professional Services	20%	60%	20%
Health Care	6%	74%	20%
Dining Out	10%	54%	36%
Entertainment	10%	70%	20%

Manufacturing

Groceries and drugs	85%	14%	1%
Hardware & bldg. materials	3%	66%	31%
Personal services	2%	75%	23%
Clothing	2%	54%	45%
Appliances, Furniture & Housewares	15%	68%	17%
Professional Services	0%	45%	55%
Health Care	53%	40%	7%
Dining Out	11%	71%	18%
Entertainment	5%	65%	30%

Construction

Groceries and drugs	77%	23%	0%
Hardware & bldg. materials	8%	80%	12%
Personal services	0%	100%	0%
Clothing	37%	57%	7%
Appliances, Furniture & Housewares	0%	7%	93%
Professional Services	64%	36%	0%
Health Care	67%	33%	0%
Dining Out	0%	83%	17%
Entertainment	4%	33%	62%

Other

Groceries and drugs	54%	43%	2%
Hardware & bldg. materials	20%	55%	25%
Personal services	10%	55%	35%
Clothing	31%	25%	44%
Appliances, Furniture & Housewares	31%	37%	32%
Professional Services	64%	36%	0%
Health Care	49%	19%	32%
Dining Out	22%	46%	31%
Entertainment	4%	59%	37%

Attitudes Toward Business Expansion

The respondents were asked to rate the desirability of new business ventures or expansions on North Whidbey on a scale from 1-5, with 5 being very desirable. Training and education facilities were considered the most desirable for North Whidbey, receiving a 4.2 rating. Entertainment facilities ranked second with a 3.91 rating. Attitudes toward all of the other business were generally between neutral and desirable. Hotels and motels were the least acceptable alternative.

The following question asked about the desirability of locating a type of business North of Oak Harbor, in the Downtown Pioneer Way area or in Highway 20 and Midway Boulevard area. Large retail stores and high-tech manufacturing were preferred for the area north of Oak Harbor. Hotels and motels were rated below three in all three areas, but highest in the area north of Oak Harbor.

Chart 2: Business Expansion Rankings

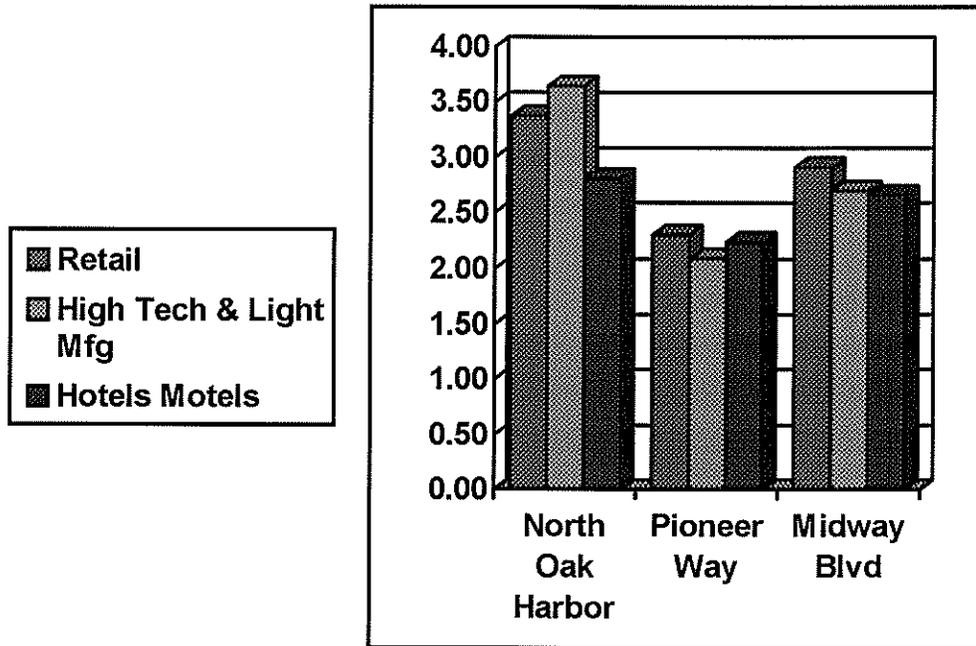


Table 4: Attitudes Toward New Business Expansion & Growth

Scale

- Not Desirable = 1
- Somewhat Appropriate = 2
- Neutral = 3
- Desirable = 4
- Very Desirable = 5

	<u>North Whidbey Island</u>		
Training & Educational Facilities		4.20	
Entertainment Facilities		3.91	
High-Tech Manufacturing		3.62	
Full Service Restaurants		3.60	
Tourism Activities		3.59	
Large Retail /Shopping Centers		3.58	
Health Services		3.54	
Light Manufacturing & Assembly		3.50	
Small Retail Stores & Boutiques		3.27	
Data Processing & Computer Services		3.06	
Additional Hotels and Motels		2.63	
	<u>North Oak Harbor</u>	<u>Downtown Pioneer Way</u>	<u>Highway 20-Midway Blvd.</u>
Large Retail or Shopping Centers	3.37	2.30	2.91
High Tech or Light Manufacturing	3.64	2.09	2.70
Hotels, Motels	2.81	2.24	2.66

Occupation And Employment

Table 5 reflects the occupations of respondents by profession and gender and as a percentage of the labor force. Active duty military (34%) and professionals (26%) comprise the two largest segments of the respondent occupations. Just 9% of the respondents were business owners. Service workers and clerical personnel constituted 12% of the respondents. Women constituted the majority of the service, clerical sales and management areas. They also comprised 72% of the occupations following under the "other" classification. Home makers constituted one of the occupation classified as "other" during the survey. This categorization accounts for the large female representation in this area.

Sixty-seven percent of the respondents were employed full time. Nine percent worked part time and 7% were unemployed looking for work. Seventeen percent were retired or not looking for work.

Table 5: Occupation and Employment

<u>Occupation</u>	<u>% Male</u>	<u>Female</u>	<u>% Total Labor Force</u>
Active Duty Military	81.88%	18.12%	33.71%
Professional	51.33%	48.67%	25.57%
Business Owner	79.49%	20.51%	8.82%
Service	33.33%	66.67%	6.80%
Clerical	39.13%	60.87%	4.52%
Sales or Marketing	39.13%	60.87%	5.20%
Management or Administration	46.15%	53.85%	2.94%
Construction	100.00%	0.00%	3.62%
Manufacturing	70.00%	30.00%	2.26%
Other	27.59%	72.41%	6.56%
Total	60.41%	39.59%	100.00%

Full-Time And Part-Time Employment By Occupation

<u>Occupation</u>	<u>Full-Time</u>	<u>Part-Time</u>
Active Duty Military	97.73%	2.27%
Professional	92.44%	7.56%
Business Owner	100.00%	0.00%
Service	62.16%	37.84%
Clerical	42.86%	57.14%
Sales or Marketing	69.57%	30.43%
Management or Administration	84.62%	15.38%
Construction	64.71%	35.29%
Manufacturing	70.00%	30.00%
Other	88.89%	11.11%
Total	86.91%	13.09%

Employment and Unemployment

<u>Category</u>	<u>Percentage</u>
Employed Full-Time	67%
Employed Part-Time	9%
Unemployed Looking for Work	7%
Retired or Not Looking For Work	17%

Chart 3: Occupations In Percent

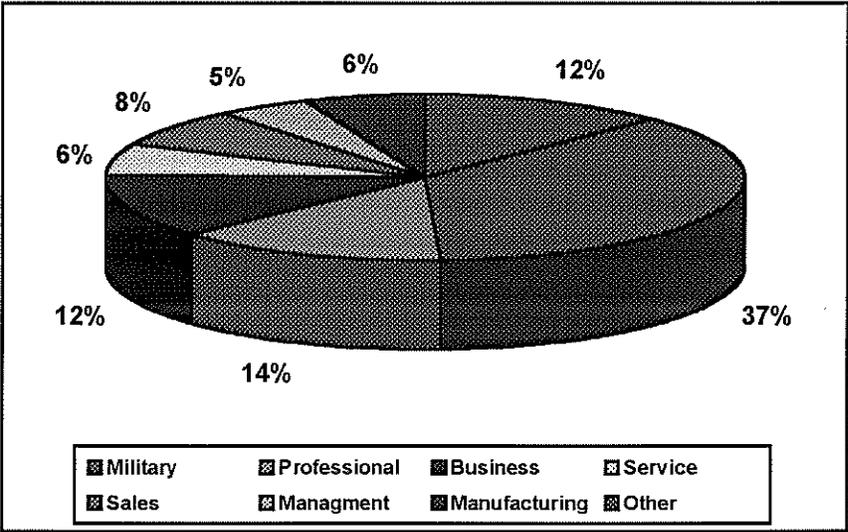


Chart 4: Full and Part Time Employment

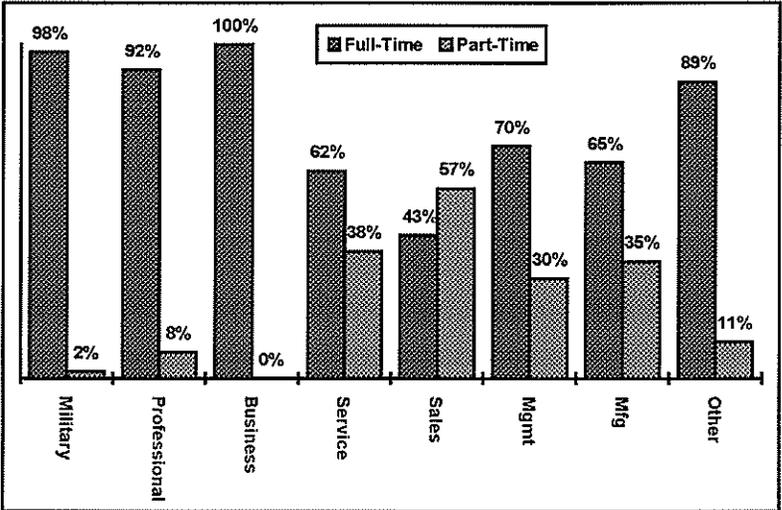
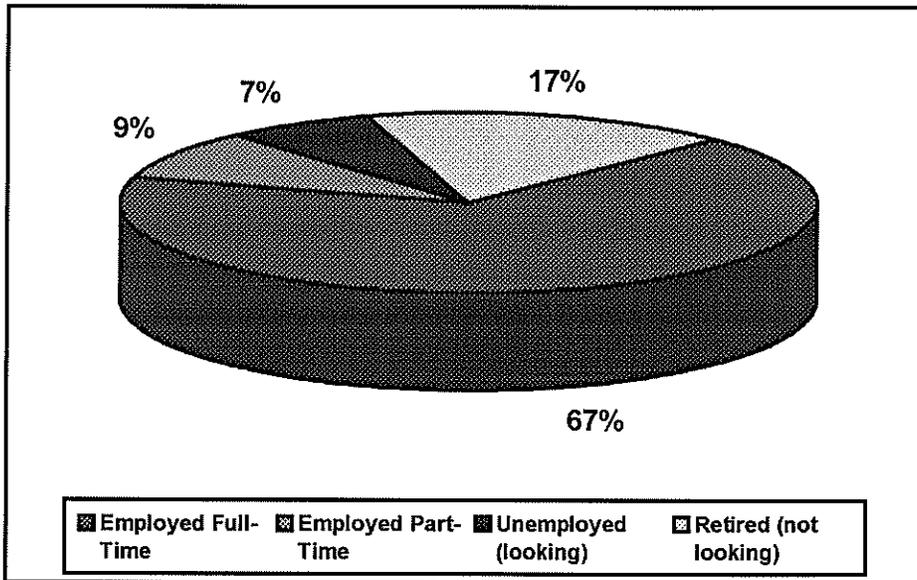


Chart 5: Employment and Unemployment



Income^{*}

Family Income

More than 12% of the respondents lived in households with family incomes \$15,000 or less. Over half of the respondents, 52.25%, lived in households earning between \$15,000 and \$35,000 dollars. Another 10% earned between \$35,000 and \$50,000. Of the remaining 5%, slightly more than 2% earned between \$75,000 and \$100,000, less 0.5% earned between \$100,000 and \$150,000 and 1.98% earned more than \$150,000. Overall, this does not appear to be a high income market.

* In examining incomes it is important to distinguish family income from the other income perspectives discussed. Family income, in the context that it is used here, is synonymous with household income, which is defined as the total income of all persons working within the household. Income and occupation and the other two classifications discussed on the following page, reflect the income of individuals.

Income and Occupation

Approximately 12% of the service workers and 33% of the clerical workers reported incomes of \$15,000 or less. Management and administration workers appear to constitute Oak Harbor's middle class. One hundred percent of the respondents in this category reported earnings between \$25,000 and \$50,000. Business owners and professionals had the largest incomes. Sixty-seven percent of the professionals reported incomes of \$35,000 or more. Almost 14% of this grouping was in excess of \$75,000 a year. Business owners were the only group reporting earnings in excess of \$100,000.

Income and Employment

Twenty-four percent of the unemployed respondents and 23% of the retired persons interviewed, reported earnings of \$15,000 a year or less. Sixty five percent of the retired respondents had incomes between \$15,000 and \$35,000. Slightly more than 7% reported incomes of \$50,000 a year or more. Twenty-five percent of the full time employed persons said they earned between \$10,000 and \$25,000. Three percent of the full-time employed persons stated they had incomes of \$150,000 or more. Forty-seven percent of the part-time workers had incomes between \$15,000 and \$35,000. Another 44% of this group reported incomes of \$35,000 to \$50,000.

Income and Education

One hundred percent of the non-high school graduates reported earnings between \$15,000 and \$35,000. Persons with high school diplomas, associates and bachelors degrees reported a much wider range of income. Six percent of the high school graduates earn less than \$10,000, 62% earn between \$15,000 and \$35,000 and 7% earn \$50,000 or more. Nine percent of the persons with an associate degree earn \$15,000 or less, 48% had incomes between \$15,000 and \$35,000, 37% between \$35,00 and \$75,000 and 3% with reported incomes of \$100,000 or more. None of the respondents with advanced degrees had incomes under \$15,000. Fifty-six percent of the advanced degree respondents report incomes between \$25,000 and \$15,000, 13% between \$50,000 and \$75,000 and 4% between \$75,000 and \$100,000. Two percent of the advanced degree respondents had earnings between \$100,000 and \$150,000 and 13% reported incomes in excess of \$150,000.

Table 6: Income

Family Income

<u>Income Range</u>	<u>Percentage</u>
Less than \$10,000	4.68%
\$10,000 to \$15,000	7.57%
\$15,000 to \$25,000	22.70%
\$25,000 to \$35,000	29.55%
\$35,000 to \$50,000	20.72%
\$50,000 to \$75,000	10.09%
\$75,000 to \$100,000	2.34%
\$100,000 to \$150,000	0.37%
More than \$150,000	1.98%
	100.00%

Income And Occupation

<u>Occupation</u>	<u>Under 10k</u>	<u>10k to 15k</u>	<u>15k to 25k</u>	<u>25k to 35k</u>	<u>35k to 50k</u>	<u>50k to 75k</u>	<u>75k to 100k</u>	<u>100k to 150k</u>	<u>Over 150k</u>
Active Duty Military	2.74%	10.96%	30.82%	32.19%	15.76%	6.16%	1.37%	0.00%	0.00%
Professional	0.91%	0.00%	9.09%	22.73%	34.55%	19.09%	7.27%	6.36%	0.00%
Business Owner	0.00%	0.00%	5.26%	36.84%	21.05%	26.32%	0.00%	10.53%	0.00%
Service	8.82%	2.94%	23.54%	55.88%	8.82%	0.00%	0.00%	0.00%	0.00%
Clerical	14.29%	19.05%	19.05%	19.05%	9.52%	19.04%	0.00%	0.00%	0.00%
Sales or Marketing	0.00%	17.39%	21.74%	30.43%	21.74%	0.00%	8.70%	0.00%	0.00%
Management or Administration	0.00%	0.00%	0.00%	7.69%	92.31%	0.00%	0.00%	0.00%	0.00%
Construction	0.00%	0.00%	0.00%	41.18%	47.06%	5.88%	0.00%	5.88%	0.00%
Manufacturing	0.00%	0.00%	20.00%	30.00%	0.00%	50.00%	0.00%	0.00%	0.00%
Other	0.00%	18.75%	25.00%	31.25%	25.00%	0.00%	0.00%	0.00%	0.00%
Total	2.57%	6.54%	18.69%	30.84%	24.07%	11.68%	2.80%	2.57%	0.24%

Income And Employment

<u>Employment Status</u>	<u>Under 10k</u>	<u>10k to 15k</u>	<u>15k to 25k</u>	<u>25k to 35k</u>	<u>35k to 50k</u>	<u>50k to 75k</u>	<u>75k to 100k</u>	<u>100k to 150k</u>	<u>Over 150k</u>
Employed Full Time	1.65%	5.77%	19.23%	30.49%	24.18%	12.09%	3.30%	0.27%	3.02%
Employed Part Time	5.36%	12.50%	17.86%	30.36%	23.21%	10.71%	0.00%	0.00%	0.00%
Unemployed	23.68%	0.00%	36.84%	7.89%	26.32%	2.63%	0.00%	2.63%	0.01%
Retired	8.42%	14.74%	34.74%	30.53%	4.21%	6.32%	1.04%	0.00%	0.00%
Totals	4.70%	7.59%	22.97%	28.93%	20.80%	10.31%	2.35%	0.36%	1.99%

Income And Education

	<u>Under 10k</u>	<u>10k to 15k</u>	<u>15k to 25k</u>	<u>25k to 35k</u>	<u>35k to 50k</u>	<u>50k to 75k</u>	<u>75k to 100k</u>	<u>100k to 150k</u>	<u>Over 150k</u>
Non-High School Graduate	0.00%	0.00%	69.23%	30.77%	0.00%	0.00%	0.00%	0.00%	0.00%
High School Graduate	6.44%	10.23%	25.00%	36.74%	14.39%	5.68%	0.76%	0.76%	0.00%
Associates Degree	2.63%	9.21%	25.66%	22.37%	26.32%	11.84%	0.00%	0.66%	1.31%
Bachelors Degree	6.67%	1.33%	6.67%	22.67%	25.33%	25.33%	12.00%	0.00%	0.00%
Advanced Degree	0.00%	0.00%	15.09%	22.64%	33.96%	9.43%	3.77%	1.89%	13.22%
Totals	4.67%	7.54%	22.80%	29.44%	20.65%	10.23%	2.33%	0.36%	1.98%

Economic and Employment Perspectives

Employment Opportunities

When asked their opinion regarding employment opportunities, the respondents were surprisingly similar in their responses. Whether employed full time, part time, unemployed or retired, the respondents agreed that there were few job opportunities in North Whidbey. Respondent responses to the question of employment opportunities are shown at Table 7.

Education Level and Type of Job Sought

In assessing this cross tabulation, it is important to note that just 141 of the 654 respondents indicated they or their spouse were seeking work. Of these, 102 were unable to respond or chose not to answer. Because of the extremely low response, no generalization or interpretation can be drawn from the resulting tabulation.

Minimum Annual Income Required To Live On Whidbey Island

Sales and marketing respondents had the highest income needs, \$37,881, followed by professionals, \$37,448, business owners, \$32,824 and management personnel, \$30,923. Service workers and clerical personnel had the lowest requirement, \$24,459 and \$24,658 respectively.

Not surprisingly persons working full-time, said they needed the most, \$31,937, while retired persons said they needed the least, \$23,776.

Table 7: Attitudes Regarding Employment and the Economy

Employment Opportunities

- 1 = strongly disagree
- 2 = disagree
- 3 = neutral
- 4 = agree
- 5 = strongly agree

Employment Opportunities

	Plenty	Few	Don't know
Overall	2.22	4.08	1.91
Employed Full Time	2.24	4.14	1.86
Employed Part Time	2.40	3.82	1.53
Unemployed (looking for work)	2.02	4.20	1.60
Retired (not looking for work)	1.98	3.89	2.13

Minimum Annual Income Required

Occupation	Average Amount
Sales or Marketing	\$37,881
Professional	\$37,448
Business Owner	\$32,824
Management or Administration	\$30,923
Other	\$30,370
Active Duty Military	\$29,071
Manufacturing	\$28,500
Construction	\$27,352
Clerical	\$24,658
Service	\$24,459
Employment Status	
Employed Full Time	\$31,937
Unemployed, looking for work	\$25,960
Employed Part Time	\$25,190
Retired or not looking	\$23,776
<u>Average all respondents</u>	<u>\$29,489</u>

Housing

Family Housing

Fifty-four percent of the respondents owned their homes. Twenty-seven percent of the householders interviewed rented and 19% lived in military quarters.

Housing and Income

Twenty-three percent of the respondents with incomes of less than \$10,000 owned their homes, compared to 84% of the persons with incomes of \$50,000 to \$75,000. Sixty-two percent of the less than \$10,000 a year households rented and 15% lived in military quarters.

Housing and Employment

Fifty-one percent of the respondents who were employed full-time owned their own homes. Forty-nine percent of the persons employed part-time and 34% of the unemployed owned their homes. A surprising 71% of the retired indicated they owned their homes. Fifty-five percent of the unemployed and 39% of the part time employed rented.

Reasons for Living on North Whidbey Island

Military orders brought 49% of the respondents to the island. Fourteen percent came for other reasons, 12% came to accept non-military employment, 9% were born on the island and 7% came when their parents moved to the island. Respondents have lived on the island for an average of 11.56 years.

Table 8: Housing

Family Housing	Percentage
Own	54%
Rent	27%
Military Quarters	19%

Housing and Income

Income	Own	Rent	Military Quarters
Less Than \$10,000	23%	62%	15%
\$10,000 to \$15,000	21%	62%	17%
\$15,000 to \$25,000	30%	36%	34%
\$25,000 to \$35,000	30%	20%	50%
\$35,000 to \$50,000	69%	18%	13%
\$50,000 to \$75,000	84%	14%	2%
\$75,000 to \$100,000	85%	15%	0%
\$100,000 to \$150,000	50%	50%	0%
\$150,000 plus	100%	0%	0%

Housing And Employment

Employment Status	Own	Rent	Military Quarters
Employed Full Time	51%	27%	22%
Employed Part Time	49%	39%	12%
Unemployed (looking for work)	34%	55%	11%
Retired (not looking for work)	71%	13%	16%

Reason For Living On North Whidbey Island	Percentage
Born here	9%
Parents moved here	7%
Military orders	49%
Retired here	9%
Employment other than military	12%
Other	14%

Average number of years living on island 11.58

The Respondents

Gender, Marital Status and Household Size

Fifty-seven percent of the respondents were male and 43% were female. Seventy-six percent of the persons interviewed were married and 24% unmarried. The average household size for married respondents was 3.4 persons. The average household size of unmarried respondents was 2.41 persons. The average household size overall was 3.16 persons.

Education

There was no significant difference in education level of male and female householders. Three percent of the respondents had not graduated from high school, 46% had high school diploma, 28% had an associate degree, 15% bachelors degrees and 8% advanced degrees.

Spouses Occupation

Forty-two percent of the respondents were married to persons in the military. Seventeen percent had professional spouses, 10% other occupations and 8% clerical. Occupations in the remaining categories constitute 5% or less.

Place Of Work

Eighty-three percent of the respondents and 84% of their spouses work on North Whidbey Island. Nine percent of the individuals interviewed and 4% of their spouses work on Central or South Whidbey Island. Eight percent of the persons participating in the interviews and 12% of their spouses work off of Whidbey Island.

Type of Work Being Sought

In those households in which persons were seeking work, 77% of the respondents and 67% of their spouses sought professional positions. Nine percent of the respondents and 11% of the spouses anticipated becoming business owners. Clerical work was the third most sought type of work constituting a distant 4% of respondents and spouses.

Table 9: Respondents

Gender	Percentage
Male	57%
Female	43%

Marital Status	
Married	76%
Not Married	24%

Household Size	
Married	3.40
Not Married	2.41
Male Householder	3.23
Female Householder	2.91
Average	3.16

Education	Male	Female	Total
Non-High School Graduate	2%	4%	3%
High School Graduate	45%	45%	46%
Associates Degree	28%	27%	28%
Bachelors Degree	17%	14%	15%
Advanced Degree	8%	9%	8%

Spouse's Occupation	Percentage
Active Duty Military	42%
Professional	17%
Business Owner	2%
Service	3%
Clerical	8%
Sales or Marketing	9%
Management or Administration	3%
Construction	1%
Manufacturing	5%
Other	10%

Place of Work	Respondent	Spouse
North Whidbey Island	83%	84%
Central Or South Whidbey Island	9%	4%
Off of Whidbey Island	8%	12%

Type Of Work Being Sought

Professional	77%	67%
Business Owner	9%	11%
Service	3%	2%
Clerical	4%	4%
Sales or Marketing	3%	3%
Management or Administration	1%	4%
Construction	1%	0%
Manufacturing	1%	7%
Other	1%	2%

Media Preferences

Oak Harbor residents are loyal to the local publications. The Whidbey News Times, 69%, Crosswinds, 58%, Whidbey Magazine or Town Cryer, 49%, are the most popular media publications among respondents. Thirty-three percent read the Seattle Post-Intelligencer and 24% the Seattle Times. Just 16% of the respondents said they were regular listeners of KJTT Radio.

Registered Voters

Fifty-nine percent of the respondents were registered voters.

Table 10: Media Preferences

Media	Percentage
Whidbey News Times	69%
Crosswinds	58%
Whidbey Magazine or Town Cryer	49%
Skagit Valley Herald	41%
Seattle Post Intelligencer	33%
Seattle Times	24%
KJTT Radio	16%
Island Independent	11%

Island County Registered Voter	Yes	No
	59%	41%

Business Survey

Introduction

To better understand the current nature of the North Whidbey business community and the perceptions and attitudes of business owners, a survey was conducted in February and March of 1994. A total of 645 surveys were mailed to registered businesses within the study area. A copy of the survey instrument is contained in the Appendix.

A total of 150 completed responses were received. This is a return rate of 23.26%. (Previous experience has shown that a mail survey could expect a return rate of approximately 10%. The higher response rate for North Whidbey is probably due to interest in the subject). Respondents were told that the individual survey forms would be kept in strictest confidence. Therefore, only aggregate numbers are reported.

The number of total responses allows for the survey results to generally reflect the overall perceptions and attitudes of business owners in North Whidbey. The overall responses have been cross tabulated to provide additional insight. However, caution should be used when reviewing cross tabulations with small sample sizes. A limited sample size will preclude the ability to project the sample to a larger population.

Overall, we believe that the results can prove helpful in preparing an overall strategic economic plan for North Whidbey.

Typical Business Profile:

Based on the analysis the following profile is provided for a typical North Whidbey business:

The business is a small, locally-owned company involved with either general consumer (retail) or personal services located in the City of Oak Harbor. The owner probably was born or raised on Whidbey and lives there "because this is where I wanted to live and raise my family."

The owner has had the business here for more than 16 years and will probably also owns the building. The business employs approximately 7 full-time and 7 part-time employees.

Generally, the owner is satisfied with their location. The business primarily draws its customers from the North Whidbey and Oak Harbor area. The business relies on at least 50% of its income from customers associated directly with NAS Whidbey.

The owner does expect to add new employees during the next three years and will probably not need additional space for expansion.

The business generates a gross income of less than \$500,000 annually. Current sales are average. Over the past three years, the owner has had more difficulty in maintaining sales income. However, the owner is optimistic about the next three years and sees slow steady growth.

The owner believes that the impact of NAS Whidbey, the quality of life and proximity to customers are the three most positive aspects of doing business in North Whidbey.

The owner is concerned about his sales dependence generated by NAS Whidbey, because of the base's uncertain future. Any significant downsizing will probably affect the ability of the business to continue operation.

The owner also recognizes that the location limits growth potential. For the business to expand a great deal, the owner would probably have to move due to problems regarding transportation and the work force.

Generally, the owner believes that the following businesses should be targeted for recruitment to North Whidbey: light industry, retail stores, tourism businesses, including possibly a destination resort, high quality restaurants and recreational and entertainment businesses.

Type of Business

Of the businesses who responded, nearly 60% were in the general consumer (retail), personal service or health care business. Major primary job creation industries, such as manufacturing, construction, wholesale and transportation or distribution, accounted for only a little over 10% of businesses. Overall, this would indicate a strongly service/retail driven economy.

1. What would you say is your primary type of business?

Business	Percentage
General Consumer	36.49%
Personal Services	13.51
Health Care	9.46
Manufacturing	4.05
Construction	4.05
Sales	4.05
Restaurant	3.38
Banking	3.38
Business to Business	2.70
Wholesale	2.03
Insurance	2.03
Hotel/Motel	2.03
Management	2.03
Business Services	2.03
Law	1.35
Development	0.68
Accounting	0.68
Securities	0.00
Transportation/Distribution	0.00
Agriculture	0.00
Other	6.08

Location of Business

Not surprisingly, approximately 74% of the business reported that their business was located within the City limits of Oak Harbor.

According to the respondents, Oak Harbor is made up primarily of general consumer and personal service business. Manufacturing and construction businesses locate outside of the City limits.

2. Is this business located:

Business Location	Percentage
In the city limits of Oak Harbor	74.32%
Outside of Oak Harbor	23.65
No response	2.03

Length of Business Operation

3. How many years has the manager/owner been in business in any location?

On average the manager/owner has been in business for a fairly long time. The average number of years reported was 16.13. On average, those doing business for less than 10 years included wholesale (9) and business services (6.5). This might indicate that those who chose to respond to the survey were more "mature" businesses, as opposed to new businesses. However, it is more likely an indication of a community which has seen relatively moderate growth in new business formation and those individuals who have moved to an area due to quality of life. Finally, small, rural towns will usually have fewer start-ups than urban areas.

4. How long has the firm been in business on North Whidbey?

Again, a relatively high number of years were reported. The average length of time the business has been on North Whidbey was 16.55 years. This would probably be due to the reasons outlined above. Generally, younger businesses were found outside of the City limits (13 years) versus inside the City limits (18 years).

Rent versus Own Location

Businesses are about as likely to own the building (50%) as they are to rent (48%). The strong percentage of locally owned properties is a positive sign for revitalization strategies. Local owners are usually much more vested in a community than absentee owners. Generally, construction and banking businesses were more likely to own their building. In addition, slightly more renters were found in the City of Oak Harbor (56% of the reporting businesses).

5. Do you rent or own the building where your business is located?

Ownership	Percentage
Rent	50.68%
Own	47.97
No response	1.35

Square Footage of Businesses

Due to the consumer-based nature of the economy and the relatively small number of businesses, one would expect larger businesses spaces. Overall, the businesses who participated in the survey reported an average total square footage of business of 5,727. Retailers reported an average use of 3,487.8 square feet for display space. No unexpectedly, with grocery stores, car lots and general merchandise stores, Oak Harbor had generally larger size businesses than average businesses.

6. What is the total square footage of your business at this location?

Respondents average: 5,727 square feet

(For retail only) What is the total display space at this location?

Respondents average: 3,487.8 square feet

Projected Business Space Demand

Two-thirds of the businesses expect that they will not need additional space. Of interest is the fact that more than 21% of the businesses expect to add more space. This would indicate an opportunity to work with these businesses to provide assistance in meeting future growth requirements. Those business who indicated that they would anticipate needing more business space include hotel/motel (66%) and wholesale (33%). No significant difference of expansion plans was reported by businesses in or outside of the City.

7. How do you anticipate the total square footage of your business to change in the next three years?

Projected Future Space Needs	Percentage
About the Same	66.22%
Larger	21.62
Don't Know	6.76
Dramatically Larger	2.03
Smaller	1.35
No Response	2.03

Satisfaction with Location

The majority (51 %) of the businesses are very satisfied with their business location. Overall, 72% of all businesses who responded indicated that they are very satisfied or satisfied with their location. These results would suggest that overall North Whidbey is a good location for certain types of businesses and business owners. Generally, health care, restaurant, business to business and hotel businesses had a higher percentage indicating that they were very satisfied with their location. Generally, those businesses outside of the City were less satisfied with their location than those doing business inside of the City limits.

8. How satisfied are you with your business location?

Satisfaction with Location	Percentage
Very Satisfied	50.35%
Satisfied	20.27
Somewhat Satisfied	17.57
Somewhat Unsatisfied	6.76
Very Unsatisfied	1.35
No Response	2.70

Employment

The businesses reported that an average 7.15 people worked at their business on a full-time basis. General consumer (5 employees per business), personal service (4 employees per business) and health care (3 employees per business) are smaller than the overall average, but make up nearly 60% of those businesses who responded to the survey. This would suggest that most businesses are small. Smaller businesses are also the most fragile ones within a community.

In addition, the businesses reported that an average of 7.52 persons work part-time at their place of business. Generally, general consumer, hotel/motel and restaurant businesses had higher than average part-time employees. However, manufacturing, construction, personal services and health care also reported on average more than 5 part-time employees per business. This would indicate a great reliance on part-time workers. This statistic is also probably related to the hiring of military spouses on a part-time basis in the local economy.

No difference was seen in the number of full-time employees by location. Businesses outside of Oak Harbor had on average nearly twice the number of part-time employees.

Over the next three years, most businesses (59%) expect to have about the same number of employees. It is also of interest to note that a higher than average number of businesses in Oak Harbor reported that their employment would probably decrease slightly in the future. This would suggest that a fairly flat future economic outlook. This percentage (59%) is similar to 66% of the businesses who reported that they do not project needing additional square footage of space. It is again interesting to note that nearly one third (32%) of the businesses believe their business will grow slowly. This percentage (32%) is higher than the 21% who indicated that they will need a larger square footage of business space. This might suggest that businesses currently have some capacity to expand within their existing building. Most importantly, the 32% of the respondents are outstanding targets for business expansion assistance to nurture future growth. There was significant observed difference in employment projections by type of business.

9. How many people are presently employed at this location?

Respondents average: 7.15 full-time employees

Respondents average: 7.52 part-time employees

10. Over the next three years, do you expect employment growth at your business to:

Projected Employment Growth	Percentage
Remain about the same	59.46%
Grow Steadily	32.43
Decrease Slightly	4.73
Dramatically Decrease	0.68
Dramatically Increase	0.00
No Response	2.70

Residence of Business Owner

The vast majority (77%) of business owners live on Whidbey Island. This finding is typical of most rural, small towns. No statistical differences were seen by type of business or location.

11. Does the owner of the business live on Whidbey Island?

Owner's Place of Residence	Percentage
Whidbey Island	77.70%
N/A	11.49
Elsewhere	9.46
No Response	1.35

Customers or Clients

Most businesses draw their customer and client base from Whidbey Island, Island County and Skagit County markets. On average, a strong majority (71%) of customers and clients of North Whidbey businesses come from the Oak Harbor and North Whidbey area. Businesses reported that on average 16% of their customers or clients came from Central or South Whidbey Island, while 14% came from Island or Skagit County.

Of those who responded, businesses which had more than 70% of their customer base in the Oak Harbor/North Whidbey included personal services (80%), general consumer (73%), health care (85%), restaurant (78%) and insurance (77%). Banking, hotel/motel businesses and manufacturing were less dependent on the local customer base and saw more customers coming from Western Washington or other locations. Hotel/motel operators reported on average that 12% of their customers were from Canada. On average, in terms of customers from Oak Harbor/North Whidbey, more businesses in Oak Harbor reported a greater reliance (74% versus 62%) than those outside of the City.

Not unexpectedly, many businesses were reliant on the customers brought by NAS Whidbey, including active duty, employees, dependents and, probably, a great percentage of the retiree customer base.

Those businesses who reported had a civilian customer base higher than 40% including health care, construction, business to business, law, management and banking. Businesses outside of Oak Harbor are generally more reliant on customers from outside of the local market.

Those businesses more reliant on military-related customers (more than 50% of reported customers) included personal services, general consumer, hotel/motel, business services, accounting, insurance and sales. These businesses, which essentially provide the business base - 60% of those businesses who responded to this survey - of North Whidbey, would be the most affected by any downsizing of NAS Whidbey.

No significant differences were observed by the analysis of the retired customer base.

12. What percentage of your total customers or clients do you estimate are from:

Customer or Client Base	Average Percentage
Oak Harbor/North Whidbey	71.47%
Central/South Whidbey	16.52
Island/Skagit County	14.30
Western Washington	21.09
Canada	4.70
Other	19.66

13. What percentage of your total customers or clients do you estimate are:

Customer or Client Base	Average Percentage
Associated with NAS Whidbey	46.07%
- Active Duty, Employees or Dependent	
Civilian, Not Retired	33.73
Retired	21.25

Business Revenue - Past, Present and Future

Approximately two-thirds (64%) of the businesses reported annual gross income of less than \$500,000. This figure is consistent with the small business nature of the local economy. The lower gross annual revenue also might explain the tendency to use more part-time workers, as opposed to full-time employees, as there is not the income in the majority of businesses to support a larger full-time work force.

The majority (39%) of general consumer businesses reported gross sales of between \$100,000 to \$250,000. Of the personal service businesses, 27% reported gross sales of less than \$50,000 annually. These figures again are reflective of a community of small businesses.

Three quarters (75%) of the businesses reported current sales as either good or average. Most businesses (40%) believe that their current sales are "good." This is consistent with the findings regarding business and employment expansion, where the majority of the respondents reported an economy which ranged from flat to slowly steadily growing. Generally, banks and health care businesses were more enthusiastic about current sales activity than other businesses. Current sales by general consumer businesses are mixed. The majority reported current sales activity as average (46%) or poor (19%).

Generally, business owners are optimistic about the future of their business sales or revenues. A majority (76%) reported that during the past three years, business revenues have grown steadily (42%) or remained about the same (34%). Generally, there was poorer performance by general consumer businesses during the past three years. A total of 27% of these businesses reported revenues had slightly decreased (19%) or dramatically decreased (8%). During the next three years, the majority of businesses (86%) project their revenues to grow steadily (55%) or remain about the same (31%). There was no significant difference of opinion by location or type of business, although personal service businesses were generally less optimistic about future sales.

14. Were your annual gross business sales or revenues in 1993:

Annual Gross Revenue	Percentage
\$101,001 to \$250,000	28.38%
\$250,001 to \$500,000	14.19
Less than \$50,000	10.81
\$500,001 to \$1 Million	10.81
\$50,001 to \$100,000	10.14
More than \$2 Million	9.46
\$1 Million to \$2 Million	8.78
No Response	7.43

15. Would you describe your present sales or revenues as:

Current Sales/Revenue Activity	Percentage
Good	39.86%
Average	35.81
Poor	11.49
Excellent	7.43
Very Poor	0.68
No Response	4.73

16. During the past three years, would you say your business sales or revenues have:

Past Revenue Trends	Percentage
Grown Steadily	42.56%
Remained about the Same	33.78
Decreased Slightly	10.81
Dramatically Decreased	5.41
Dramatically Increased	4.05
No Response	3.38

17. During the next three years, do you expect your sales or revenues to:

Projected Revenue Trends	Percentage
Grow Steadily	55.41%
Remain about the Same	31.08
Decrease Slightly	6.76
Dramatically Increase	2.70
Dramatically Decrease	0.68
No Response	3.38

Perceptions of Economic Climate

The majority (81%) of the respondents indicated that the North Whidbey economy is either average (48%) or good (33%). This is consistent with the responses on current and projected business sales and revenue. It is also important to note that 13% of the businesses indicated the economic climate was poor. This might suggest that existing businesses (primarily retail, service, etc.) might continue to grow, however attracting new businesses could be difficult.

By business classification, those in health care, construction, banking and hotel/motel business perceived the economic climate much more favorably than other segments of the business community. Business and personal services and general consumer retail businesses perceived the economic climate to be more average. A total of 18.87% of the general consumer businesses said the economic climate was poor.

No significant statistical difference was observed in the analysis of location of business.

18. How do you perceive the economic climate of the North Whidbey area?

Perceptions of the Economic Climate	Percentage
Average	47.97%
Good	33.11
Poor	13.51
Excellent	3.38
Very Poor	0.68
No Response	1.35

Why Did You Locate on North Whidbey

19. Why did you locate your business on North Whidbey?

Of the 98 comments received, the majority focused on four areas: quality of life; having been born, raised or live here; retired here; or due to NAS Whidbey. Few business owners spoke specifically about demand for products or services, a strong customer base or potential base, customer traffic or other typical reasons for locating a business in a particular location. The majority of comments can be summed up by one respondent who said, "because this is where I wanted to live and raise my family."

Why Locate Business Here	Percentage of Comments
Born Here, Lived Here, Live Here	28%
Quality of Life	24
- like area	
- rural lifestyle	
- small town	
- slower pace	
- friendly	
- air	
- lifestyle	
- climate	
Due to NAS Whidbey	9
Retired Here	6

Positive Aspects of Doing Business

20. What are the three most positive aspects of doing business in North Whidbey?

Again, quality of life issues, the military and the existing customer base dominated the responses. Three general positive aspects dramatically stood out, according to the respondents. In order the top three reasons were:

- Quality of life, lifestyle, environment and friendly customers/customer service
- NAS Whidbey brings a stable economy which offers opportunities
- Proximity to customers, local market and clients

It is interesting to note that a number of traditional locational factors were either raised in a limited way or not at all. These factors would include support of local business, the tourism market, labor pool, qualified work force, rents and other costs of doing business, supportive government, the waterfront, good transportation and other locational issues.

Negative Aspects of doing Business

21. What are the three most negative aspects of doing business in North Whidbey?

North Whidbey's greatest assets are also its biggest business liabilities, according to the respondents. NAS Whidbey which was one of the most important reasons for locating a business on North Whidbey also proved to be the factor which was perceived as the biggest negative. Businesses were both concerned about potential downsizing or closure and also the overall lack of diversification of the general economy. Second, quality of life from living on an island severely impacted the potential for long-term growth and raised the cost of transportation.

Two other factors were noted. First, the second highest negative rating was associated with local government. This included the lack of perceived government support for business, over regulation, a slow permit process, a perceived lack of planning certainty and other factors. Second, a number of respondents commented on the quality of the work force. Comments included high turn-over of workers and the lack of qualified workers.

In order the top five negative reasons were:

- Instability and dependence of the local economy on NAS Whidbey
- Lack of local government support, regulations and permitting process
- Transportation
- Location and market size limits growth potential
- Limited or high turn-over in work force

Potential Businesses for Recruitment

22. What types of business would you want to see on North Whidbey?

Generally, businesses noted five major areas for potential business development on North Whidbey. The following business and the number of comments each area received is noted in the table below:

Potential Businesses	Number of Comments
Light Industry	32
General/Destination Retail Stores	21
Tourism/Destination Resort	13
Higher Quality/Family Restaurants	11
Recreational/Entertainment	10

Summary of Key Findings

Based on this analysis, the following key findings are presented:

- Of the businesses who responded, nearly 60% were in the general consumer (retail), personal service or health care business. Major primary job creation industries, such as manufacturing, construction, wholesale and transportation or distribution, accounted for only a little over 10% of businesses. Overall, this would indicate a strongly service/retail driven economy.
- Not surprisingly, approximately 74% of the businesses reported that their business was located within the city limits of Oak Harbor. According to the respondents, Oak Harbor is made up primarily of general consumer and personal service businesses. Manufacturing and construction businesses locate outside of the City limits.
- On average the manager/owner has been in business for a fairly long time. The average number of years reported was 16.13. On average, those doing business for less than 10 years included wholesale (9) and business services (6.5). This might indicate that those who chose to respond to the survey were more "mature" businesses, as opposed to new businesses. However, it is more likely an indication of a community which as seen relatively moderate growth in new business formation and those individuals who have moved to an area due to quality of life. Finally, small, rural towns will usually have fewer start-ups than urban areas.
- Again, a relatively high number of years were reported for the average length of time the business has been on North Whidbey. The average was 16.55 years. This would probably be due to the reasons outlined above. Generally, younger businesses were found outside of the City limits (13 years) versus inside the City limits (18 years).
- Businesses are about as likely to own the building (50%) as they are to rent (48%). The strong percentage of locally owned properties is a positive sign for revitalization strategies. Local owners are usually much more vested in a community than absentee owners. Generally, construction and banking businesses were more likely to own their building. In addition, slightly more renters were found in the City of Oak Harbor (56% of the reporting businesses).
- Due to the consumer-based nature of the economy and the relatively small number of businesses, one would expect larger business spaces. Overall, the businesses who participated in the survey reported an average total business square footage of 5,727. Retailers reported an average use of 3,487.8 square feet for display space. Not unexpectedly, with grocery stores, car lots and general merchandise store, Oak Harbor had generally larger than average businesses.

- Two-thirds of the businesses expect that they will not need additional space. Of interest is the fact that more than 21% of the businesses expect to add more space. This would indicate an opportunity to work with these businesses to provide assistance in meeting future growth requirements. Those business who indicated that they would anticipate needing more business space include hotel/motel (66%) and wholesale (33%). No significant difference of expansion plans was reported by businesses in or outside of the City.
- The majority (51%) of the businesses are very satisfied with their business location. Overall, 72% of all businesses who responded indicated that they are very satisfied or satisfied with their location. These results would suggest that overall North Whidbey is a good location for certain types of businesses and business owners. Generally, health care, restaurant, business to business and hotel businesses had a higher percentage indicating that they were very satisfied with their location. Generally, those businesses outside of the city were less satisfied with their location than those doing business inside of the city limits.
- The businesses reported that an average 7.15 people worked at their business on a full-time basis. General consumer (5 employees per business), personal service (4 employees per business) and health care (3 employees per business) are smaller than the overall average, but make up nearly 60% of those businesses who responded to the survey. This would suggest that most businesses are small. Smaller businesses are also the most fragile ones within a community.

In addition, the businesses reported that an average of 7.52 people work part-time at their place of business. Generally, general consumer, hotel/motel and restaurant had higher than average part-time employees. However, manufacturing, construction, personal services and health care also reported on average more than 5 part-time employees per business. This would indicate a great reliance on part-time workers. This statistic is also probably related to the hiring of military spouses on a part-time basis in the local economy.

No difference was seen in the number of full-time employees by location. Businesses outside of Oak Harbor had on average nearly twice the number of part-time employees.

Over the next three years, most businesses (59%) expect to have about the same number of employees. It is also of interest to note that a higher than average number of businesses in Oak Harbor reported that their employment would probably decrease slightly in the future. This would suggest a fairly flat future economic outlook. This percentage (59%) is similar to 66% of the businesses who reported that they do not project needing additional square footage of space. It is again interesting to note that nearly one third (32%) of the businesses believe their business will grow slowly. This percentage (32%) is higher than the 21% who indicated that they will need a larger square footage of business space.

This might suggest that businesses currently have some capacity to expand within their existing building. Most importantly, the 32% of the respondents are outstanding targets for business expansion assistance to nurture future growth. There was significant observed difference in employment projections by type of business.

- The vast majority (77%) of business owners live on Whidbey Island. This finding is typical of most rural, small towns. No statistical differences were seen by type of business or location.
- Most businesses draw their customer and client base from the Whidbey Island, Island County and Skagit County markets. On average, a strong majority (71%) of customers and clients of North Whidbey businesses come from the Oak Harbor and North Whidbey area. Businesses reported that on average 16% of their customers or clients came from Central or South Whidbey Island, while 14% came from Island or Skagit County.

Of those who responded, businesses which had more than 70% of their customer base in the Oak Harbor/North Whidbey are included personal services (80%), general consumer (73%), health care (85%), restaurant (78%) and insurance (77%). Banking, hotel/motel businesses and manufacturing were less dependent on the local customer base and saw more customers coming from Western Washington or other locations. Hotel/motel operators reported on average that 12% of their customers were from Canada. On average, in terms of customers from Oak Harbor/North Whidbey, more businesses in Oak Harbor reported a greater reliance (74% versus 62%) than those outside of the City.

Not unexpectedly, many businesses reliant on the customers brought by NAS Whidbey, including active duty, employees, dependents and, probably, a great percentage of the retiree customer base.

Those businesses who reported had a civilian customer base higher than 40% included health care, construction, business to business, law, management and banking. Businesses outside of Oak Harbor are generally more reliant on customers from outside of the local market.

Those businesses more reliant on military-related customers (more than 50% of reported customers) included personal services, general consumer, hotel/motel, business services, accounting, insurance and sales. These businesses, which essentially provide the business base - 60% of those businesses who responded to this survey - of North Whidbey, would be the most affected by any downsizing of NAS Whidbey.

No significant differences were observed by the analysis of the retired customer base.

- Approximately two-thirds (64%) of the businesses reported annual gross income of less than \$500,000. This figure is consistent with the small business nature of the local economy. The lower gross annual revenue also might explain the tendency to use more part-time workers, as opposed to full-time employees, as there is not the income in the majority of businesses to support a larger full-time work force.

The majority (39%) of general consumer businesses reported gross sales of between \$100,000 to \$250,000. Of the personal service businesses, 27% report gross sales of less than \$50,000 annually. These figures again are reflective of a community of small businesses.

Three-quarters (75%) of the businesses reported current sales as either good or average. Most businesses (40%) believe that their current sales are "good." This is consistent with the findings regarding business and employment expansion, where the majority of the respondents reported an economy which ranged from flat to slowly steadily growing. Generally, banks and health care businesses were more enthusiastic about current sales activity than other business. Current sales by general consumer businesses are mixed. The majority reported current sales activity as average (46%) or poor (19%).

Generally, businesses are optimistic about the future of their business sales or revenues. A majority (76%) reported that during the past three years, business revenues have grown steadily (42%) or remained about the same (34%).

Generally, there was poorer performance by general consumer businesses during the past three years. A total of 27% of these businesses reported revenues had slightly decreased (19%) or dramatically decreased (8%). During the next three years, the majority of businesses (86%) project their revenues to grow steadily (55%) or remain about the same (31%). There was no significant difference of opinion by location or type of business, although personal service businesses were generally less optimistic about future sales.

- The majority (81%) of the respondents indicated that the North Whidbey economy is either average (48%) or good (33%). This is consistent with the responses on current and projected business sales and revenue. It is also important to note that 13% of the businesses indicated the economic climate was poor. This might suggest that existing businesses (primarily retail, service, etc.) might continue to grow, however attracting new businesses could be difficult.

By business classification, those in health care, construction, banking and hotel/motel business perceived the economic climate much more favorably than other segments of the business community. Business and personal services and general consumer retail businesses perceived the economic climate to be more average. A total of 18.87% of the general consumer businesses said the economic climate was poor.

No significant statistical difference was observed in the analysis of location of business.

- Of the 98 comments received, the majority of business chose to locate on North Whidbey for four reasons: quality of life; having been born, raised or live here; retired here; or due to NAS Whidbey. Few business owners spoke specifically about demand for products or services, a strong customer base or potential base, customer traffic or other typical reasons for locating a business in a particular location. The majority of comments can be summed up by one respondent who said, "because this is where I wanted to live and raise my family."
- Quality of life issues, the military and the existing customer base dominated the responses for the positive aspects of doing business in North Whidbey. Three general positive aspects dramatically stood out, according to the respondents. In order the top three reasons were:
 - Quality of life, lifestyle, environment and friendly customers/customer service
 - NAS Whidbey brings a stable economy which offers opportunities
 - Proximity to customers, local market and clients

It is interesting to note that a number of traditional locational factors were either raised in a limited way or not at all. These factors would include support of local business, the tourism market, labor pool, qualified work force, rents and other costs of doing business, supportive government, the waterfront, good transportation and other locational issues.

- North Whidbey's greatest assets are also its biggest business liabilities, according to the respondents. NAS Whidbey which was one of the most important reasons for locating a business on North Whidbey also proved to be the factor which was perceived as the biggest negative. Businesses were both concerned about potential downsizing or closure and also the overall lack of diversification of the general economy. Second, quality of life from living on an Island severely impacted the potential for long-term growth and raised the cost of transportation.

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In order, the top five negative reasons were:

- Instability and dependence of the local economy on NAS Whidbey
 - Lack of local government support, regulations and permitting process
 - Transportation
 - Location and market size limits growth potential
 - Limited or high turn-over in work force
- Generally, businesses noted five major areas for potential business development on North Whidbey. The following business and the number of comments each area received is noted in the table below:

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Summary of the Interviews and Discussion Groups

During the course of the first phase of this project, three strategies were used to gather information from community, business and government leaders. A total of 33 one-on-one interviews were conducted. In addition, discussion groups, which ranged in participation from two to 15 individuals, were held with various community segments, including automobile dealers, Greater Oak Harbor Chamber of Commerce members, Downtown retailers, financial institutions, hospitality industry, Island County Economic Development Council board members, NAS Whidbey Master Chiefs of the Command, North Whidbey businesses, Oak Harbor High School Leadership, professional services, property owners/developers and social service providers. Finally, the public had the opportunity to comment on the project during the initial community meeting and in a meeting of the Oak Harbor Planning Commission. A list of those who participated in the interviews and discussion groups is contained in the Appendix.

The following is a summary of some of the key trends, thoughts and ideas which emerged from these interviews. It is important to note that each participant was ensured that the personal responses would be kept in confidence.

General Thoughts

- Preserving the quality of life and small-town rural lifestyle on North Whidbey is a top priority for everyone interviewed. It is the main reason why people move there or decide to do business there.
- For a small town, we were surprised at the lack of communication and high level of distrust between stakeholders. It was not unusual in the discussion groups to be introducing business neighbors to each other. It was not unusual to hear a variety of inaccurate facts or representations. It was not unusual to find areas of the business district who did not communicate with other areas of the business district. The business community indicated that there was a lack of economic/growth certainty due to the influence of citizen activists on government. The citizen activists indicated that there was a lack of economic/growth certainty due to the influence of business on government. The Oak Harbor High School students said they never see government leaders, even though several City Council members are on the faculty of the school.
- There is a strong interest by all interviewed persons in developing strategies to enhance existing businesses. All of the effort "should not be on recruitment."

- Most businesses said that current business sales/revenues are flat or growing steadily. Generally, people expect the local economy to rebound and grow in 1998/99 - following successful retention of NAS Whidbey. Then there will be slow steady growth in the economy. In 20 years, most people did not envision the economy to look much different then it does now.
- There was consensus that there is not a tradition of economic development on North Whidbey. The Navy has provided a stable economic base. Consequently, local government has never been forced to take economic diversification seriously and fund aggressive or significantly allocate resources for retention or recruitment programs. There is currently not government staff specifically assigned to the task of community development (or even to maintain the presence of NAS Whidbey). Similarly, local business organizations are not significantly supported financially by government or the business community.
- There is a general sense of "Islanditis," which causes residents to be inwardly focused and wanting to protect their property and encourage slow growth. As one person said, "people want to be left alone." This combines with the steady source of income derived from the military, creates almost a sense of community complacency/apathy about the economic climate. Although people received a scare during the last base closure process - it was the first time that the community rallied together on this issue/economic development - there is not a "crisis mentality" today. There is no general sense of urgency to help the economy of North Whidbey. "The golden goose (the base) is still there."

Positive Aspects of Doing Business on North Whidbey

- There was general consensus regarding the positive aspects of doing business on North Whidbey. The main reasons repeatedly stressed focused on two areas. First quality of life - the environment and beauty of the area, little traffic, low crime, good schools, good people, rural/island lifestyle, families and kids, etc - was by far the main reason. Second, NAS Whidbey provides a stable economy.

Overview of Business Activity/Opportunities

- People talk about "light manufacturing" or "back-office operations" or other primary job generators. But there are not a lot of specifics. In fact, a majority of people focused on tourism, retailing, service businesses, etc., as the future business base. No one saw heavy manufacturing.

- This is a town of small companies. Upchurch has 65 employees, Harbor Air has 52 people, P&L Construction has 20 people, etc. Historically, business start here (or small ones move here) they grow, then they usually grow out of the ability of this market to sustain it (i.e. limitations on land, transportation, work force, etc). Will Upchurch and Logos Research follow this pattern, even though these are the types of businesses most people interviewed want to retain?
- Bankers, realtors and others generally indicated that few people are looking for business development opportunities on North Whidbey. There is virtually no vacant space. No one is doing spec buildings. If a business needed 10,000 square feet tomorrow, they could not find it on North Whidbey and would look elsewhere.
- Enhancement of tourism appears to be supported by all segments of the community. There is also a general recognition that tourism is woefully underdeveloped in the community. ("Why can't we take advantage of the three million visitors who come to Deception Pass?" "Visit our Waterfront - Why?") There was consensus that visitors stop at Deception Pass and then make their next destination Central or South Whidbey or the mainland. There is no real tourism product or, outside of fast food restaurants, gas stations, a handful of specialty shops or motels, things for visitors to really spend money on. In addition, many people remarked that tourism promotion and packaging was minimal and that no aggressive program was being pursued. Finally, there was concern by many regarding the use of the hotel/motel tax revenues.
- There was consensus that transportation/access to market is a major constraint. Basically, anything over 100 pounds is going to be a challenge to get to market. Why would a manufacturer locate here as opposed to the Mount Vernon/Burlington/I-5 corridor, which offers cheap land, incentives through a port district, transportation access, etc.?
- Local businesses generally expressed more interest in off-Island business opportunities/markets for the future. Manufacturers, developers and communications businesses were particularly interested in focusing off-island.
- The work force receives mixed reviews. Those younger people available usually need a great deal of training. Military retirees in their 40's are technically strong and well-educated and a positive factor. However, companies will still spend a great deal of time retraining them to civilian skills. Also, for the enlisted personnel's spouses, they will be moving every two years or so. Businesses must make a tremendous investment in training new people.
- There is general consensus that there are not enough quality jobs in North Whidbey. It was surprising to hear that quality jobs meant anything above \$7 per hour to the majority of people.

- Housing costs are surprisingly high. A new average home runs approximately \$160,000. A sample of grocery shopping and clothing stores indicated that goods were priced about the same as the mainland. Can employees who are making \$5 to \$10 an hour afford to live here? Can they pay the area daycare costs of more than \$300 a month?

Demand for social services is increasing. The local food bank has seen an increase of 45% during the past year in demand on their services. They are currently serving more than 300 families a month. Two years ago, the community's Christmas gift program served 250 families and 500 kids. This past Christmas, the program served nearly 500 families and 900 children. Twenty percent of all clients served by Help House are in the military. The Navy Relief Society will spend more than \$1 million in the area to support military personnel.

The business community is seen as very supportive of community social agencies. However, United Way funding will be reduced when companies consolidate, such as GTE, and move their operations or close.

- Several people suggested that there is a "me-too" syndrome. If someone is successful, the market will be flooded by 10 imitators - espresso, video stores, fast food, etc.
- Generally, people were satisfied that they could buy from local suppliers or use local contractors. Specialty items - paper for an architect - was cheaper and readily available in places such as Seattle or through direct mail.
- Customer service is generally seen to be poor. This might be due to the dependence on the military. Businesses have always had a steady customer base, which often turns over every two years, and therefore the businesses have never had to compete for customers. Several people suggested training programs - how to run a retail business, market, etc. - and creating more joint promotions.
- There appears to be an opportunity to work with NAS Whidbey to develop a list of supplies which are currently being purchased from companies off-island. This might offer business expansion or new business opportunities.
- There was general consensus that the Action Plan should reclaim the Waterfront and connect it to Downtown. The district also currently lacks an identity and an overall revitalization theme should be pursued, according to those interviewed. This does not mean creating another Leavenworth. The theme could focus on specialty retailing, waterfront, Dutch heritage or other natural opportunities.
- There was general consensus that the community needed a multi-purpose facility to serve seniors, teens, meeting space, performing arts space and other needs.

- There was general consensus that the community should pursue strategies, such as health care, for the retirement market.
- Recreation seems to be an important community value. Strategies were suggested to pursue this development opportunity - marina, athletic complex, golf course, bike rentals, boardwalk, amphibious plane museum, etc.

Development Sites

- Most people interviewed recommended that industrial development take place north of town - the Goldie Road area.
- There appears to be a lack of land, which is zoned properly and with infrastructure, for light industrial development. Currently there is virtually no space for a new light manufacturer and very little land zoned for this kind of use. A majority of those interviewed indicated that targeted zones need to be created for this kind of development. Investment needs to be made in infrastructure. (A great percentage of the county is on a septic system). Master permitting/expediting of permits to encourage desired light industrial uses must be established. Everyone indicated that this kind of zoning/permitting should be a part of our plan. Everyone indicated the need for a "business park."
- Those interviewed expressed great concern about development which would encroach upon NAS Whidbey. The general sense was that the development of non-compatible uses - primarily non-industrial - in this area would give reason to potentially close the facility.
- Those interviewed indicated that land where Wal-Mart is considering developing is probably 50% cheaper than in town. Bare warehouse rents are approximately \$.20 to \$.25 per square foot, triple net. More improved warehouse rents are \$.30 to \$.45 per square foot, triple net. New construction Downtown costs approximately \$1.50 per square foot to build and can only be rented for \$.50 per square foot. Those interviewed indicated that there are lots of opportunities for in-fill development, but virtually no larger parcels in place.

Infrastructure

- There is a tremendous amount of confusion regarding the area's ability to support growth through existing or planned infrastructure. Is there adequate water or sewer service? Passionate arguments were heard on both sides.

- There is not adequate infrastructure out to the Goldie Road area. This limits growth opportunities for companies like Upchurch, who will shortly need to expand again (a potential doubling). The County is also expanding its operations there and the City will locate a shop in this area. Sewer - rather lack thereof - is a big problem in this part of the community.
- Local transportation is primarily via car. The bus service appears under utilized. Taxi service is minimal. Rental cars are available, but limited.

Economic and Business Incentives

- The base closure announcement in 1991 put a freeze on a growing economy, which was focused on the retail and service sectors. The wait until 1995 (the next round of base closure announcements) has effectively put the local economy into the twilight zone, with little business expansion, little business lending by financial institutions, few new businesses opening, no financing of multi-family housing and other effects. The financial community in particular has encouraged its business customers to be conservative and pay down any debt. Would anyone make a loan when you can't guarantee if a town will have 30,000 or 10,000 residents in the future? Particularly in today's tight financial market?
- Several people said that North Whidbey has an image of a Navy town. This a deterrent to doing a "sophisticated, high-quality" project.
- There are no local business incentives. A major incentive - a port district - was turned down in November by more than 80% of the residents. (Several people commented that clear reasons for a District were not articulated and voters "were asked to sign a blank check, as no action plan/vision/context was created or articulated").
- There is currently no coordinated program to support/help expand existing businesses. There is currently no coordinated business recruitment plan or program, loan pools or venture funds, or other incentive programs.
- Taxes and broad government initiatives (ie. port district) are not generally well supportive. The area has a tough time with school levies.
- One of the unique aspects of North Whidbey Island from other military dependent areas is the lack of large, private contractors in the area. This significantly limits the opportunities to privatize current area military programs and limits potential diversification strategies.

Economic Development Organizations

- The EDC and Chamber spend as much time on survival as they do on helping businesses.
- Generally, both organizations are seen to be of value, but due to inadequate financial and community support, their value is currently limited.
- There is currently not an on-going way for like-businesses to get together and do problem solving. For example, joint buying pools. Or getting builders together. Or restaurants. Or other similar businesses.

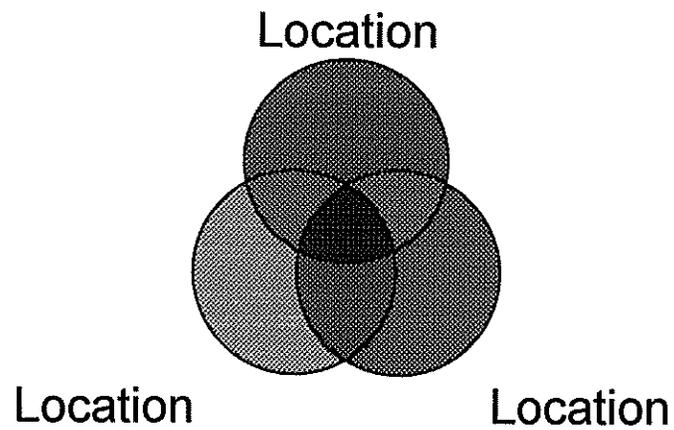
Government

- There is an overall sense that government does not support business growth. The business community does not sense certainty by government - regarding how rules apply for permitting, no incentives, support of business, etc. There is not a proactive program by government to learn how business operates and what it needs in the future. (Although this may be just a general complaint. Several people noted that Snohomish and King Counties are much worse). Not one business indicated that a government leader had come to them and had asked the business, "how can we help you grow and be more successful?"
- Island County planning and permitting is seen as slow and regressive. It takes six months to a year to get a basic permit, even if you have a site plan. (One industrial user's permit was that slow, even though they were allowed to expand. After all they thought they were in an industrial park area). Add an additional nine months, if you need to do a site plan.

On a positive note, the EDC and the County are working together (slowly) to review the permitting process. The Comprehensive Plan offers opportunities to incorporate framework goals for efficiency.

- Generally, City departments are seen as good to work with - planning, building, etc. The business community believes the Fire Department is extraordinarily conservative and puts undue regulations and costs on developers. In addition, there was also general concern expressed about other regulations, particularly the perceived overly restrictive sign ordinance. Several people suggested that the City create an overall review process for existing regulations and add an economic test (what will the impact be on business?) to proposed new regulations.

Defining the Niche



The purpose of this chapter is to present an *economic baseline assessment* of the North Whidbey study area. It focuses on the following key areas:

- Definition of the Study Area
- Locational Relationships of the North Whidbey Study Area
- Baseline Economic Analysis
- Local Business Support Capabilities (in progress)

Regional Overview

Study Area

The Study Area for this analysis is that portion of north Whidbey Island extending between the Oak Harbor Air Park on the south and Deception Pass on the north. The area approximates zip code areas 98277 and 98278. It encompasses about a six mile radius from the City of Oak Harbor. However, the specific definition of the Study Area used throughout this report is Census Tracts 9701 through 9709. Detailed demographic data will be presented later.

Area Geography

The geographical focal point of this report is Oak Harbor located on the northern part of Whidbey Island in Island County, Washington. Oak Harbor is eight miles south of Deception Pass and 38 miles north of Clinton. Island County is comprised of five islands, three of which are very small. Whidbey Island is by far the largest island, encompassing 172 square miles of land area. Camano Island to the east is separated from the balance of Island County and is accessible by vehicle via SR-532 and I-5.

Island County contains three incorporated cities--Oak Harbor, Coupeville and Langley. Oak Harbor, adjacent to NAS Whidbey, is the largest city in the county (18,930 in 1993). Coupeville, ten miles south of Oak Harbor on SR 20 is the county seat and had a 1993 population of 1,510. Langley is located toward the southern end of Whidbey Island (population 935).

Southwestern Skagit County, particularly Fidalgo Island, closely relates with north Whidbey Island due to geographical proximity, access and economic similarities. The City of Anacortes (1993 population of 12,260) is located at the northern tip of Fidalgo Island about 17 miles from Oak Harbor. Other Skagit County cities located in the general area are Mt. Vernon (20,450 population) and Burlington (4,690 population). Both Mt. Vernon, the county seat, and Burlington are employment centers located about 26 miles from Oak Harbor. The land from Swinomish Channel east to these two cities is rich farmland created by the Skagit River flood plain. The numerous farms located in this area sometimes serve as places of employment for the spouses of NAS Whidbey personnel.

Whidbey Island and Fidalgo Island typify the geography of the San Juan archipelago. Both are characterized by rocky outcroppings, steep terrain and few relatively level areas.

Transportation

Whidbey Island is isolated by water from the population centers of Seattle and Everett to the south. Because transportation is a primary determinant of the location of economic activity, development opportunities are limited. Direct highway access is possible only from the north via SR 20 and two bridges, including the narrow, windy highway across Deception Pass. SR 20 continues north from Oak Harbor and provides access to Fidalgo Island in Skagit county via the Deception Pass bridge. The mainland is then accessed to the east via the Swinomish Channel bridge. SR 20 intersects with I-5 at Burlington or SR 536 via Mt. Vernon. Seattle is 65 miles south of the Burlington/Mt. Vernon area; and Vancouver, British Columbia is 80 miles north.

The quality of the road system is a particular travel time constraint when traveling to Oak Harbor. Highways on Whidbey and Fidalgo Islands are mainly two lanes, with many curves and hills. Bad weather can slow travel across the bridges at Deception Pass and the Swinomish Channel. For example, the 17 mile trip to Anacortes may take 35 minutes or longer in heavy traffic or bad weather; and the 38 mile drive south on SR 20/525 is time consuming. Consequently, additional travel time must be allowed in the transport of people and goods.

The Washington State ferry system provides access to Whidbey Island from two locations. The Mukilteo-Clinton run at the extreme southern end of Whidbey Island takes approximately 20 minutes and provides direct linkage with the Everett area. SR 525 begins at Clinton and runs north to join Highway 20 which, in turn, passes through Oak Harbor. The Keystone ferry is located approximately mid-island and provides access to Port Townsend in Jefferson County and the Olympic Peninsula.

The geographical barrier created by the ocean effectively establishes the North Whidbey study area. Off-island destinations requiring ferry travel (such as Port Townsend, Mukilteo-Everett, and Guemes Island) usually exceed an hour travel time because of the combined driving time, minimum ferry waiting time and ferry trip time. Moreover, the ferries are periodically unreliable due to heavy weekend and seasonal traffic, tide and weather conditions and mechanical breakdowns.

Seattle, about a two-hour drive south of Oak Harbor has historically been the dominant economic and transportation center in the Pacific Northwest. It functions as an economic hub for the entire Pacific Northwest. The Seattle area is rapidly gaining recognition as a key location for conducting international trade. This is particularly true with Pacific Rim countries because the Puget Sound area is two days closer to the orient by ship than California port locations. King County contained nearly 1.6 million people in 1993--or 30 percent of the statewide total. One-third of this total reside within the city of Seattle, the largest city in the Pacific Northwest. Seattle is about 25 miles south of Everett, 144 miles south of Vancouver, B.C., 180 miles north of Portland, Oregon and 283 miles west of Spokane.

In recent years, the spillover of Seattle's growth north into adjacent Snohomish County has caused extremely rapid growth to occur in the Everett area--particularly along the I-5 corridor. For example, Snohomish County is projected by the Washington State Office of Financial Management to grow faster during the 1995-2000 period than any county in the state of Washington. The availability of developable land and relatively lower land costs will continue to be key factors attracting businesses north along the I-5 corridor during the second half of the 1990's to communities such as Mt. Vernon and Burlington. Obviously, population and corresponding housing demand accompany this growth in job opportunities.

Despite the rapid growth east of Whidbey Island along the I-5 corridor, the long drive time to Seattle coupled with commute constraints on the ferry system will continue to cause the Oak Harbor/North Whidbey area to remain relatively isolated. The specific focus of this Action Plan is to identify and target business opportunities that can mitigate this location constraint.

Baseline Economics

Employment

The economic base of an area consists of those activities which provide basic employment (therefore income) on which the rest of the economy depends. That is, local economies can be divided into two fundamental activity sectors:

- Firms that produce a product or service that serves markets *outside* the community,
- Firms serving markets *within* the community.

This dichotomy is often characterized as *basic* (or export) and *non-basic* (or local) economic activities.

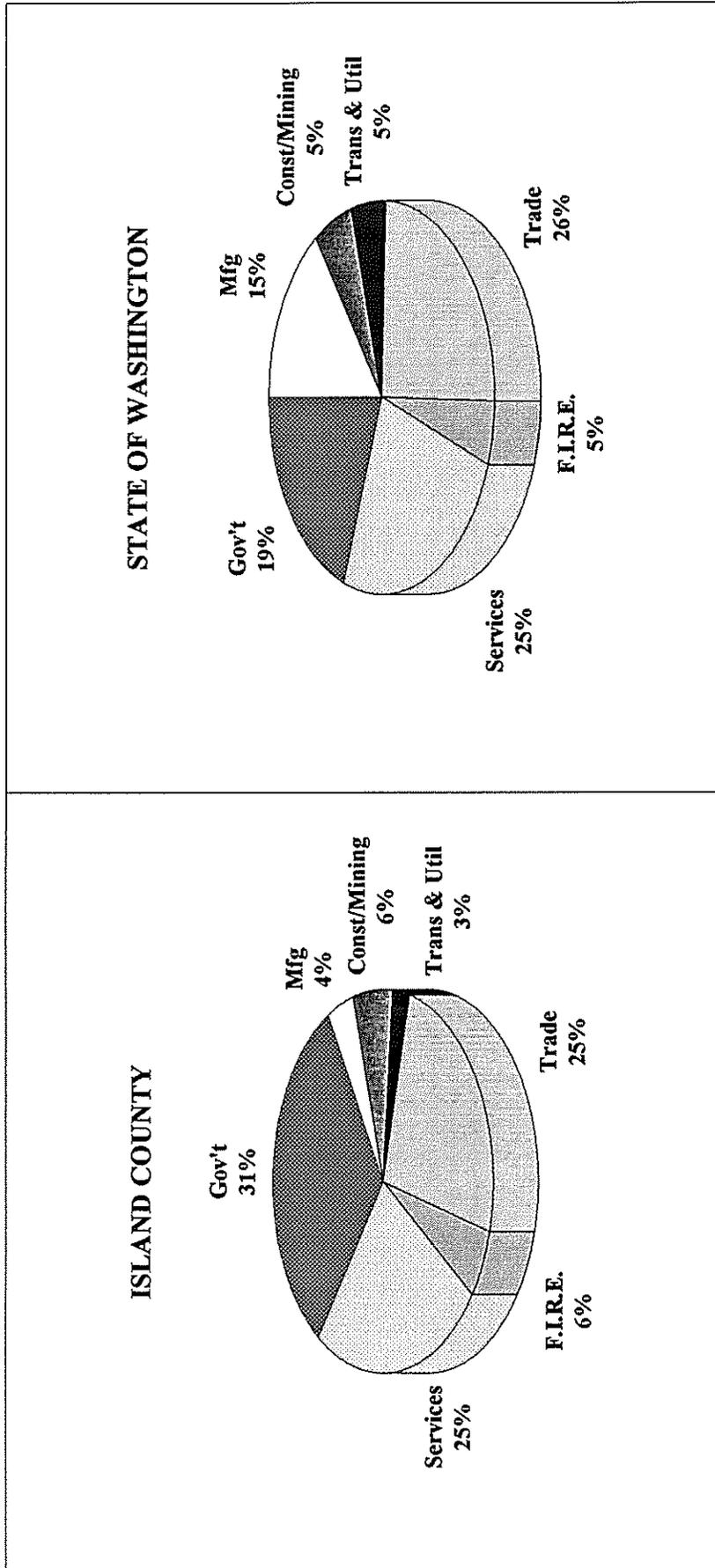
This highly generalized model of how the economic base of a community operates is premised on economic causality. That is, basic industry employment opportunities attract job seekers from the outside and encourage the start-up of non-basic (local) businesses. The incentive in both cases is economic, namely income earning opportunities. This income inducement, in turn, attracts population into an area. Employment, income and population are the chain of key quantifiable variables typically used to measure this growth process.

The principal economic driver in Island County is NAS Whidbey. Most basic employment is created by the U.S. Navy. The local expenditures generated from basic Navy activities, in turn, attract non-basic (local) businesses such as retailers and service firms. The numerous retail and service activities in Oak Harbor exemplify this economic chain of causality. In addition to inducing traditional retail trade and services, NAS Whidbey attracts a disproportionately large number of federal, state and local workers to the Oak Harbor area.

Figure 4-1 compares the 1992 occupational distribution of Island County's non-agricultural civilian workers to statewide. This point-in-time snapshot reveals the dominant influence of civilian government employees in the economy. As shown, 31 percent of non-agricultural employees work for government agencies in Island County compared to only 19 percent statewide. Combined trade and services employment are about equivalent with statewide shares. The big difference is that the share of workers in manufacturing is minuscule, at only 4.4 percent compared to 15 percent statewide. The relative isolation of Whidbey Island from the mainland and the urbanized areas within Puget Sound has limited light manufacturing activities from developing. This is one reason that the island is popular with tourists, retirees (especially military) and as a summer home for Seattle residents.

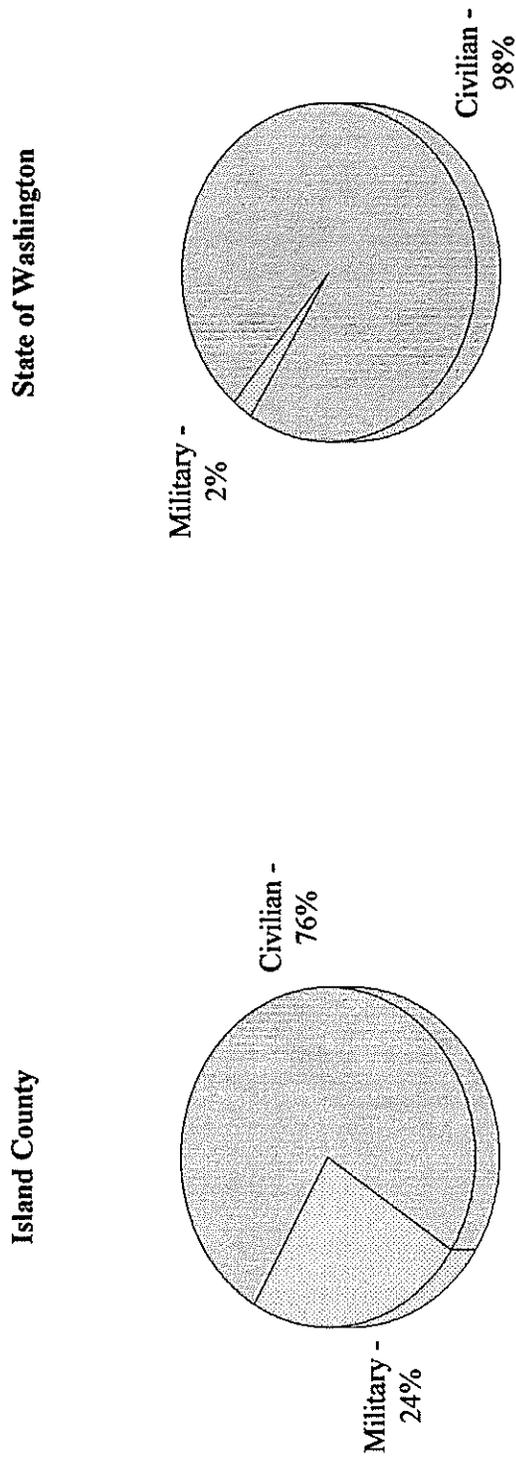
The dominant impact of NAS Whidbey on the Island economy is illustrated in Figure 4-2. The data shows that 24 percent of the *total resident labor force* countywide was direct military. In sharp contrast, only two percent of the total resident labor force across the State of Washington is comprised of direct military personnel. The Census Bureau definition of resident armed forces does not include temporary and transient personnel nor those personnel away from the station on temporary assignment elsewhere. Thus, employment figures based on Census definitions understate the Navy's permanent personnel strength.

Figure 4-1
 NON-AGRICULTURAL EMPLOYMENT DISTRIBUTION COMPARISON
 (1992)



 Source: Washington Employment Security Dept.

Figure 4-2
DIRECT MILITARY SHARE OF RESIDENT LABOR FORCE
(1990)



	Island County	%	State of Washington	%
Civilian Labor Force	22,572	76%	2,433,177	98%
Armed Forces	7,175	24%	53,896	2%
Resident Labor Force	29,747	100%	2,487,073	100%

 Source: 1990 U.S. Census

NAS Whidbey government employment, both uniformed and civilian, clearly dominates the Island County economy. Table 4-1 shows that in 1993, the total base employment (both military and civilian) was 10,860. This total is *over one third* of total resident labor force employment in Island County. Direct military and civilian payrolls totaled \$294 million in 1991. The Washington State Employment Security Department estimates that NAS Whidbey directly accounts for 30 percent of Island County's personal income.

In 1991, there were 24,410 civilian workers in Island County compared to the 8,829 uniformed military personnel at NAS Whidbey. The base has been instrumental in attracting relatively steady civilian job growth in the Oak Harbor area--especially in retail trade and services. Figure 4-3 illustrates growth in the Island County civilian labor force in the 1980-1991 period as well as changing unemployment conditions during this time span. During these eleven years, the County civilian labor force increased by slightly over 8,900 workers. This average annual increase of 4.7 percent was over twice as fast as that recorded statewide during the 1980-1991 period.

Civilian unemployment rates in Island County have dropped from a peak of 10.0 percent in 1983 to a low of 3.6 percent in 1990. Much of this is due to expenditures that ripple through the local economy due to NAS Whidbey. Yearly average unemployment rates in Island County have generally been mid-range when compared to other counties across the State of Washington. However, since the mid-1980's, jobless rates in Island County have been among the lowest in the state.

Income

Employment creates income and thereby the ability to purchase goods and services. The positive employment climate in Island County in recent years should not mask the fact that local wages are much lower than Puget Sound and statewide averages. For example, Figure 4-4 compares average annual covered wage levels for civilians in Island County to those statewide during the 1980's. Island County wages have consistently been between 24-29 percent *below* average wages throughout the State of Washington. Obviously, these relatively low salaries will translate into a lower capability to purchase goods and services than is normal in other regions of the state.

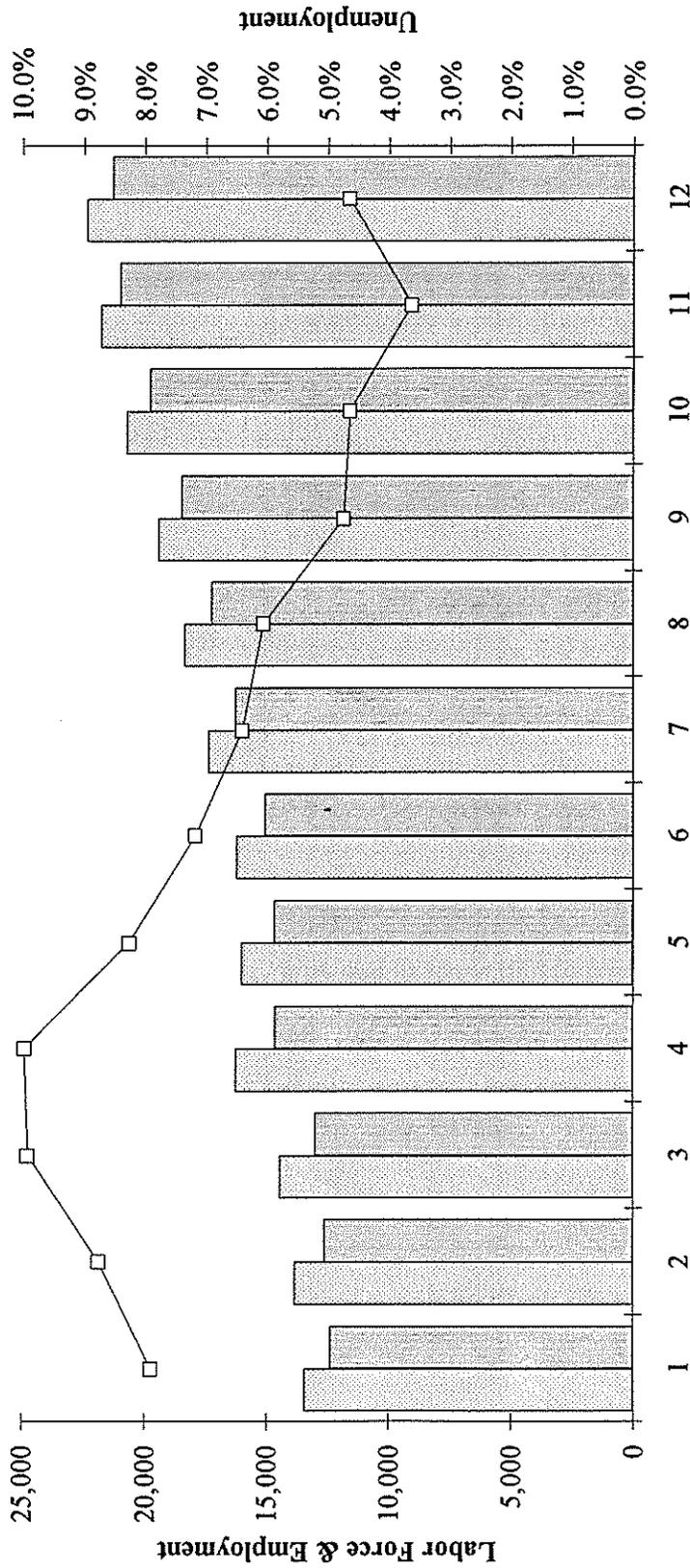
Civilian household income levels in Island County are now compared with those in the Seattle-Everett metropolitan area. King County and Snohomish County combined are often officially referred to as the Primary Metropolitan Statistical Area (PMSA) by various public and private data gathering agencies including the U.S. Bureau of the Census.

Table 4-1
1993 DIRECT EMPLOYMENT
NAS Whidbey

UNIT	DIRECT EMPLOYMENT
Fleet Squadrons:	
Fleet BAQ / EA-6	1,920
Training VAQ / EA-6	637
Fleet VA / A-6	1,306
Training VA / A6	460
Fleet VP / P-3	605
VQ-1 / EP3	552
Other Operations:	
MATVAQ Wing	0
VAQ Wing	52
VA Wing	43
VP Wing	45
Reserve Squadrons:	
VAQ / EA-6	118
VMAQ, MAG /EA-6	0
VP / P-3	141
VR / DC-9	76
NAS and Components	1,649
Tenants	1,225
TOTAL UNIFORMED MILITARY	8,829
Civilian and Contractor	2,031
TOTAL	10,860

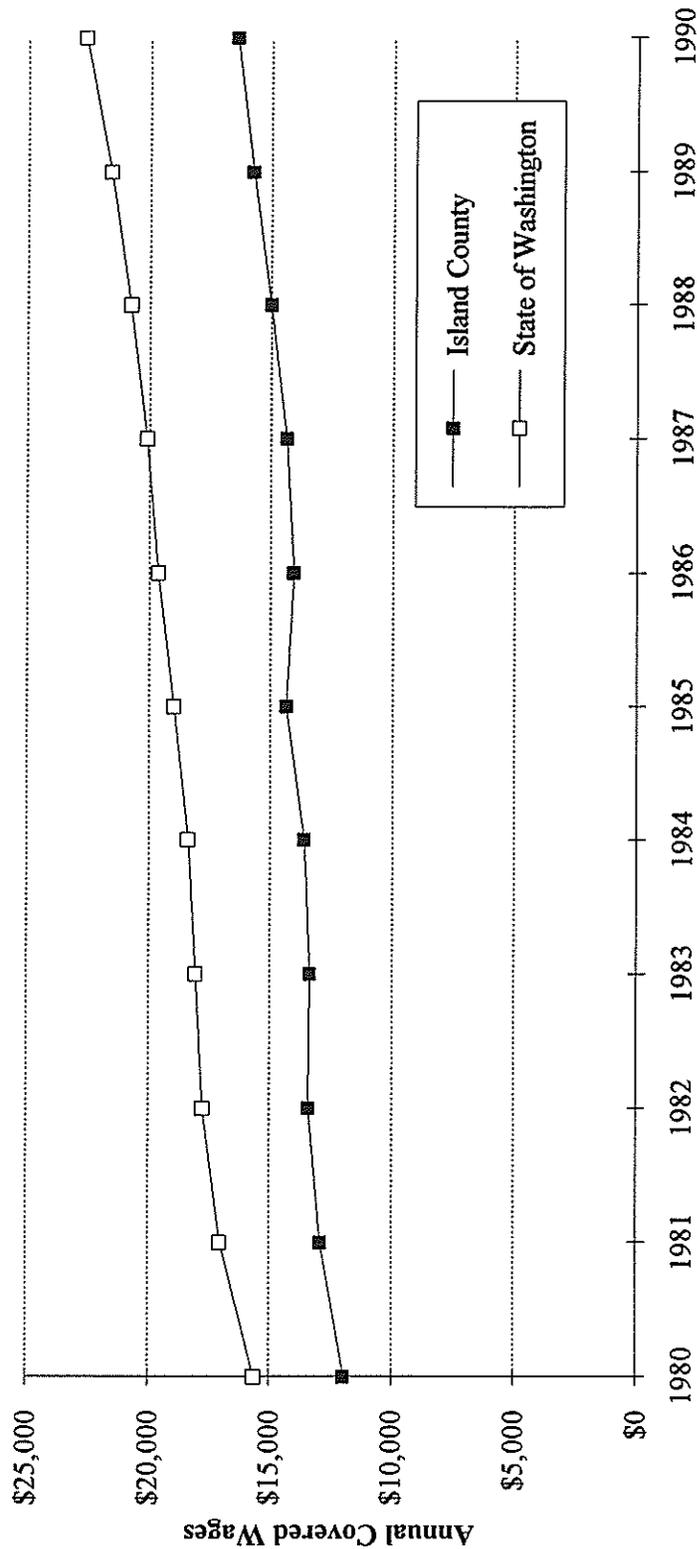
Source: 1994 Update for the Defense Base Closure and
Realignment Commission, NAS Whidbey

Figure 4-3
CIVILIAN LABOR FORCE TRENDS
Island County



	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Civilian Labor Force	13,430	13,840	14,450	16,270	16,000	16,210	17,370	18,360	19,410	20,720	21,780	22,360
Total Employment	12,370	12,630	13,020	14,650	14,680	15,050	16,260	17,250	18,490	19,760	20,990	21,320
Total Unemployment	1,060	1,210	1,430	1,620	1,320	1,160	1,110	1,110	920	960	790	1,040
Percent of Labor Force	7.9%	8.7%	9.9%	10.0%	8.3%	7.2%	6.4%	6.0%	4.7%	4.6%	3.6%	4.7%

Figure 4-4
AVERAGE ANNUAL COVERED WAGES COMPARISON
Island County vs State of Washington



	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Island County	\$15,647	\$17,043	\$17,753	\$18,041	\$18,365	\$18,959	\$19,626	\$20,090	\$20,779	\$21,587	\$22,635
State of Washington	\$11,957	\$12,907	\$13,416	\$13,367	\$13,609	\$14,353	\$14,049	\$14,347	\$15,007	\$15,740	\$16,439
Percent of State	76%	76%	76%	74%	74%	76%	72%	71%	72%	73%	73%

Table 4-2 shows that the median household income in Island County is about *one-fifth lower* than in the Seattle urbanized area. Median income means that half of the households in the respective counties fall below this level and half are above it. Median household income more realistically reflects the capability of most households to afford goods and services than averages because it bypasses the wealth bias. The relatively small disparity between Island County median and mean household income levels reflects the fact that very few Island County residents have high household incomes.

Island County is compared to the more wealthy Seattle urban area in Table 4-2. According to the U.S. Census, 40 percent of the 21,918 households in Island County had household incomes below \$25,000, compared to only 32 percent in the Seattle-Everett PMSA. In contrast, the share of total households falling in the \$25,000-\$50,000 range was similar. However, a major income differential exists when household incomes exceed \$50,000. Only 20 percent of households in Island County have incomes above this level versus over 31 percent in the Seattle-Everett PMSA. This is reflected in the fact that 1989 average (mean) household incomes in King County and Snohomish County exceeded the average household income in Island County by \$11,000 and \$8,700, respectively.

Demographics

In order to gain perspective, overall population trends and forecasts are now compared for Island County, Skagit County and the State of Washington. Table 4-3 shows that statewide population grew by about 20 percent per decade in the 1950's-1970's. During the 1980's, Washington State population growth slowed to about an 18 percent increase; and in the 1990's it is forecast to grow by only about 15 percent. The population of Island County continued to grow nearly twice as fast as statewide during the 1980's. In the 1990's, however, Island County population growth is expected to slow by about 40 percent, even though it will increase one third faster than growth statewide. The populations of both Island and Skagit counties are forecast to increase by over one-fifth during the 1990's, adding about 12,600 and 17,300 new residents, respectively.

Of the three municipalities in Island County, Oak Harbor is clearly dominant. It is the local hub of commerce. The city had a resident population of 18,930 in 1993. Oak Harbor currently comprises 28 percent of the county population and 89 percent of the municipal population. This overwhelming population share is the direct and indirect result of NAS Whidbey military personnel and civilian employees, as well as their respective dependents.

Table 4-2
1989 HOUSEHOLD INCOME DISTRIBUTION
Island County vs Snohomish and King Counties
(1990 U.S. Census)

	Under \$15,000	\$15,000- \$25,000	\$25,000- \$35,000	\$35,000- \$50,000	\$50,000- \$75,000	\$75,000- \$100,000	\$100,000- \$150,000	\$100,000- \$150,000	\$100,000- \$150,000	TOTAL
King County										
Total Households	102,484	95,719	98,184	124,495	116,481	43,219	23,181	12,928	616,691	
Percent of Total	16.6%	15.5%	15.9%	20.2%	18.9%	7.0%	3.8%	2.1%	100.0%	
Mean									\$41,764	
Median									\$36,179	
Seattle-Everett PMSA										
Total Households	24,776	26,304	29,022	40,463	35,159	9,865	4,215	2,047	171,851	
Percent of Total	14.4%	15.3%	16.9%	23.5%	20.5%	5.7%	2.5%	1.2%	100.0%	
Mean									\$39,532	
Median									\$36,847	
PMSA King & Snohomish										
Total Households	127,260	122,023	127,206	164,958	151,640	53,084	27,396	14,975	788,542	
Percent of Total	16.1%	15.5%	16.1%	20.9%	19.2%	6.7%	3.5%	1.9%	100.0%	
Island County										
Total Households	3,956	4,920	4,456	4,193	2,970	823	357	243	21,918	
Percent of Total	18.0%	22.4%	20.3%	19.1%	13.6%	3.8%	1.6%	1.1%	100.0%	
Mean									\$30,754	
Median									\$29,161	

Source: 1990 U.S. Census, Real Estate Economics

Table 4-3
COMPARISON OF PAST AND PROJECTED
POPULATION CHANGES

	1960	1970	1980	1990	2000
State of Washington					
Population	2,853,214	3,413,244	4,132,156	4,866,692	5,611,216
Percent Change	19.9%	19.6%	21.1%	17.8%	15.3%
Island County					
Population	19,638	27,011	44,048	60,195	72,761
Percent Change	77.2%	37.5%	63.1%	36.7%	20.9%
Skagit County					
Population	51,350	52,381	64,138	79,555	96,868
Percent Change	18.7%	2.0%	22.4%	24.0%	21.8%

Source: Office of Financial Management, State of Washington

The NAS Whidbey population is highly concentrated in and around the immediate Oak Harbor area. NAS Whidbey officials estimate that 97 percent of all NAS Whidbey military personnel currently live in the immediate vicinity of Oak Harbor. Table 4-4 provides details of the locational distribution of military and civilian personnel and their dependents. It is clear that only a very small share of NAS Whidbey military personnel and employees live more than a short distance from Oak Harbor and their duty station. This is in part due to the location of military family and bachelor housing assets at Oak Harbor.

Shifts in the population age structure of Island County (including military) between 1990 and 1995 are shown in Figure 4-5. The 0-14 (children) and 15-19 (teenage) age groups are expected to increase by 13.4 and 23.2 percent. In contrast, the 20-24 young adult age group is forecast to *decline* by over one-fifth. The 25-44 family age group will only increase by a modest 9.5 percent. However, the 45-64 mature family and the 65+ retiree age groups will grow rapidly.

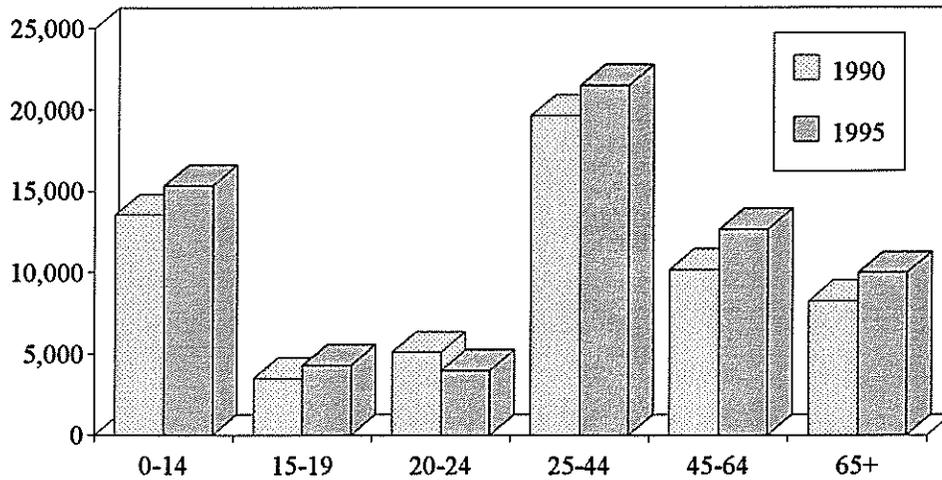
Island County is unique because its economic base is almost totally dependent on NAS Whidbey. Because of Whidbey Island's limited transportation access to the mainland, economic diversification apart from tourism and retirement communities has been restrained.

Table 4-4
LOCATION OF NAS WHIDBEY POPULATION
(1991)

	Military	Civilian	Dependents	Total	Percent
Oak Harbor	8,165	1,631	13,720	23,516	95.9%
Coupeville	109	122	183	414	1.7%
Anacortes	92	50	155	297	1.2%
Mt. Vernon	34	50	57	141	0.6%
Other	0	147		147	0.6%
TOTAL	8,400	2,000	14,115	24,515	100.0%

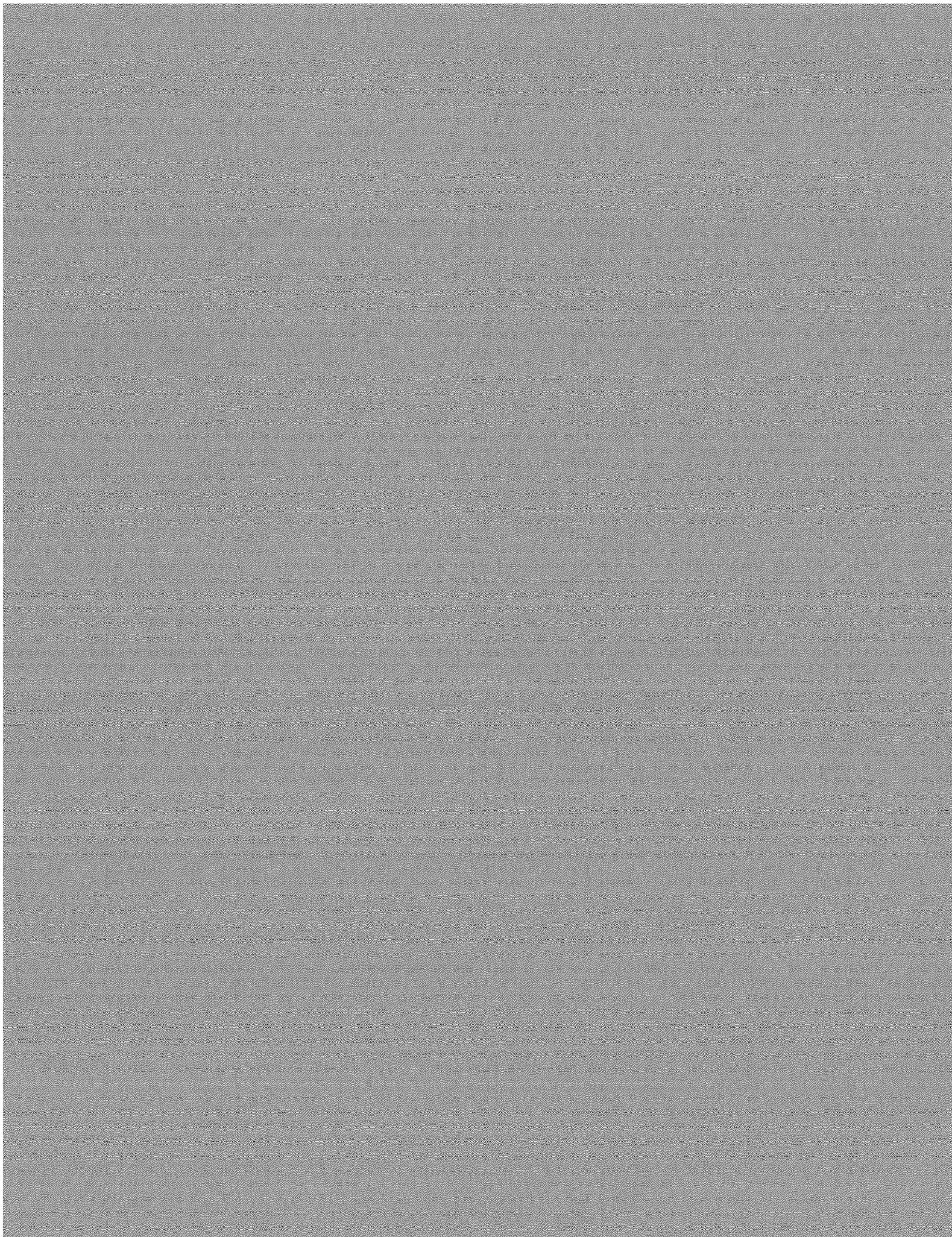
Source: State of the Station--1991, NAS Whidbey

Figure 4-5
POPULATION BY AGE GROUP
ISLAND COUNTY
1990 & 1996

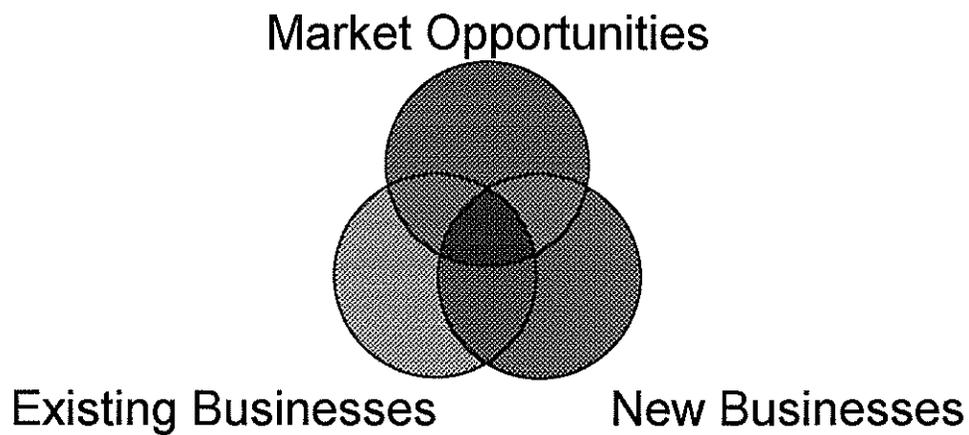


Age	1990	1995
0-14	13,534	15,347
15-19	3,500	4,313
20-24	5,112	3,997
25-44	19,638	21,501
45-64	10,188	12,648
65+	8,223	9,966
Total	60,195	67,772

Source: Office of Financial Management



Creating Opportunities for Diversification



Industrial Location

A major component of North Whidbey's strategic diversification plan is selecting locations where various kinds of economic activity should be encouraged. This report looks primarily at sites within or adjacent to the City of Oak Harbor.

Community input for this report showed a strong preference for concentrating industrial development within an area bounded by Ault Field Road on the north, and generally between Heller Road on the west and the Goldie Road industrial areas on the east. That includes the existing industrially-zoned land west of Goldie Road, plus all the land between Goldie Road and the Naval Reservation properties north of the existing city limits. No south boundary was established, but interviews with city planners show the potential to extend Cemetery Road east/west between Goldie Road and Heller Road. This would form a natural southern boundary for the area preferred for industrial development. In addition, there is a small triangle of existing industrial land between Goldie Road and SR 20, south of Cemetery Road, that has vacant sites available. It was recommended that strip industrial/commercial facilities *not* be developed along SR 20 north of Oak Harbor.

Preliminary surveys showed that there are other areas of North Whidbey Island that are suitable for industrial development based on their linkages with economic resources and their market potentials. In particular, properties adjacent to the Oak Harbor Airport were examined because of their obvious advantages for air transportation. However, several development constraints were also identified, including the Ebey's Landing National Historical Reserve as well as citizen preferences to retain these properties in agricultural uses, so they were excluded from further consideration in this report.

Much of the developable land in the selected area described above is presently in Island County, outside of the city limits of Oak Harbor. However, it is assumed that development of this land can be optimized if it is ultimately annexed into the city and provided with city water, sewer, and other services as a corollary of private development. (An alternate short term scenario is presented below). For this reason, the following discussion is presented in the context of the land being within the city limits, which means that issues of annexation and conversion from county zoning and land use ordinances to those of the city must be assessed as part of the strategic planning process.

Land Use Inventory

The existing Comprehensive Plan for Oak Harbor is scheduled to be updated in the 1994/95 time period, but is presently the controlling document for land use planning in the city and its surrounding area (Zone of Influence). It covers a planning area of approximately ten square miles, which is described as "Oak Harbor's area of potential growth". The present city limits incorporate 8.1 square miles of this planning area, which consists of 3.6 square miles of urban area plus an additional 4.5 square miles of Navy property to the east.

Supply of Industrial Land

Data in the Comprehensive Plan shows that Oak Harbor is underserved with industrial land compared to comparable cities and towns throughout the United States. According to a survey, industrial land typically represents about eight percent of the total of all lands in smaller cities, while in Oak Harbor it is only about four percent. The inventory of existing zoning districts in December 1987, included 2,042.8 acres, of which 83.0 acres (4.06%) were zoned for industrial uses. If the eight percent average applied, the amount of industrially-zoned land would have been 163 acres, indicating a disparity of 80 acres.¹

When the Zone of Influence is considered, the disparity becomes even greater. Excluding the Navy property, the remaining 5.5 square miles would include an additional 119 acres outside of the city zoned for industrial uses, bringing the total to 281.6 acres. A study conducted in November 1992, by Business Development Associates, showed a total of 133.9 acres zoned industrial in the city's industrial zone and the North Oak Harbor/Goldie Road business area. For the total area, the disparity between actual industrial land and the national average rate of eight percent rises to 147.7 acres.²

Island County *does not* have an industrial zone, so it is not possible to know how much land in the Zone of Influence *could* be used for industry. Instead, the County uses a "Non-Residential Floating Zone" to accommodate these uses as they are individually proposed. According to the Island County Zoning Ordinance (17.02.100):

¹ There are 6,400 acres in ten square miles, and 2,304 acres in 3.6 square miles, which are the sizes of the overall planning area and the area within the City Limits, exclusive of the Navy properties, respectively. The inventory of existing zoning districts in the 1987 Plan showed 1,932.8 acres zoned for residential, commercial, and industrial uses, plus 110 acres unzoned, for a total of 2,042.8 acres. The zoning status of the additional land (\pm 261 acres) annexed since 1987 was not determined, but is believed to be primarily residential.

² There are several other industrial areas located outside of the city limits of Oak Harbor, plus several large gravel pits and associated operations that may be zoned industrial under the county's zoning ordinances. These need to be inventoried to obtain an accurate assessment of current total industrial land allocations.

"The Non-Residential Floating zone may be authorized only in the Rural Residential zone or pursuant to an interlocal agreement in an area designated as a Zone of Influence of a city or town or an urban business center. The County does not attempt in advance of a specific development proposal to locate future business, commercial, and industrial sites. Rather, the County anticipates non-residential uses will be required and utilizes the Non-Residential Floating zone to authorize those non-residential uses that meet established criteria."

Annexing lands in the Zone of Influence and overlaying City zoning ordinances will enhance their development capabilities by providing the **certainty and predictability** for their availability for pre-established uses.

The 1987 Comprehensive Plan showed an additional 26.5 acres of undeveloped industrial land available, representing about 10.9 percent of all undeveloped lands in the inventory.

It is not known how much of the undeveloped industrial land is capable of being developed or how much is actually available for new businesses. The Plan states that: "...some of these lands experience physiographic characteristics that make their full utilization unlikely...". Interviews with land owners also reveal that some of the industrially-zoned sites are being held for future use, including expansions of existing firms, and are not available to satisfy overall market demands. It can be assumed that the net available inventory of zoned and developable industrial properties was something less than 26.5 acres at the time the Comprehensive Plan was adopted.

Utilization of Industrial Land

While the quantity of industrial land in the Oak Harbor area is relatively small, the amount of actual utilization is also small. Data in the 1987 Comprehensive Plan showed that a total of 56.5 acres of industrially-zoned land had been developed at that time, representing 3.7 percent of all developed acres in the inventory of zoned land. This is fairly consistent with employment figures which show that Island County averages only about 4.4 percent of its total employment in manufacturing. This average may be misleading for the Oak Harbor area, however.

Verifiable data are not available for geographic areas below the county level, but an estimate by Urban Decision Systems for January 1, 1992, showed 420 people employed in manufacturing in Zip Code 98277, which covers all of North Whidbey Island exclusive of the Naval Air Station, out of total private sector employment of 4,663 workers. Based on those numbers, manufacturing employment would have represented about 9.0 percent of private sector employment, more than double the Island County average. Given the population and employment demographics of the

county, which show Oak Harbor as its primary business center, this appears to be a reasonable assumption.

If this assumption is accurate, it adds even more emphasis to the assertion that the Oak Harbor area is presently underserved by zoned industrial land.

Suitability of Industrial Sites

Within the existing inventory of industrial lands, there is also the question of "suitability" that needs to be addressed. Zoning, by itself, is not a sufficient condition to make properties suitable for their intended uses.

Suitability can be generally defined as the ability of land to accommodate its intended uses in a *competitive* context. In addition to meeting the physical requirements of development (location, size, configuration, access, infrastructure, etc.), there are also subjective considerations that affect a site's capabilities in a competitive market. These include price, surrounding environment, development standards, compatibility of uses, image and other factors.

A cursory overview of industrial sites within the City Limits of Oak Harbor reveals fairly limited suitability for industrial expansion, particularly for the kinds of business activities potentially envisioned. There are several primary reasons for this observation:

1) *Sizes of vacant parcels*

There are few large tracts of vacant industrial land available within the city limits. The 1992 study referenced earlier found the developable area south of Ault Field Road contained at least 48 separate parcels with an average parcel size of 4.6 acres. The largest single developable parcel was approximately 20 acres. There were 11 privately owned parcels larger than 10 acres, and numerous parcels smaller than one acre.

The available sites are generally within areas that are already developed and used by existing businesses. These sites are small and most have irregular configurations due to the development of adjacent parcels. Several industrial firms currently operating in the Oak Harbor area have expressed concern about being able to find suitable land for expansion. This constraint also affects the location decision of new firms coming into the area.

2) *Zoning and Use*

Along with industrial uses, city zoning for industrial land allows "Principal uses permitted in a C-3 district..." with restrictions on structures used for habitation. As a result, the existing industrial areas have developed with tenants that represent a mix of industrial and commercial activities. While this does not necessarily create conflicts, it limits the suitability of those areas for some companies that want a more controlled industrial environment.

At least one firm surveyed for this report cited problems with auto parts and service companies using industrial park roads as "test tracks".

3) *Development standards*

Existing industrial areas are generally occupied by individual firms that have acquired and developed their own sites without uniform development standards. They are characterized by a mix of building types, with metal structures located next to concrete tilt-up buildings. There are varying levels of landscaping, screening and maintenance. High-quality "image" facilities are mixed with service yards and older mixed-use, multi-tenant structures. Some lots have high-density development, while others have more open space. There is a lack of high-quality "business park" space controlled by performance standards and restrictive CC&R's (covenants, conditions and restrictions).

4) *Infrastructure*

The existing industrial areas north of Cemetery Road are presently served by city water, with 10" and 12" lines along Goldie Road and a 12" line on Cemetery Road. However, there are no sewer lines extending north of Cemetery Road to any of the areas zoned for industrial use. This is a significant constraint on development in an era of increasing environmental controls and resistance to septic systems and drainfields. It probably limits any types of wastewater discharges except for sanitary purposes.

5) *Land development capabilities*

The industrial area on the west side of Goldie Road, within the city limits, slopes down fairly steeply into a low basin that is classified as having significant environmental constraints. The Loldi Business Park has been developed on the upper portion of this slope with terraced pads at different elevations to accommodate the structures. There is one point of access. Further development capabilities in this area are limited, with

better opportunities existing on the east side of Goldie Road and farther north in the areas outside of the City Limits.

Several of the larger industrial sites are located adjacent to or near a former land fill. A ten-acre site that has recently been placed on the market in that area was described by one firm as a "potential liability" because of unknown materials that were dumped in the land fill in previous years.

6) *Noise considerations*

Portions of this area are affected by noise attenuation requirements associated with the activities of Ault Field, the main aircraft operating facility of the Naval Air Station. Several of the firms interviewed for this report said that noise is a problem, especially on warm days when they open their windows. The main problem reported was the inability to carry on a telephone conversation when a jet aircraft flies over their facility. Construction in the northern portions of the area can be expected to include special provisions for ensuring that conflicts with NAS Whidbey Island are avoided.

On the positive side, most of the industrial sites are located along Goldie Road, or its tributaries, which is capable of handling commercial/industrial traffic and has good access to Oak Harbor on the south, and to SR 20 northbound via Ault Field Road. There are some additional commercial developments along Goldie Road, but few residential or other uses that create traffic conflicts.

There are also several existing industrial and commercial developments in the county area outside of the city limits. Island Industrial Center is located a short distance north of the Loldi Business Park, on the west side of Goldie Road, and contains numerous industrial firms including Upchurch Scientific Company. At the southwest corner of the intersection of Goldie Road and Ault Field Road there is a large mixed-use commercial, retail, and industrial center.

There are greater amounts of residential development along Oak Harbor Road, which has its southern terminus at 700 Avenue West. Industrial development along this highway would greatly benefit from the extension of Cemetery Road, as cited earlier, in order to minimize traffic conflicts with residential and commercial areas to the south.

New or Proposed Industrial Sites

As noted above, there are few vacant parcels of industrially-zoned land available to support new business development in the Oak Harbor area. Three small sites have recently been subdivided on the east side of Goldie Road, in the triangle area south of

Cemetery Road. They are advertised as commercial sites, although the zoning map shows they are within an industrial zone. Their specifications are:

- 1) 95.6' x 130' (12,428 sq. ft.) priced at \$115,000 (\$9.25 per square foot)
- 2) 95.6' x 119' (11,376.4 sq. ft.) priced at \$89,000 (\$7.82 psf)
- 3) 95.6' x 105' (10,038 sq. ft.) priced at \$115,000 (\$11.46 psf)

These prices are substantially above the normal range for industrial sites. By comparison, a 1.25 acre industrial site nearby was reportedly acquired by Whidbey Welding & Machine Company for \$72,000, which equates to \$1.32 per square foot. The sizes, location, layout, and prices all favor commercial uses of these sites rather than industrial uses.

Technical Services, Inc. (TSI) has put a ten-acre site off Goldie Road on the market that was previously being held for future expansion of its own facilities. It is priced at \$225,000 which is an appropriate market price for a large, undeveloped industrial site (approximately \$0.52 psf). As noted earlier, a question was raised by another firm about potential problems from the neighboring former land fill.

Two areas have been identified that are either approved and subdivided for industrial sites, or have been proposed for industrial development. Both areas are located in the county, within the boundaries selected for this study.

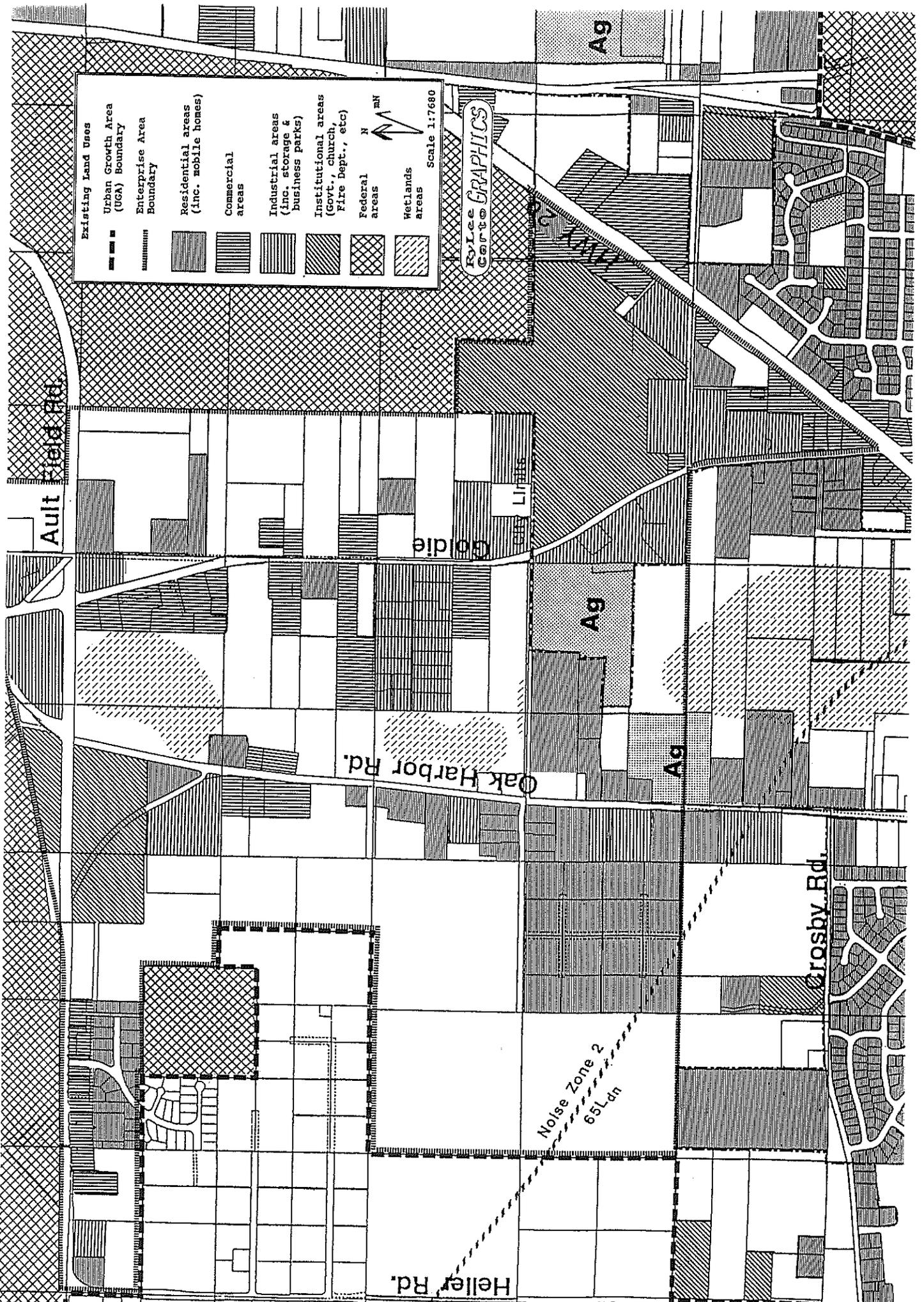
- 1) On the west side of Goldie Road, along Industrial Street, an 18-lot subdivision has been platted and lots are being offered for sale and/or build-to-suit. They are described as "County commercial/industrial lots", with community drainfields, city water, electricity, phone lines, and natural gas. Lots currently available range in size from approximately 13,500 sq. ft. priced at \$29,000 (\$2.15 psf) to 46,725 sq. ft. priced at \$85,000 (\$1.82 psf). Prices of other lots range as low as \$1.45 psf for approximately 0.6 acres on interior roads. These prices are consistent with the normal range of industrial land prices. It is assumed that lots could be combined to provide large parcels.

According to the developer, these lots have been on the market for three years, but only one lot has been sold during that time period.

- 2) On the east side of Oak Harbor Road, at the western end of Gun Club Road, an 80-acre parcel has been proposed as a potential site for industrial development. This site is not presently part of the inventory of industrial sites in the Oak Harbor area, but is discussed later in this report in terms of its development potential.

Inventory of Industrial Sites

The following page contains a map of the current uses, including existing industrial sites, in the area at the north end of Oak Harbor up to Ault Field Road. Potential wetlands areas are also noted.



Existing Land Uses

- Urban Growth Area (UGA) Boundary
- Enterprise Area Boundary
- Residential areas (inc. mobile homes)
- Commercial areas
- Industrial areas (inc. storage & business parks)
- Institutional areas (Govt., church, Fire Dept., etc)
- Federal areas
- Wetlands areas

Scale 1:7680

Boylee
Carto GRAPHICS

Ault Field Rd.

Oak Harbor Rd.

Heller Rd.

Crosby Rd.

Noise Zone 2
65L-dn

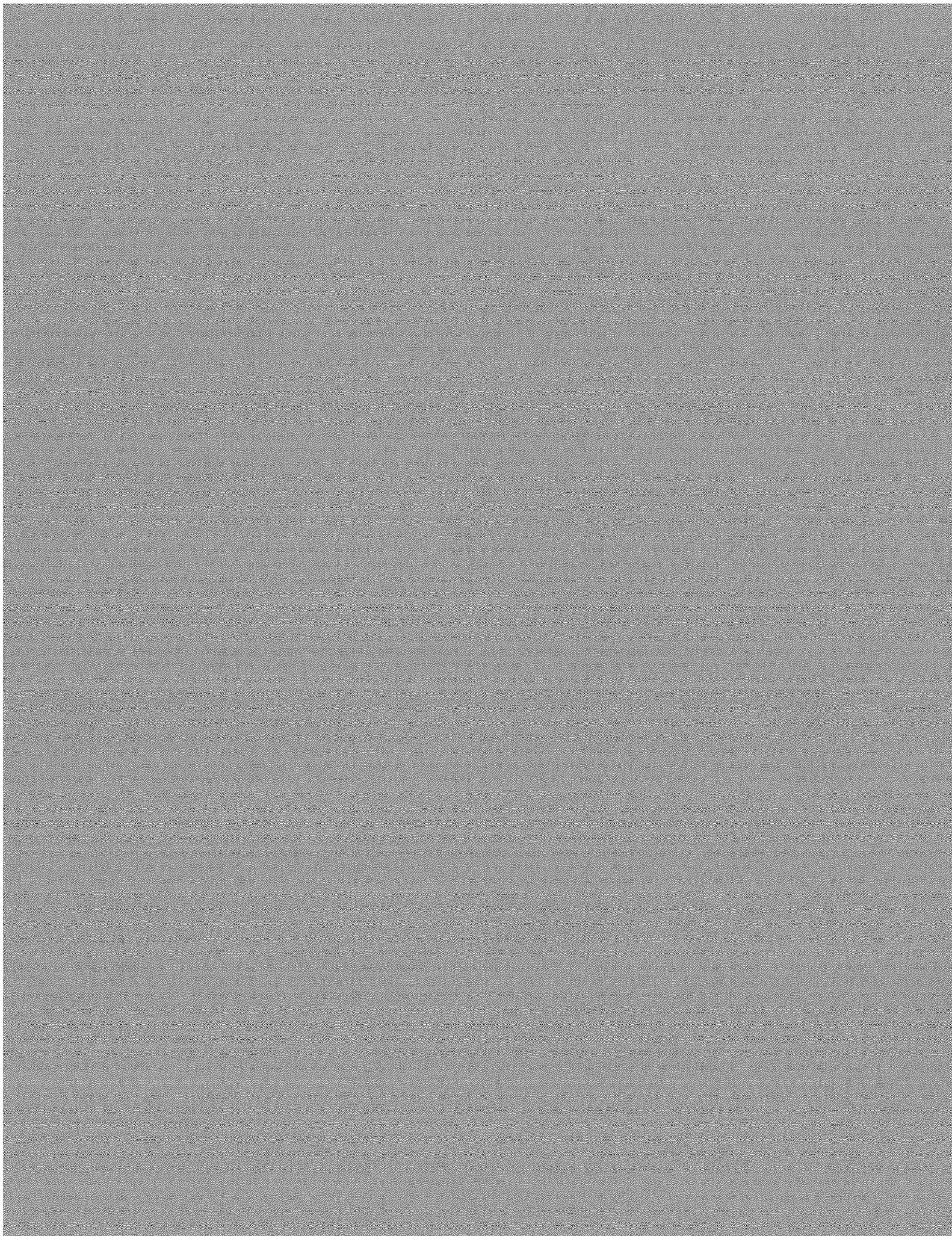
Goldie

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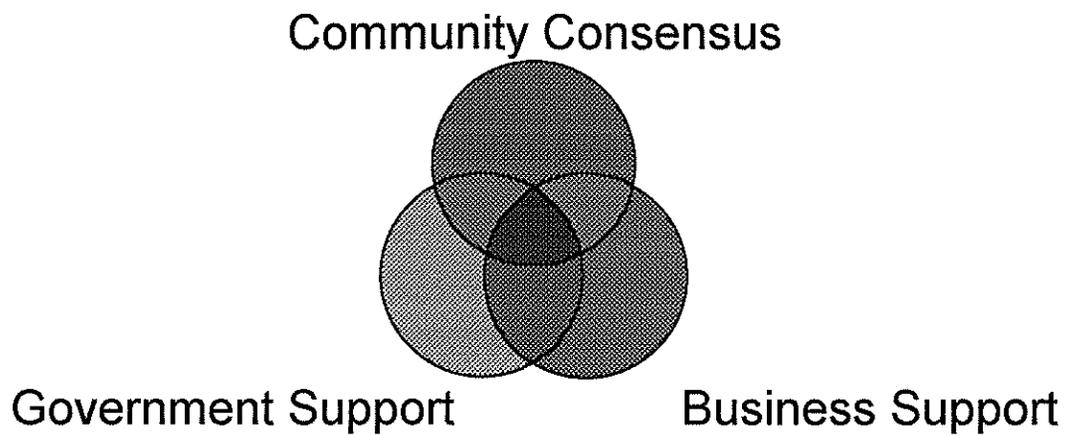
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A Commitment to Success



Chapter 7: A Commitment to Action

Introduction

Based on experience, successful community economic diversification requires an understanding and commitment to five basic building blocks.

1. **A community partnership is required** whereby all stakeholders are involved in an on-going open economic planning process. Only through communication and trust can a community build an action agenda, maximize and leverage its resources and create maximum impact and results.
2. **Economic diversification must be built like a successful business.** It starts with a business plan, which outlines a vision and specific goals. There is a realization that a business cannot be everything to everyone, but rather there is a focus on niche opportunities. There is a commitment to providing the best possible professional management and staffing. There is a commitment to ensuring adequate financing. The financing requires attention to strong short term operations, as well as prudent investments in future infrastructure to be prepared to seize opportunities. The business is results oriented. It measures success and fine tunes its strategies to achieve future success. It is not afraid to act, even through there are risks to any action. Most importantly, it is committed to providing the highest and best level of customer service. It seeks to better serve its existing customers - in this case the citizens and businesses of North Whidbey. It seeks to better serve its best potential customers - in this case potential appropriate diversification opportunities. It meets this customer service goal by creating proactive management systems. For example, in the case of government, systems are created which offer existing or potential business certainty in terms of development, an expedited permitting process and a sensitive regulatory process.
3. There is **a commitment to primary job creation.** Retailing and service jobs will follow a market. Consequently, priority efforts are made to build high quality, fair paying primary jobs within an economy.
4. There is **a commitment to action.** Once a plan is developed, the community must be committed to implementation - to provide the resources necessary to get the job done. There will never be 100% consensus on any community issue. Consequently, community, business and government leadership is required to make the tough decisions and to act.
5. **Economic development is never done.** Change is inevitable. Therefore, systems must be established to allow a community to respond proactively to new strengths, weaknesses, opportunities and threats.

We encourage the community to build this foundation into its Community Diversification Action Plan.

Community Economic Vision Statement

The first step in the successful implementation of the Community Diversification Action Plan is to gain community consensus on an overall shared economic vision for North Whidbey. This vision statement should be in concert with the overall vision articulated in area comprehensive plans. The vision creates the context and the road map for overall economic diversification. The vision should also commit the community to action.

Based on the community assessment and targeted opportunities, we would recommend the following economic vision statement for North Whidbey be considered:

North Whidbey is special. We value our unique, small town rural quality of life. We respect that we live on a spectacular island, with its tremendous natural beauty. It's a unique environment. We are proud to call it home.

However, we also recognize that change is inevitable. Therefore, as a part of our overall comprehensive planning process, we have created a Community Diversification Action Plan that will help guide economic growth and the form it takes. We value the community process which created a working partnership to develop and implement the Action Plan.

We believe that our overall quality of life will be enhanced by a planned and diversified local economy that creates opportunities for fairly paid employment and a strong local tax base. Our Action Plan is designed to accomplish this goal, while respecting the unique quality of life we treasure.

The basic foundation for our economy continues to be Naval Air Station Whidbey Island. Our top economic priority is to create programs to ensure the continued strong presence of this valuable national asset. Our annual Action Agenda includes proactive programs to maintain the Naval Air Station, as well as to explore potential spin-off economic opportunities. In addition, we have committed to land use policies which discourage the encroachment of incompatible economic activities around the base.

However, we recognize our economic dependence on the Naval Air Station and the fact that defense budgets are declining. Therefore, we do not accept a status quo approach to our economy. We are committed to creating a successful program to diversify our economy.

We recognize the need to create additional primary jobs within our community. Therefore, we envision a light industrial area and an enterprise park south of the base. We envision a well-designed, landscaped campus setting that is compatible with and buffered from surrounding properties and public areas. The campus is a great place for small high technology, communications, light fabricating and manufacturing and other companies which are compatible with our community and its environment.

We also recognize that there should be opportunities for adequate transportation improvements to ensure the success of local businesses. We envision opportunities for continued air-freight service, as well as a mosquito fleet passenger ferry boats operating out of our harbor. We will create an open planning process to discuss these and other transportation improvements.

The foundation of our private sector economy continues to be built with small businesses. We recognize and value entrepreneurs. We also recognize that these businesses are the most volatile in terms of success or failure. Consequently, we envision an aggressive, coordinated program to ensure the success and expansion of local businesses.

Tourism is an incredible opportunity for our area. Consequently, we envision the creation of a series of well-planned new products and activities to attract visitors. However, we strongly believe that these new products and activities should also be designed to satisfy the needs of area residents. Projects, such as a community center and waterfront wharf, can meet the needs of visitors and residents. Finally, we also recognize that successful tourism development requires an investment in marketing. Consequently, we envision a year-round adequately funded and professionally managed tourism marketing campaign.

Downtown and our Waterfront continue to be the heart of our community. To strengthen this incredible asset, we envision the successful completion of the Harbor Watch Plan.

We highly value the agricultural industry on North Whidbey. We not only appreciate the economic aspects, but also the critical contribution these lands make to our sense of place and quality of life. We envision programs which will foster this small, but important, segment of our economy.

We believe that education is critical to our future economic success. We will support programs to improve educational opportunities for lifelong learning by our citizens and to work to more closely to integrate education and employment training.

We value synergistic planned development, as opposed to urban sprawl. Overall, we will create opportunities within the Urban Growth Boundary as outlined in our comprehensive plan. Our planned proactive approach recognizes great opportunities for in-fill development primarily within the Oak Harbor city limits. We envision a strong pedestrian-oriented Downtown business district, with denser opportunities for business and housing. Larger, more automobile-oriented businesses will be located along SR 20. Community service businesses and activities will be targeted for the corridor along Midway Boulevard between SR 20 and Downtown.

In all of our community economic strategies, there will be a commitment to quality. We strongly support programs which provide for the on-going maintenance of existing public and private sector investments. Furthermore, we will prudently invest in the future of our economy by making the necessary long-term infrastructure improvements.

Finally, we believe in action. Therefore, through an open planning process, we have dedicated public and private sector resources to ensure the adequate financing and staffing required to implement the Action Plan. We also envision a customer-driven process to nurture our economy. We will earn a reputation as a place that welcomes businesses and activities that meet the criteria of our Action Plan.

For the future, we are open and responsive to new ideas and will foster community discussion on potential strengths, weaknesses, opportunities and threats. We believe that trust, communication and accountability form the basis for successful economic diversification and to program implementation.

We are proud of our economy.

We recommend that this statement be used as the basis for crafting an overall community economic vision statement.

Community Economic Mission Statement

Based on the economic vision statement, the community should adopt an overall economic mission statement. The mission statement is a commitment to action. We would recommend the following for consideration:

North Whidbey is committed to creating a planned and diversified local economy that creates opportunities for fairly paid employment and a strong local tax base, while respecting the unique quality of life we treasure. To accomplish this mission, we will create proactive community and customer service driven programs which will maintain NAS Whidbey, support the vitality of existing businesses and encourage compatible new economic activities.

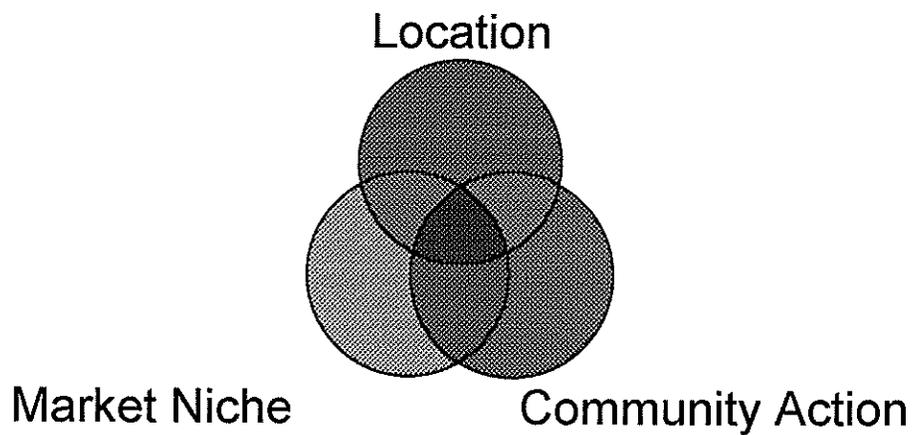
We recommend that this statement be used as the basis for crafting an overall community economic mission statement.

Community Economic Framework Policies

To achieve the goals outlined in the economic vision and the mission statement, we recommend the community adopt a series of economic framework policies. These policies when adopted will commit the community to action. We would recommend the following for consideration:

1. North Whidbey is committed to an open community planning process which enrolls all stakeholders in a system to discuss economic plans, opportunities and implementation strategies. North Whidbey welcomes new ideas for economic diversification.
2. To ensure close communication, the City of Oak Harbor and Island County will hold regularly scheduled joint meetings or workshops to discuss planning activities, economic opportunities and improvements in process, including permitting, regulations and infrastructure investment.
3. The City of Oak Harbor and Island County are committed to long-term infrastructure improvements that will foster future appropriate economic activities.
4. The City of Oak Harbor and Island County recognize that accountability is required to ensure the success of the Community Diversification Action Plan. Consequently, both the City and Island County will provide adequate staffing or contract resources to ensure the implementation of the public sector actions contained in the Action Plan.
5. The City of Oak Harbor, Island County and the private sector recognize that financial support is needed to encourage the success of economic diversification. Therefore, they pledge to invest in and to adequately support professional, proactive programs, to implement the Action Plan.
6. The City of Oak Harbor, Island County, and the private sector will jointly work together to assure the image of the community as a place that is friendly to appropriate economic activity. A "one-stop shopping" service will be created in government to expedite information requests and permit processing. A "one-stop shopping" service will be created by the private sector to provide timely information and services to assist with business expansion or relocation.
7. North Whidbey is committed to action. An annual Action Plan Agenda will be created with community consensus. The Agenda will outline specific priorities and steps required of the public and private sector to accomplish its diversification goals.

Creating a Diversified Economy



Chapter 8:

Creating Primary Jobs on North Whidbey

Overview

The overall purpose of this report, and specifically this chapter, is to set forth a strategic plan for diversifying the North Whidbey Island economy. The primary motivation underpinning this effort is the heavy dependence of the local economy on NAS Whidbey. Given the strong potential for continued military downsizing, economic diversification must occur if the community is to sustain and improve the quality of life for North Whidbey residents in the future. Such diversification can only occur with the creation of new primary jobs. The information that follows will present a blueprint for creating primary industrial jobs in the North Whidbey study area during the next 20 years.

This section focuses on the range of needs and opportunities concerning the most likely prospects for primary job creation in North Whidbey: light manufacturing, information processing, technology-oriented research, development, and assembly and other compatible land uses. Current and emerging business patterns indicate that these uses do not fit the traditional definitions of "industrial" space. Rather, they integrate a variety of uses better represented by multi-purpose business parks that can accommodate engineering offices, software development, telecommunications centers, and a wide range of support functions in addition to traditional light manufacturing and assembly operations.

A key component of the strategic diversification plan is provision of an adequate supply of market-supported industrial land to accommodate these emerging demands. Adequacy of supply goes to the heart of the economic diversification issue by providing sites for the creation of primary jobs. Accordingly, close attention will be paid to provision of sufficient usable industrial land to meet projected demand as stimulated by community economic diversification policies.

Growth Management

This analysis complements and is consistent with the Washington State Growth Management Act (GMA). The Act requires that the new Oak Harbor and Island County Comprehensive Plans, currently under preparation, designate an adequate supply of industrial land through the year 2013, or a 20-year time span.

The new draft Comprehensive Plan for Oak Harbor specifically *seeks to strengthen and enlarge the economic base of the community through developing industrial facilities which provide a comprehensive and diverse job market.* Related subsections to this overall industrial diversification goal include:

- Secure a broad industrial base for the planning area by insuring that adequate utility services, street capacities and land are available for future industrial growth.
- Preserve the integrity of large contiguously owned properties suitable for industrial use by employing appropriate industrial subdivision standards.
- Encourage the assemblage of small properties in order to provide parcels large enough for industrial development.
- Encourage the location of light industrial or research-related industries.
- Require assurances that air emission and disposal of waste water and solid wastes will not result in significant deterioration of the environment.
- Encourage industrial activities in the planning area to incorporate landscaping, native vegetation, and a sensitivity to design, color and materials into facilities to ensure that such industries are attractive and complementary to the community.

Economic Base Theory

The creation of new primary jobs will have a ripple effect on the North Whidbey economy. The economic base of an area consists of those activities which provide basic employment (therefore income) on which the rest of the economy depends. Local economies, such as the greater Oak Harbor area, can be divided into two fundamental activity sectors:

- Firms that produce a product or service that serves markets *outside* the community (such as manufacturing) ,
- Firms serving markets *within* the community (such as retail and small consumer service businesses).

This dichotomy is often characterized as *basic* (or export) and *non-basic* (or local) economic activities.

This highly generalized model of how the economic base of a community such as North Whidbey operates is premised on economic causality. Basic industry employment opportunities for full employment of local residents and encourages the start-up of non-basic (local) businesses. The incentive in both cases is economic, namely income earning opportunities. Employment, income and population are the chain of key quantifiable variables typically used to measure this growth process.

Currently, the principal economic driver in Island County is NAS Whidbey. Most basic employment is created by the U. S. Navy. The local expenditures generated from basic Navy activities, in turn, attract non-basic (local) businesses such as retailers and

service firms. The numerous retail and service activities in Oak Harbor exemplify this economic chain of causality. In addition to inducing traditional retail trade and services, NAS Whidbey attracts a disproportionately large number of federal, state and local workers to the Oak Harbor area.

A key goal of this strategic plan is to diversify the local economy and thereby lessen the economic dependency on NAS Whidbey. To do so will require the creation of new primary jobs. Most of these new basic jobs will have to be created in light manufacturing and other primary production buildings. These industrial buildings, in turn, will require an adequate supply of industrial land that is both physically developable and acceptable to the marketplace. Accordingly, the ensuing discussion concerning industrial land requirements is of paramount importance if improved economic diversification is to be achieved in North Whidbey.

Projected Industrial Land Requirements

The purpose of this section is to set forth projections of North Whidbey industrial land requirements during the 1993 through 2013 GMA planning period under two local economic development scenarios:

- **A baseline employment forecast**
- **An economic diversification policy forecast**

The North Whidbey *baseline employment forecast* was derived from City projections. It assumes modest growth at NAS Whidbey and essentially an overall status quo growth scenario for the greater Oak Harbor area. In sharp contrast, the *economic diversification policy forecast* assumes the community will implement specific “primary” manufacturing and communication job target thresholds during the next 20 years.

Both forecasts are translated into industrial land requirements that can fall within the Urban Growth Area (UGA) of Oak Harbor.

Baseline Industrial Land Requirement

The baseline industrial land requirements are calculated based on the employment growth projections prepared by the City of Oak Harbor.¹ The City recently developed employment forecasts for North Whidbey as part of the comprehensive planning process under GMA. Two alternative employment growth forecast scenarios were developed, each with three growth assumptions concerning NAS Whidbey. Thus, a total of six separate employment growth forecasts were prepared for North Whidbey.

¹ The term “North Whidbey” will be used interchangeably with “Greater Oak Harbor” and both terms are specifically defined as Zip Codes 98277 and 98278.

The one of these six selected for use in the draft Comprehensive Plan is also used here as a *baseline employment forecast*. The specific assumptions underpinning this City employment forecast follow:

- North Whidbey NAS-independent Whidbey employment will grow at the 2.81 percent annual rate estimated for the region, and
- NAS Whidbey employment will increase by five percent and NAS-dependent employment will increase using a .2378 employment multiplier.

Table 1 presents a baseline forecast of industrial land required within the Oak Harbor UGA during the 20-year GMA planning period ending in the year 2013. The first step in making this land forecast is to project employment by economic sector. Non-agricultural employment in North Whidbey totaled 8,087 in 1993. It is projected to increase by 4,652 workers during the ensuing 20 years to a total of 12,739 non-agricultural workers. Again, these baseline employment forecast data were prepared by the City of Oak Harbor.

Table 1
BASELINE FORECAST
INDUSTRIAL EMPLOYMENT & INDUSTRIAL LAND REQUIREMENT
North Whidbey Island

Non-Agricultural Employment Sectors	Total Non-Agricultural Employment	
	1993	2013
Manufacturing	328	517
Construction	466	734
Transportation, Utilities and Communications	210	331
Wholesale and Retail Trade	2,029	3,195
Finance, Insurance and Real Estate	492	776
Services	2,015	3,174
Government	2,547	4,012
TOTALS*	8,087	12,739

*Totals are City of Oak Harbor "Non-NAS" employment projections for Greater Oak Harbor (GOH)-- Zip Codes 98277 and 98288

Industrial Building Employees	Industrial Employment Share	
	1993	2013
Manufacturing	312	491
Construction	70	110
Transportation, Utilities and Communications	63	99
Wholesale and Retail Trade	507	799
Finance, Insurance and Real Estate	49	78
Services	403	635
Government	127	201
TOTALS	1,531	2,413

Industrial Land Demand Requirement	Acres Of Industrial Land	
	1993	2013
Manufacturing	47	74
Construction	10	17
Transportation, Utilities and Communications	9	15
Wholesale and Retail Trade	76	120
Finance, Insurance and Real Estate	7	12
Services	60	95
Government	19	30
Industrial Land Demand Requirement*	228	363

The middle portion of Table 1 presents market-driven estimates of that share of non-agricultural employment by sector that will be employed in industrial type buildings (e.g. flex space, warehouse, research and development, light manufacturing, etc.). The lower portion of the table then applies a forecast model to convert this North Whidbey employment into *total net usable acres of industrial land required* within the Oak Harbor UGA in 1993 and 2013. The 1993 industrial land requirement total of 228 acres includes 125 acres of industrial land already absorbed in Oak Harbor. Similarly, the 2013 requirement for 363 acres includes this absorbed acreage plus an adequate supply of *net usable* industrial land to allow the market mechanism to work (i.e. usable industrial land reserve multiplier of 3.0).

These industrial land requirement forecasts are driven by the City's baseline employment forecasts for North Whidbey. These projections assume modest growth and a status quo economic environment in the greater Oak Harbor area. They do *not* assume a specific policy to diversify the local economy based on primary job creation targets in manufacturing and communications -- the next discussion subject.

Diversification Policy Industrial Land Requirement

We recommend that an economic diversification policy for North Whidbey incorporate new primary job creation targets. Specifically, it is recommended that local private and public leaders pursue an economic development policy of doubling the share of North Whidbey area manufacturing jobs to **eight percent** of all non-agricultural workers by the year 2013. If accomplished, this target share would still be *only half* of the current Washington statewide average of 16%. In addition, we recommend that a target policy be implemented to double transportation and utility jobs to **three percent** of total non-agricultural workers by the year 2013.

Table 2 and Figure 1 illustrate the target totals forecast for manufacturing and transportation/public utilities employment in the year 2013. Employment shares in these primary job sectors are double those in the baseline forecast. Their achievement will only occur if a proactive economic diversification strategy is implemented.

The middle section of Table 2 presents market-driven estimates of that share of non-agricultural employment by sector that will be physically located in industrial type buildings; and the bottom part of the table then applies a forecast model to convert this North Whidbey employment into a forecast that *441 total net usable acres of industrial land required* within the Oak Harbor UGA in 2013. This total exceeds the 1993 industrial land requirement by 211 and allows an adequate supply of *net usable* industrial land to allow the market mechanism to work efficiently. A usable industrial land reserve multiplier of 3.0 (over absorption requirements) is assumed.

Table 2
DIVERSIFICATION POLICY FORECAST
INDUSTRIAL EMPLOYMENT & INDUSTRIAL LAND REQUIREMENT
North Whidbey Island

Non-Agricultural Employment Sectors	Total Non-Agricultural Employment	
	1993	2013
Manufacturing	328	1,045
Construction	466	734
Transportation, Utilities and Communications	210	420
Wholesale and Retail Trade	2,029	3,195
Finance, Insurance and Real Estate	492	776
Services	2,015	3,174
Government	2,547	4,012
TOTALS*	8,088	13,356

*Totals are City of Oak Harbor "Non-NAS" employment projections for Greater Oak Harbor (GOH)--Zip Codes 98277 and 98288

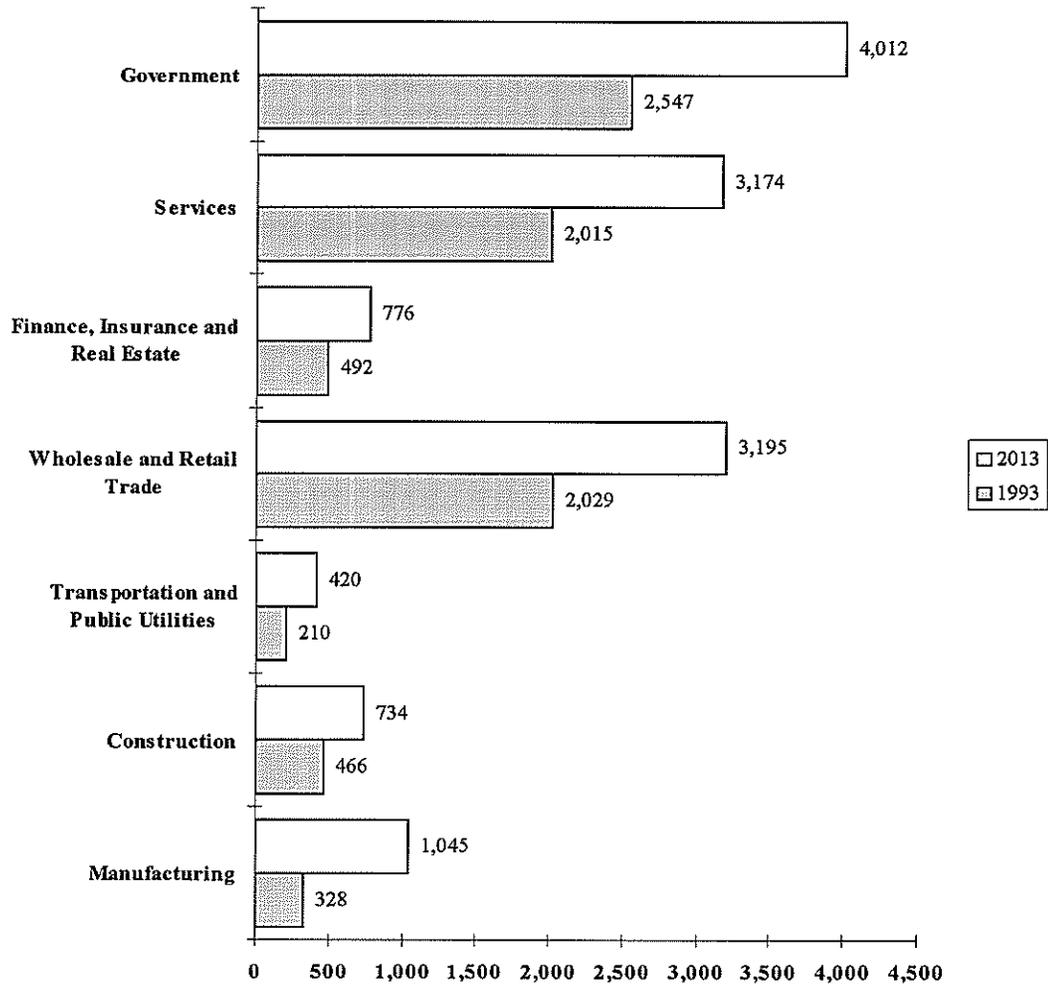
Industrial Building Employees	Industrial Employment Share	
	1993	2013
Manufacturing	312	993
Construction	70	110
Transportation, Utilities and Communications	63	126
Wholesale and Retail Trade	507	799
Finance, Insurance and Real Estate	49	78
Services	403	635
Government	127	201
TOTALS	1,531	2,941

Industrial Land Demand Requirement	Acres Of Industrial Land	
	1993	2013
Manufacturing	47	149
Construction	10	17
Transportation, Utilities and Communications	9	19
Wholesale and Retail Trade	76	120
Finance, Insurance and Real Estate	7	12
Services	60	95
Government	19	30
Industrial Land Demand Requirement*	230	441

*Reserve Land Multiplier = 3.0

Source: Employment Security, Real Estate Economics

**FIGURE 1
NONAGRICULTURAL EMPLOYMENT BY SECTOR
COMPARISON OF 1993 AND 2013
NORTH WHIDBEY ISLAND**



	1993	2013
Manufacturing	328	1,045
Construction	466	734
Transportation and Public Utilities	210	420
Wholesale and Retail Trade	2,029	3,195
Finance, Insurance and Real Estate	492	776
Services	2,015	3,174
Government	2,547	4,012

Source: Employment Security Department

Economic Diversification Scenarios

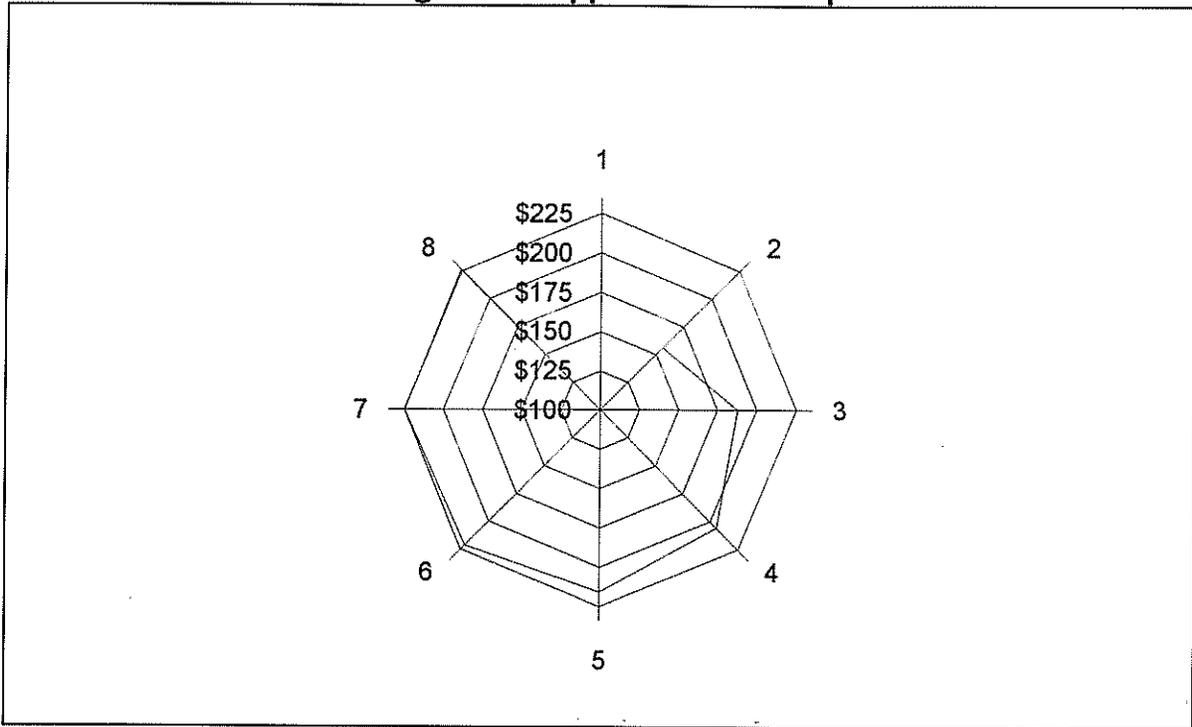
Any developed economy, whether national, regional, or local, is characterized by a high degree of interdependence among producing industries of the economy. Each economic industry not only produces goods or services, but is also a consumer itself. A government facility, such as NAS Whidbey, may purchase \$100 in goods on the local economy. This \$100 becomes income for producers. These persons spend or consume, say \$75, of this extra income. That \$75 in expenditure becomes income for still other producers. These persons consume an additional portion, say \$56, of their income. This process continues until the impact of the initial government spending is exhausted. The continued stream of spending causes producers to increase production, thereby raising income and consumption by successively smaller amounts. As initial spending increases, production and income increase. As initial spending decreases, production and income decrease. Thus we have an elementary explanation of the workings of an economic multiplier, also known as the ripple effect. Table 3 provides a simplified version of the multiplier effect of our hypothetical \$100. Notice how an initial expenditure of \$100 results in \$227 in total spending. Figure 2 illustrates the concept as a ripple.

Table 3

TOTAL IMPACT OF A HYPOTHETICAL \$100 EXPENDITURE

Expenditure	Balance	Aggregate Expenditure
\$100	\$75	\$100
\$56	\$42	\$156
\$32	\$24	\$188
\$18	\$13	\$206
\$10	\$8	\$216
\$6	\$4	\$224
\$2	\$1	\$226
\$1	\$0	\$227

Figure 2: Ripple Effect Example



The principles of interdependence and the multiplier effect were used to develop alternative growth scenarios through the year 2013. Scenario A uses the baseline forecast presented in Table 1 to estimate economic growth expressed in jobs, demand and property income given no economic diversification efforts. Scenario B uses the diversification policy forecast presented in Table 2 to estimate economic growth given diversification efforts in the manufacturing and transportation, utilities and communication (TUC) areas.²

The models examine the direct, indirect, induced and total effects of each alternative. The direct effect is the initial economic impact resulting from an initial expenditure. The indirect and induced effects are the secondary effects resulting from new production and expenditures as illustrated in Table 3 above.

²Personal income data used in the development of the impact analysis is based upon data supplied by the Washington State Department of Employment Security. Business income data was obtained from data published by the Washington State Department of Revenue.

Scenario A: Forecasted Growth³

Table 1 indicates that, between the years 1993 and 2013, the North Whidbey Island employment base will increase from 8,088 to 12,739 persons. The estimated net increase in the employment base is 4,651 persons.

As indicated at Table 4, achieving this employment base would require a direct increase in final demand of about 114 million dollars. This increase in purchases would generate 38 million dollars in employee income and create 2,500 jobs. More than 82% of this growth is in areas dependent upon increased primary spending. About 44 million dollars of this growth are in retail, wholesale and services. Another 50 million dollars is in the construction area. Modest growth is shown in two primary areas, government and TUC. No significant growth is forecast in the manufacturing area.

Retail trade and the services are expected to generate 1,534 of the 2,500 forecasted jobs. An additional 633 jobs will be created in the construction industry. Government is forecast as the primary employer creating some 268 jobs. About 65 jobs are expected to be created in the transportation, utilities and communications areas. The indirect impacts are expected to create 285 more jobs. The majority of these jobs are also in the retail, service and construction areas.

Table 5 shows the induced and total effects of this baseline forecasted growth scenario. The induced effects will increase final demand an additional 53 million dollars. Half, of this induced increase, is in the retail trade and service areas. Government is expected to grow by an additional 3 million dollars. TUC revenues are expected to increase about 4 million dollars.

The total effect of the forecasted growth scenario is an increase in final demand of more than 167 million dollars, which is a fairly modest overall growth scenario. Employee income will grow by 61 million dollars. More than 4,100 new jobs can be expected. Construction, the trades and services account for about \$121 million dollars of this growth. Government expenditures will have to increase by \$10 million. The total TUC increase is slightly less than 13 million dollars.

Scenario A reflects the North Whidbey Island economy's high level of dependence upon NAS Whidbey. Achieving the modest levels of growth reflected in the scenario will be highly dependent upon proportional increases in expenditures by the naval facility. Any decrease in these naval base expenditures would seriously undermine continued economic expansions.

³All forecasts are in 1993 dollars.

Table 4
SCENARIO A: BASELINE FORECASTED GROWTH -
DIRECT AND INDIRECT EFFECTS

<u>Direct Effect</u>				
Industry	Final Demand	Property Income	Employee Income	Employment
Agriculture, Forestry, Fishing	\$167	\$11,110	\$0	0.01
Mining	\$0	\$0	\$0	0.00
Construction	\$50,650,490	\$3,678,521	\$10,893,355	633.27
Manufacturing	\$11,054	\$16,665	\$11,110	0.12
Transportation, Communication, Utilities	\$8,585,308	\$2,688,620	\$1,838,705	64.56
Wholesale & Retail Trade	\$33,416,380	\$3,627,415	\$13,527,980	1,179.60
Finance, Insurance, Real Estate	\$2,370,374	\$977,680	\$394,405	26.15
Services	\$11,499,294	\$1,733,160	\$4,094,035	355.06
Government	\$7,810,997	\$33,330	\$7,310,380	268.12
Miscellaneous, Special Sectors	\$0	\$0	\$0	0.00
Total	\$114,344,064	\$12,766,501	\$38,069,970	2,526.88
Change In Population:	6,179			

<u>Indirect Effect</u>				
Industry	Final Demand	Property Income	Employee Income	Employment
Agriculture, Forestry, Fishing	\$0	\$105,545	\$66,660	8.99
Mining	\$0	\$11,110	\$16,665	0.01
Construction	\$0	\$66,660	\$199,980	11.64
Manufacturing	\$0	\$161,095	\$284,416	11.52
Transportation, Communication, Utilities	\$0	\$572,165	\$394,405	13.81
Wholesale & Retail Trade	\$0	\$211,090	\$777,700	69.45
Finance, Insurance, Real Estate	\$0	\$1,722,050	\$666,600	45.96
Services	\$0	\$494,395	\$1,166,550	101.45
Government	\$0	\$22,220	\$611,050	22.08
Miscellaneous, Special Sectors	\$0	\$0	\$0	0.00
Total	\$0	\$3,366,330	\$4,184,026	284.92
Change In Population:	697			

Table 5
SCENARIO A: BASELINE FORECASTED GROWTH -
INDUCED AND TOTAL EFFECTS

<u>Induced Effect</u>				
Industry	Final Demand	Property Income	Employee Income	Employment
Agriculture, Forestry, Fishing	\$666,600	\$199,980	\$127,765	17.36
Mining	\$0	\$83,325	\$11,110	0.01
Construction	\$0	\$172,205	\$238,865	13.98
Manufacturing	\$677,710	\$1,583,175	\$294,415	12.09
Transportation, Communication, Utilities	\$4,144,030	\$1,360,975	\$1,083,225	38.04
Wholesale & Retail Trade	\$12,221,000	\$9,121,310	\$5,082,825	443.24
Finance, Insurance, Real Estate	\$18,948,105	\$2,288,660	\$3,660,745	243.27
Services	\$13,332,000	\$166,650	\$5,399,460	468.55
Government	\$3,144,130	\$22,220	\$3,333,000	122.17
Miscellaneous, Special Sectors	\$0	\$0	\$0	0.00
Total	\$53,133,575	\$14,998,500	\$19,231,410	1,358.71
Change in Population	3,322			

<u>Total Effect</u>				
Industry	Final Demand	Property Income	Employee Income	Employment
Agriculture, Forestry, Fishing	\$666,767	\$316,635	\$194,425	26.36
Mining	\$0	\$94,435	\$27,775	0.02
Construction	\$50,650,490	\$3,917,386	\$11,332,200	658.90
Manufacturing	\$688,764	\$1,760,935	\$589,941	23.73
Transportation, Communication, Utilities	\$12,729,338	\$4,621,760	\$3,316,335	116.41
Wholesale & Retail Trade	\$45,637,380	\$12,959,815	\$19,388,505	1,692.30
Finance, Insurance, Real Estate	\$21,318,479	\$4,988,390	\$4,721,750	315.37
Services	\$24,831,294	\$2,394,205	\$10,660,045	925.06
Government	\$10,955,127	\$77,770	\$11,254,430	412.36
Miscellaneous, Special Sectors	\$0	\$0	\$0	0.00
Total	\$167,477,639	\$31,131,331	\$61,485,406	4,170.51
Change in Population	10,198			

Scenario B: Diversified Growth

Table 2 provides a diversification policy forecast. This scenario increases the number of forecasted manufacturing jobs to 1,045 by the year 2013. Transportation, utilities and communications jobs are increased to 331 by the same year.

As indicated at Table 6, achieving this employment base would require a direct increase in final demand of about 129 million dollars. This increase in purchases would generate 38 million dollars in employee income and create 2,652 jobs. In this scenario 73 percent of this growth is in areas dependent upon increased primary spending. About 45 million dollars of this growth are in retail, wholesale and services. An additional 51 million dollars is in the construction area. Manufacturing growth continues to be modest however TUC increases by almost 23 million dollars.

Retail trade and the services are expected to generate 1,552 of the 2,652 forecasted jobs. An additional 633 jobs will be created in the construction industry. Government increases by 266 jobs. About 171 jobs are expected to be created in the transportation, utilities and communications areas. The indirect impacts are expected to create 935 more jobs. Twelve of these new jobs are in manufacturing and 16 in transportation, utilities and communications. The majority of the new jobs continue to be in the retail, service and construction areas.

Table 7 shows the induced and total effects of the diversified growth scenario. The induced effects will increase final demand about 56 million dollars. Half of this induced increase is in the retail trade and service areas. Government is expected to grow by an additional 3 million dollars. TUC revenues are expected to increase about 4 million dollars.

The total effect of the forecasted growth scenario is an increase in final demand of more than 185 million dollars. Employee income will grow by 66 million dollars. More than 4,400 new jobs can be expected. Construction, the trades and services account for about \$124 million dollars of this growth. Government expenditures will have to increase by \$10 million. The total TUC increase is more than 27 million dollars. Manufacturing increases remain low.

Scenario B portrays a slightly more diversified economy than the forecasted growth scenario. However, the small size of the present manufacturing base minimizes the potential impacts in that sector. The transportation, utilities and communications areas provided the scenario's modest degree of diversification. Clearly this alternative will not substantially reduce existing dependence upon NAS Whidbey. Substantial increases in the number of firms and industries in the area will be required if true economic diversification is to be attained. But it is a beginning and offers the area much brighter future economic prospects.

Table 6
SCENARIO B: DIVERSIFIED GROWTH -
DIRECT AND INDIRECT EFFECTS

<u>Direct Effects</u>				
Industry	Final Demand	Property Income	Employee Income	Employment
Agriculture, Forestry, Fishing	\$11,110	\$11,110	\$11,110	0.01
Mining	\$0	\$0	\$0	0.00
Construction	\$50,650,490	\$3,677,410	\$10,893,355	633.42
Manufacturing	\$49,995	\$11,110	\$11,110	0.53
Transportation, Communication, Utilities	\$22,686,620	\$7,099,290	\$4,860,625	170.59
Wholesale & Retail Trade	\$33,963,270	\$3,682,965	\$13,748,625	1,198.97
Finance, Insurance, Real Estate	\$2,371,985	\$977,680	\$394,405	26.15
Services	\$11,498,850	\$1,733,160	\$4,094,035	355.06
Government	\$7,810,997	\$33,330	\$7,310,380	268.12
Miscellaneous, Special Sectors	\$0	\$0	\$0	0.00
Total	\$129,043,317	\$17,226,055	\$41,323,645	2,652.85
Change In Population:	6,487			

<u>Indirect Effects</u>				
Industry	Final Demand	Property Income	Employee Income	Employment
Agriculture, Forestry, Fishing	\$0	\$105,545	\$67,327	9.27
Mining	\$0	\$11,110	\$16,665	0.01
Construction	\$0	\$94,435	\$277,750	15.99
Manufacturing	\$0	\$177,760	\$311,080	12.49
Transportation, Communication, Utilities	\$0	\$683,265	\$466,620	16.39
Wholesale & Retail Trade	\$0	\$227,755	\$849,915	74.19
Finance, Insurance, Real Estate	\$0	\$1,949,805	\$777,700	52.02
Services	\$0	\$549,945	\$1,294,315	112.40
Government	\$0	\$27,775	\$677,710	24.86
Miscellaneous, Special Sectors	\$0	\$0	\$0	0.00
Total	\$0	\$3,827,395	\$4,739,082	317.62
Change In Population:	777			

Table 7
SCENARIO B: FOCUSED GROWTH -
INDUCED AND TOTAL EFFECTS

<u>Induced Effects</u>				
Industry	Final Demand	Property Income	Employee Income	Employment
Agriculture, Forestry, Fishing	\$705,485	\$205,535	\$133,320	18.34
Mining	\$0	\$11,110	\$11,110	0.01
Construction	\$0	\$83,325	\$244,420	14.77
Manufacturing	\$716,595	\$177,760	\$299,970	12.77
Transportation, Communication, Utilities	\$4,377,340	\$1,672,055	\$1,111,000	40.18
Wholesale & Retail Trade	\$12,854,270	\$1,438,745	\$5,216,145	468.24
Finance, Insurance, Real Estate	\$20,020,220	\$9,632,370	\$3,755,180	256.99
Services	\$14,081,925	\$2,416,425	\$5,538,335	494.97
Government	\$3,321,890	\$16,665	\$3,416,325	129.05
Miscellaneous, Special Sectors	\$0	\$0	\$0	0.00
Total	\$56,077,725	\$15,653,990	\$19,725,805	1,435.31
Change in Population	3,510			

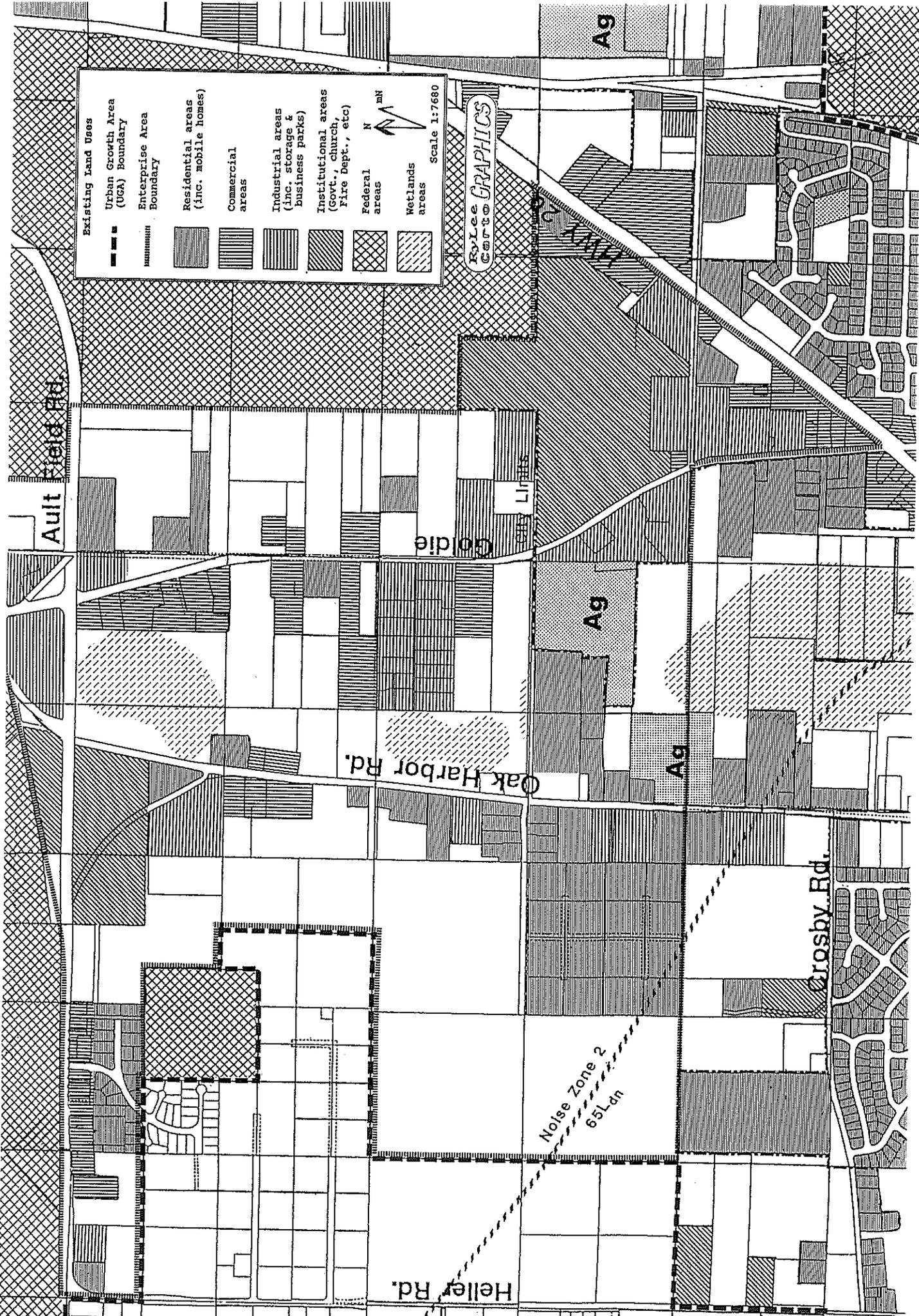
<u>Total Effect</u>				
Industry	Final Demand	Property Income	Employee Income	Employment
Agriculture, Forestry, Fishing	\$716,595	\$322,190	\$211,757	27.61
Mining	\$0	\$22,220	\$27,775	0.01
Construction	\$50,650,490	\$3,855,170	\$11,415,525	664.18
Manufacturing	\$766,590	\$366,630	\$622,160	25.80
Transportation, Communication, Utilities	\$27,063,960	\$9,454,610	\$6,438,245	227.16
Wholesale & Retail Trade	\$46,817,540	\$5,349,465	\$19,814,685	1,741.39
Finance, Insurance, Real Estate	\$22,392,205	\$12,559,855	\$4,927,285	335.16
Services	\$25,580,775	\$4,699,530	\$10,926,685	962.43
Government	\$11,132,887	\$77,770	\$11,404,415	422.04
Miscellaneous, Special Sectors	\$0	\$0	\$0	0.00
Total	\$185,121,042	\$36,707,440	\$65,788,532	4405.78
Change in Population	10,773			

Industrial Location

A major component of North Whidbey's strategic diversification plan is selecting locations where various kinds of industrial economic activity should be encouraged. This report looks primarily at sites within or adjacent to the City of Oak Harbor.

Community input showed a strong preference for concentrating industrial development within an area bounded by Ault Field Road on the north, and generally between Heller Road on the west and the Goldie Road industrial areas on the east. That includes the existing industrially-zoned land west of Goldie Road, plus all the land between Goldie Road and the Naval Reservation properties north of the existing City Limits. No south boundary was established, but interviews with City planners show the potential to extend Cemetery Road east/west between Goldie Road and Heller Road. This would form a natural southern boundary for the area preferred for industrial development. In addition, there is a small triangle of existing industrial land between Goldie Road and SR 20, south of Cemetery Road, that has vacant sites available. It was recommended that strip industrial/commercial facilities *not* be developed along SR 20 north of Oak Harbor.

Therefore, based on community input and the land analysis in the preceding chapter, we would recommend a targeted diversification strategy to locate primary jobs within this area. (See map on following page).



Existing Land Uses

- Urban Growth Area (UGA) Boundary
- Enterprise Area Boundary
- Residential areas (inc. mobile homes)
- Commercial areas
- Industrial areas (inc. storage & business parks)
- Institutional areas (Govt., church, Fire Dept., etc)
- Federal areas
- Wetlands areas

Scale 1:7680

EvLee
Carto GRAPHICS

Heller Rd.

Noise Zone 2
65L-dn

Ault Field Rd.

Oak Harbor Rd.

Goldie

CITY LIMITS

Crosby Rd.

AG

AG

AG

Targeted Business Analysis

Community input and market analysis for this study evaluated the economic profile of North Whidbey Island and its economic resources, concluding with implications for a diversification strategy. Five key implications were identified:

- 1) Economic diversification should encourage the use of the existing labor force, including the secondary labor force associated with NAS military and civilian workers, rather than on activities that would require recruiting workers from outside the area.
- 2) There should be emphasis on communications-driven industries, such as information processing and other industries that export services rather than products.
- 3) Manufacturing should focus on firms producing high value, low-bulk products that can utilize package express services and local delivery systems without a competitive cost disadvantage.
- 4) Diversification should capitalize on the unique resource of the Oak Harbor Waterfront and Downtown.
- 5) Economic enhancements should be sought from commercializing business opportunities derived through the operations of the NAS.

Based on these implications, it was recommended that the economic diversification strategies for North Whidbey Island focus on five targeted opportunities:

- Information Processing Centers
- Light Manufacturing/Assembly
- High-Technology Operations
- Downtown & Waterfront Development/Tourism
- Economic Linkages with NAS Whidbey

These are not necessarily exclusive and do not preclude the development of other opportunities, particularly those that are initiated by firms or individuals outside of the implementation of the diversification strategies. However, these five categories set a direction and can provide the necessary stimulus for sustained diversification of the North Whidbey Island economy.

An overview of each of the first three categories follows, showing current trends and evaluating how related development can occur in North Whidbey Island. An examination of the final two categories - downtown & waterfront development/tourism and economic linkages with NAS Whidbey - is contained in the next chapter.

INFORMATION PROCESSING CENTERS

Characterization

Information processing centers include any activities that collect, process, store and disseminate information used for business applications. They are often referred to as "back-room" operations because they support the primary functions of the business. They include bank credit card processing, insurance claim processing, and a variety of other administrative support activities.

Industry Trends

It is difficult to assess trends in information processing because it is often a support function of larger, primary industries. However, some indications of trends can be obtained from selected industry data.

There are three groups of industries that provide information processing services as their primary business:

- SIC 7371, 7373, 7379: Computer professional services.
- SIC 7374: Data processing.
- SIC 7375: Electronic information services.

The U.S. Industrial Outlook provides information on these industries by value of shipments. It shows the following trends through 1993:

	% Change	<u>1990-91</u>	<u>91-92</u>	<u>92-93</u>
Computer Prof. Services		12.2	9.9	9.3
Data Processing		14.1	12.9	13.7
Electronic Information Services		13.2	13.7	16.4

These data clearly show high rates of growth for these services, based on value of shipments. The median five-year average sales growth for all industries in the U.S. was 8.1 percent annually between 1988 and 1993, placing all of the information services industries well above average.

Rationale

Information processing is a clean industry that provides substantial employment opportunities for the secondary work force that exists on North Whidbey Island. Industry wages tend to run in the range of \$5.00 - \$7.00 per hour, with higher opportunities for supervisors, managers and other administrative personnel. Workers in this wage range would normally be recruited from the local labor force, rather than from other areas.

The Oak Harbor area already has substantial information processing activities and sustained a large operation of the Alaska USA Federal Credit Union until it consolidated facilities in Alaska. At one time, employment ran as high as 300 workers at this one business. Many of the activities of the Whidbey Island NAS could also be considered as information processing.

Locational Requirements

The key locational requirements for this industry are:

- Suitable labor force
- Suitable telecommunications infrastructure
- Computer support capabilities

Firms that separate information processing activities from their main businesses usually do so to reduce and/or control costs. Especially where the headquarters is in a major metropolitan city, a remote location in a smaller community may offer the opportunity to reduce space rents as well as labor costs. They may also achieve greater operational efficiencies through dedicated facilities.

Many smaller communities are not able to provide an appropriate size and quality of labor force required for information processing. The availability of the large secondary labor force derived from primary employment at the Naval Air Station is a definite advantage for the North Whidbey area. Training services are available to provide the specific skill sets required for this industry.

North Whidbey Island can also provide the high quality telecommunications required by this industry. The existing fiber optics network, with full digital capability, is cited by local companies as being competitive for national and international voice and data communications. Firms with major requirements negotiate flat rates with the telephone company, or acquire leased lines. Costs of these services may be slightly higher than in major metropolitan cities. Another option might be installation of a dish antenna for satellite communications.

North Whidbey Island also provides the support requirements for large computer operations. Local firms report good computer repair and maintenance services, as well as software development and programming services available locally on the island.

Opportunities

While North Whidbey Island offers a *suitable* location for information processing centers, it is not necessarily a *superior* location. Numerous other communities in the Puget Sound area and elsewhere can also compete effectively for this kind of business.

Linkages with existing businesses could produce some local opportunities, such as the former processing center for the Alaska USA Federal Credit Union. There may also be opportunities for government information processing centers as facilities are realigned across the nation.

There may also be opportunities to recruit these kinds of facilities from outside the area. A realistic goal might be to achieve 200 new jobs in information processing activities in North Whidbey by the year 2000. That would represent one major new center, or several support operations for existing businesses.

LIGHT MANUFACTURING/ASSEMBLY

Characterization

As noted, North Whidbey has a relatively small base of manufacturing firms. In part, this is because of the costs of transporting raw materials onto the Island and of shipping products off the island. However, recent years have seen the establishment and growth of several new businesses that sell in national or global markets, using package express services with uniform tariffs. This opportunity on North Whidbey is characterized by firms that manufacture or assemble high-value, low-bulk products for which shipping costs are a relatively small factor in their delivered market price. It can also include products made for local markets where local firms have a cost advantage over firms located off the island.

Industry Trends

There are so many industries that could be included in this category that generalizing trends is not appropriate. Using the data of the U.S. Industrial Outlook, however, shows the following industries as having the highest growth rates among all manufacturers, as measured by sales:

Ten Fastest Growing Industries

<u>SIC Code</u>	<u>Industry</u>	<u>% Chg. 1992/93</u>
3674	Semiconductors	12.0
3841	Surgical and Medical Instruments	8.5
3842	Surgical Appliances & Supplies	8.5
3571-7	Computers and Peripherals	8.2
3845	Electromedical Equipment	7.8
3711	Motor Vehicles	6.8
3633	Household Laundry Equipment	6.7
3632	Household Refrigerators & Freezers	6.5
371A	Automotive Parts & Accessories	6.1
3844	X-Ray Apparatus & Tubes	5.6

Other high-growth industries included Toys & Sporting Goods; Pharmaceuticals; Scientific, Photographic & Control Equipment; and Electronics & Electrical Equipment.

Obviously, some of these high-growth industries would not be appropriate for North Whidbey. The concentration of high-growth categories in medical, scientific, and electronics industries, however, indicates that there are growth opportunities in the kinds of high-value, low-weight products that have been identified as appropriate for North Whidbey Island.

Rationale

It is not likely that North Whidbey will ever be a major manufacturing center in the Puget Sound Region, even if its citizens wanted that kind of economy. However, the development of light manufacturing and assembly operations is consistent with an economic diversification strategy and can contribute to the overall business strength of the area. Firms that export their products off the Island are a source of new revenue into the Island economy. These firms also provide permanent, full-time employment and tend to pay higher wages than many of the service industries.

Light manufacturing firms already operating on North Whidbey Island demonstrate the viability of this type of development.

- Technical Services, Inc. (TSI) employs more than 100 workers in a custom manufacturing operation that makes electronic parts and components for worldwide customers.
- Upchurch Scientific employs about 65 workers who manufacture premium-quality connectors for the medical industry.

- Mostad & Christensen produces newsletters and other printed materials for a customer base of accounting firms nationwide.
- Finewood Cabinets manufactures top-line cabinets for custom homes throughout a multi-county region.

These firms and other manufacturers operating on North Whidbey Island testify to the ability of the area to support light manufacturing.

Locational Requirements

The locational requirements of light manufacturing firms exhibit certain similarities, in addition to the specialized needs of each firm.

- **Labor** - Labor availability is usually cited as a primary determinant, including the appropriate skill sets, work force quality, and wage levels. Companies interviewed for this report indicated that there is an adequate supply of unskilled and semi-skilled workers available on the Island, although they all reported a shortage of technical and highly-skilled workers. Some companies use the secondary labor force of Navy spouses, while others prefer to hire and train more permanent workers. Companies usually provide in-house training programs. Firms reported mixed results in recruiting technical and skilled workers from off the Island, sometimes drawing commuters from Bellingham, Everett and other parts of the region.
- **Transportation services** - Most of the firms interviewed for this report rely on package express services for both incoming materials and outgoing products. They indicated that transportation is not a problem for them as there is daily pick-up and delivery service on the Island, with air connections through Seattle via both the Oak Harbor Airport and the Skagit Valley Airport. Commercial trucking companies are also used, and one firm runs its own trucks. Firms doing business in international markets generally ship to a forwarder in Seattle or other domestic locations.

As noted earlier, the only transportation constraint would be for companies shipping high-bulk, low-value products for which shipping costs would be a high component of the delivered price. At least three firms were identified that left North Whidbey Island because they fit this description and grew to the point where they needed to be closer to their customers to reduce shipping times and costs.

- **Business supplies and services** - In addition to off-island transportation services, light manufacturing companies require a wide range of local business supplies and services for their regular operations. The Oak Harbor area has a relatively large and diverse business services sector to support this industry. In addition, some firms in Anacortes, Bellingham, and Mt. Vernon provide free delivery to the Oak Harbor area. Companies say they shop around for the best prices and quality and

can generally get what they want from local suppliers.

- **Expansion capabilities** - Manufacturing firms are generally characterized by relatively high levels of capital investment for land, buildings and equipment. This makes it difficult and expensive for them to relocate when they need to expand. Sites need to be large enough to accommodate expansion, with adequate infrastructure. There also needs to be government regulatory and permitting processes that facilitate expansion rather than delay or constrain it.

Opportunities

Most of the existing light manufacturing firms on North Whidbey Island were started locally, or moved there while they were fairly small. Their main reason for being on North Whidbey is "quality of life". They are headquarters, rather than branch facilities of firms based elsewhere. This provides the advantage of keeping executive and managerial jobs on the Island, as well as channeling all revenues into the local economy. These kinds of companies offer the best opportunities for expansion and diversification of the light manufacturing sector on North Whidbey Island.

If the choice is made for subjective lifestyle reasons, then there is no objective formula for determining what kinds of companies are most appropriate for development on the Island. The factors described above favor assembly operations where the Island's supply of basic, trainable labor can be used rather than firms that need highly-skilled or technical workers. They also favor companies producing high-value products for national or international markets. North Whidbey would be less appropriate for branch facilities or firms with customers concentrated in the Seattle area or other single markets. Start-up companies or small firms with growth potential are favored over the relocation of larger, established companies.

HIGH-TECHNOLOGY OPERATIONS

Characterization

Some of the light manufacturing firms described above fit the definition of "high-technology". However, this category extends beyond manufacturing and includes various non-manufacturing activities such as research, prototype development, and computer software programming. It also includes emerging industries that focus primarily on technology development, but will evolve into manufacturers as their products become more mature.

Industry Trends

This category covers a wide range of varied activities, so it is difficult to measure specific trends. Growth trends were given earlier for computer professional services, data processing, and electronic information services. The following is a more general

description of trends in some of the emerging industries that fit the category of high-technology:

- **Wireless Communications** - The mainstay of this industry is the cellular telephone, with about 11 million Americans owning cellular telephones according to the Cellular Telecommunications Industry Association. By the year 2000, that number may increase to 60 million users, including several million using the industry's new satellite links scheduled to go into operation in 1994. During 1992, the cellular industry posted a dramatic 46 percent increase in customers, adding nearly 3.5 million users and 8,000 jobs.
- **Flat Panel Display Electronics** - One of the fastest growing electronic components is the flat-panel video display, which is being used for applications ranging from Personal Digital Communicators to high-definition television and computer program viewing. In the near future, the standard 18-inch video display monitor used with most computers will be replaced by a two-inch thick screen that can be hung on a stand or on a wall. These devices will be widely used for informational displays in airports and shopping malls. Several Northwest companies are already established as leaders in this emerging technology, including Tektronix and In-Focus Systems, both located in Oregon.
- **Multimedia** - Technological advances such as CD-ROM are allowing computers to be used for dynamic business applications that include three-dimensional modeling, animation, full-motion video, and digitized desktop publishing, all with CD-quality sound. The message enhancement capabilities of electronic multimedia systems promise to replace virtually all of the traditional formats for advertising and presentations. Multilingual programs have been developed for firms such as the Boeing Company to help market aircraft in Asian markets.

Numerous other emerging industries and technologies can be described, but the point is that there is a wide variety of smaller firms with high growth potential that fit the profile of being appropriate for North Whidbey Island.

Rationale

One firm already located on North Whidbey Island that characterizes an integrated high-technology operation is Logos Research Systems. This firm began as a start-up in Oak Harbor in 1991, with its owners choosing the location for lifestyle reasons. Since then, it has grown to about 26 employees and serves international markets. The firm designs, develops, produces and markets specialized computer software programs and is expanding into multimedia applications. It conducts most of its marketing from Oak Harbor via telecommunications.

With Logos proving that it can be done, there is a rationale for developing other high-technology operations that can capitalize on the talents of local entrepreneurs and inventive individuals. These firms tend to be mostly independent of local economic conditions and offer true diversification from local cyclical trends. Because they are in emerging industries, their success helps to counter downward trends in declining traditional industries. These kinds of companies also tend to be environmentally conscious, creating amenities that help to upgrade the business environment of the community.

Locational Requirements

High-technology companies often have specialized requirements, especially for labor and support services. As noted earlier, there is a shortage of technical labor on North Whidbey Island so engineers, scientists and technicians often have to be recruited from off the Island.

Support services do not seem to be a problem on North Whidbey. According to a Logos official, the Island is within the Puget Sound high-technology area so it is relatively easy to find suppliers of specialized packaging products and publishers familiar with the needs of the software industry, for example. What they cannot acquire locally, they have to obtain from national or regional sources.

One problem cited is the continuity of electric power. Because the Island is heavily forested, frequent winter storms cause power outages that interrupt operations. This required Logos to spend capital on a backup power system.

High-tech operations also require high-tech locations, which are not readily available on North Whidbey. These are characterized by controlled environments with substantial amenities. These operations are also facilitated by "incubator" buildings which offer smaller spaces for start-up firms, often with the economies of shared resources, along with expansion opportunities on site.

These kinds of firms also have a need for high-risk equity capital, which is also not readily available on North Whidbey.

Opportunities

North Whidbey Island has the advantage of being located reasonably close to one of the largest generators of new and emerging industries in the country - the Seattle Metropolitan Area. Firms such as Microsoft and McCaw Cellular started in the Seattle area and have grown to dominate their respective industries. Those and other firms are now spinning off their own new companies, often through entrepreneurial talent eager to develop their own ideas and grow their own enterprises.

There also appears to be substantial entrepreneurial talent already located on North Whidbey, including many people who have completed their careers with the Navy and want to stay on the Island. Several of the firms on North Whidbey were started by former Navy personnel. This resource, along with proximity to the Seattle area, indicates an opportunity for development of high-technology operations as part of the Island's economic diversification strategy.

FORTE' ANALYSIS OF POTENTIAL BUSINESSES

The Forte' program is a product of the PHH Fantus Company, national industrial location and planning firm. With the information, a community can:

- Target potential recruitment and expansion industries growing in the region;
- Target potential retention opportunities among industries concentrated but also declining in the region; and,
- Target unusual concentrations of industries for recruitment, or expansion, of linked facilities.

North Whidbey is fortunate to have a copy of the Forte' program in the Island County Economic Development Council offices. The program must be updated annually. We recommend that the community fund the \$500 annual update costs.

The power of the program lies in its ability to take local area profile and employment data and compare this information with regional industrial data and the profiles of all the manufacturing industry SIC's to find the best fits under various scenarios.

The EDC in its role as the primary organization responsible for business recruitment should use this software to target firms which best meet market opportunities.

Forte' can be used effectively by the EDC to select industries which have a good growth record and have demonstrated successful operation within the region. A good fit with the local labor market and infrastructure is required. Industries should have an above average number of establishments which employ 50 to 500 people. Lists can be sorted by growth potential. Additional screening can also be performed to ensure that an industry has favored communities in the region which are similar in size to the local area. (Print out samples have been provided to the steering committee).

BUSINESS ENHANCEMENT PLAN

There are four types of business enhancement objectives that provide the basis for an economic diversification strategy:

1. Retention and expansion of existing firms in North Whidbey, with primary emphasis on firms in the targeted categories and those that enhance their development on the Island.
2. Facilitation of start-ups and spin-offs, primarily in the targeted categories.
3. Recruitment of new firms in the targeted categories from off the Island.
4. Accommodation of "natural" industrial expansion and development, i.e. firms that locate in North Whidbey without the stimulus of the economic diversification efforts.

Efforts to meet these objectives will have the result of enhancing the business climate on North Whidbey for all firms located there. While there are several components to each objective, there are also commonalities that apply to all of them. These are discussed below in major subject groups.

Labor Force Training and Development Strategies

It has been previously noted that there is not a ready supply of technical and skilled labor available on North Whidbey, and that most firms hire unskilled or semi-skilled workers and provide them with their own in-house training. This enables firms to train workers on the equipment they will actually use, which may not be available at Skagit Valley College or other training facilities.

This system works fairly well for production workers and does not appear to be a constraint to business development on the Island.

It is surprising, however, that local firms are not more involved with Skagit Valley College to train their workers or obtain new employees with technical job skills. The College offers Associate in Technical Arts degrees in such fields as electronic technology (with an optional major in robotics), electronic engineering technology, computer repair & instrumentation, and telecommunications. All programs in the electronic technology field include training in state-of-the-art devices and systems, and include study of microprocessors. Approximately fifty percent of the course time is spent working in a laboratory.

While the main campus is in Mount Vernon, the Whidbey campus in Oak Harbor offers numerous course opportunities. It also offers employers the ability to structure special training classes that fit their specific needs.

These programs may not fit the needs of all employers, but they should significantly enhance the ability of most firms to obtain and/or train qualified workers. This resource needs to be aggressively promoted as part of local business development and recruiting programs.

Business Management Assistance Strategies

Another valuable aid to small businesses is business management assistance services, including the development of business and financial plans, marketing strategies, record keeping systems, and similar kinds of support.

In addition to private sector suppliers, these kinds of services are provided by the Small Business Resource Center at Skagit Valley College, including its Oak Harbor branch. Spring, 1994, workshops at the Oak Harbor branch included such subjects as: Smart Marketing; Business Plan Made Easy; and Starting a New Business. Workshops at the Mount Vernon campus included such subjects as Strategic Marketing; TQM; Basics of Cash Flow Management; and Record keeping for Small Business.

Again, this appears to be a resource that is underutilized by businesses in North Whidbey. Instead of developing a new strategy, more emphasis needs to be made on utilizing this resource that already exists.

Capital Development Strategies

Lack of capital, especially equity capital, has been cited as a specific constraint on business development in North Whidbey. While this is a fairly common problem in smaller communities throughout the nation, it appears to be more pronounced in North Whidbey. The base closure announcement in 1991 effectively put a freeze on lending by the financial community, particularly for any kind of speculative building or loans to businesses dependent on the local economy. Despite the prevailing views that NAS Whidbey will be kept open, financial commitments are being made slowly.

In the meantime, there are no loan pools, venture capital funds or other sources of start-up or expansion capital for small businesses. Committees of the Chamber of Commerce and the Island County Economic Development Council have discussed the problem, but no one has come up with a workable solution.

Venture capital funds suffered severe losses during the late 1980's and early 1990's as the national recession cut into the success rate of new business ventures. As a result, most venture capital funds are only funding established companies and are only providing second or third round financing, rather than start-up capital. They frequently look for short-term investments and clear exit strategies, such as IPO's (initial public offerings) to recoup their investments within three to five years.

More effective solutions might be found through programs to leverage state and federal funding sources. These could include the formation of a Small Business Investment Corporation (SBIC) which would have the capability of leveraging local capital on a 4:1 ratio with loans from the Small Business Administration (SBA). Other potential public funding sources include:

- SBA 504 Program Loans -- Long-term fixed asset financing up to \$750,000 or 40% of project costs.
- SBA 7(a) Guaranteed Loan Program -- Loan guarantees up to \$750,000 for working capital and fixed assets.
- Revolving Loan funds -- Loans tied to job creation criteria, up to \$10,000 per job.
- FmHa Business and Industrial Loans -- Guaranteed loans, generally \$750,000 to \$10 million.
- Energy Conservation Loans -- Loans to business for energy conservation, building conversions.
- Industrial Revenue Bonds -- Loans of up to \$10 million at tax exempt municipal interest rates.
- EDA Loans and Grants--80% loan guarantees for loans of \$600,000 or more.
- Community Development Block Grants--Grants to communities to finance infrastructure development.

These types of financing mechanisms can be used to their maximum capabilities to provide funding sources for new business development. It can still be expected, however, that not all business funding needs can be met on North Whidbey or at any other location.

Business Incentives/Government Assistance

No local incentives are available to firms locating in North Whidbey to supplement the standard State and federal incentives programs, such as labor force training and the capital funding programs described above. Numerous people interviewed for this report cited the incentive programs offered by the Port of Skagit County and stated that Island County is not competitive. Those incentives primarily offer land and building packages at the Skagit Valley Airport at reasonable costs.

It was interesting that most local business firms do not share this attitude. They tend to discount the value of incentives, preferring instead to develop and operate their businesses without government assistance. *As a trade-off, they also want to be less constrained by government permitting and regulatory processes.*

All of the firms interviewed for this report cited long delays in obtaining building permits for initial construction and/or expansion of their facilities. They also cited onerous regulations and over-zealous enforcement by individual City and/or County officials, especially those enforcing fire and safety regulations. Several felt they were being threatened with shut-downs for innocent infractions, or were being required to meet statutory requirements that had no practical application for their businesses.

These firms stated that more pro-active government support for business would be of far greater benefit than any incentives or subsidies. Several of these firms went so far as to say that they would not choose to locate in North Whidbey today, based on their operating experiences to date.

It would appear that solving these problems would provide the greatest incentives for business development in North Whidbey. There is no demand for financial or other incentives, and there is no advantage in offering them if businesses continue to feel that government is working against them.

Industrial Sites

The final component of a business enhancement strategy is to create the kinds of industrial site environments that will attract new companies and facilitate the development and expansion of firms in the target industries.

There appears to be adequate industrial land in the Goldie Road corridor to accommodate most of the "natural" industrial growth in the North Whidbey area for the foreseeable future. This will occur in mixed-use industrial sites, with a variety of building types and limited controls. These properties will accommodate the continued growth of heavy commercial and light industrial uses such as warehousing, storage and distribution; automotive repair and rebuilding shops; cabinet makers; industrial and commercial service facilities; and machine shops and fabricators.

Not presently available, however, are controlled-use sites for firms wanting higher quality environments. These include most of the uses described in the target industries listed above. An industrial site strategy, then, is a key part of the overall strategies for economic diversification of the North Whidbey economy.

PROPOSED BUSINESS DIVERSIFICATION STRATEGY

It is recommended that the community initiate a program aimed at business diversification of North Whidbey Island, based on the following elements:

1. The City should plan to annex all of the properties along the Goldie Road corridor, between the government-owned land east of Goldie Road and Oak Harbor Road, from the present city limits to Ault Field Road. In addition, the City should annex the properties west of Oak Harbor Road, in the vicinity of Gun Club Road, that are currently being proposed for development of a business park (for lack of a better name, this property is referred to as the Gun Club Business Site). This annexation should include properties required for access from Oak Harbor Road to the business site.

On an interim basis through their comprehensive plans, the City of Oak Harbor and Island County should create identical zoning and land use plans for this area.

2. Planning should be initiated to service all of this area with City utilities. Most of the area is presently served by City water, but sewer lines will need to be extended as well.

On an interim basis, the City of Oak Harbor should revisit its policies regarding providing service to this area. Pre-annexation agreements should be discussed which could allow a firm, such as Upchurch, to access the infrastructure prior to annexation.

3. The Goldie Road corridor should be upgraded to City standards for roads, utilities and performance requirements. These can be phased in over a period of time, using improvement districts, development agreements or other mechanisms to pay for the costs.
4. About 20 acres of the Gun Club Business Site should be designated as the North Whidbey Enterprise Park, with high standards and performance zoning to accommodate companies not presently served by sites along Goldie Road. It would essentially be a technology park, but with special features to support and enhance entrepreneurial enterprises. Design standards for the Enterprise Park should include:
 - a) Extensive common areas with amenities for employees of companies located on site, such as trails, ponds, picnic areas, and recreational facilities.
 - b) Restrictive CC&R's to assure compatible site uses and buildings. These should include restrictive performance standards.
 - c) Infrastructure that meets the specialized needs of high-technology firms, including back-up power systems. Ideally the site would include its own electric substation with dual-feed transmission and underground distribution. The site should also provide common drainage basins and

other features that minimize the need for individual companies to find their own individual solutions to environmental requirements.

- d) The City should consider a special provision for master building permits, reviewed on an annual basis, which allow companies to develop and expand their facilities as needed, subject to annual review. This has been used in other communities and could be a powerful incentive for firms that are constrained by delays in obtaining building permits for each expansion.
- e) The Enterprise Park could also house shared resources and incubator facilities for start-up operations in the target industries. These could be included in an overall management package by a non-profit agency, such as the Oak Harbor Chamber of Commerce or the Island County Economic Development Council. These organizations could also serve to package and facilitate applications for loans or other forms of financing.

Utilizing 20 acres of the 80-acre site for an Enterprise Park would provide sufficient additional land to accommodate expansions and reallocations of firms as they outgrow their initial facilities. It would provide a "showcase" location where various business services could be concentrated, such as public financing mechanisms and business management assistance programs. It would be the primary location for developing the target business opportunities of information processing, light manufacturing, and integrated high-technology operations.

This site could serve as the catalyst for development of the target business opportunities on North Whidbey Island. It would provide an enhanced environment to attract, develop, and retain the kinds of businesses that can diversify the economy of North Whidbey and carry it into the next century.

This kind of development will not come without cost. In particular, there needs to be substantial investment in infrastructure, including improved access on Oak Harbor Road. The extension of Cemetery Road to serve as the southern boundary of this site should also be planned.

The annexation of county land along the Goldie Road corridor will also carry costs, both for the extension of utilities and in terms of annexation issues. Companies interviewed for this report were specifically asked about their attitudes toward annexation and how it would affect them. As would be expected, smaller firms that are presently satisfied with their septic systems and drainfields do not perceive any significant advantages of annexation. However, the larger, growing companies believe that municipal utility systems are essential to their long term viability on North Whidbey and recognize that these will only come with annexation.

In one specific example, Upchurch Scientific has reached the maximum limit of its development at its present location because its available vacant land contains drainfields and is unbuildable. This company could benefit from being able to consolidate operations in a single location that is more efficient and provides all the services necessary for full utilization of its site. If that involved relocation to the Enterprise Park, then the present buildings would become available to house other companies developed or recruited as part of the economic diversification program. Those companies would then benefit from the provision of City services.

There was also general support for improving the streets to City standards, and in particular for making the main road in the Island Industrial Park a public arterial rather than a private road.

The downside, of course, is the costs of providing these services. Companies satisfied with their present facilities are not anxious to increase their costs for services they feel are not needed. Mechanisms such as local improvement districts (LID's), which distribute the costs equally, are seen as unfair by some firms that do not perceive any significant benefits.

In general, however, it is reasonable to conclude that most of the firms satisfied with septic systems and lower performance standards are companies that provide local products and services and are probably not susceptible to moving off the Island. The firms that are dissatisfied with present conditions are often those in the target business classifications that may move off the Island if adequate solutions to their land and facilities problems are not found. In evaluating the trade-offs, then, the community and the City should consider its longer-term economic future and whether it wants to put its emphasis on developing the target businesses, or try to keep all of the other businesses satisfied.

The other major issue of annexation is the transfer of permitting and regulatory processes from the County to the City. There were mixed feelings on this subject, with some firms saying the County is easier to work with, while others favored working with the City. There were strong sentiments expressed against regulatory controls imposed through threats of fines and shut-downs, regardless of which governmental authority imposed them.

It appears that mechanisms for greater cooperation, coordination, and facilitation between the City and the private businesses would go a long way toward ameliorating concerns about annexation. If government could demonstrate that it would be a better partner, then business would find a much higher level of acceptance for annexation.

One final other strategy could be pursued with regard to the creation of the Enterprise Park. The City could form a public development authority and have this agency manage the Park's development. A discussion of public development authorities and their strengths and weaknesses is contained later in this report.

BUSINESS DEVELOPMENT AND RECRUITMENT PLAN

The first step in implementing a North Whidbey economic diversification plan needs to be solving the site issues discussed above. At the present time, there is little opportunity to develop new industries or recruit firms from outside the area because appropriate sites are generally not available for firms in the targeted business, at least not under terms and conditions that would enable North Whidbey to compete effectively with Skagit County and other areas. Sites are available, however, to accommodate the normal "low-tech" industries that locate on the Island to serve local markets.

Once the site development processes are in place, then efforts can be directed toward development and recruitment of new firms to occupy those sites.

Local Business Development

Retention and expansion of existing businesses is probably the most difficult part of any economic development agenda. The failure rate of small firms is high, and the problems that prevent them from succeeding and expanding are usually not solvable by outside intervention or assistance.

One of the techniques used successfully by other communities is a business assistance advisory council, comprised of volunteers who represent all areas of business disciplines. These include individuals with skills in business organization and management, accounting, marketing, personnel, financial management, production, and business law. This group could be part of either the chamber of commerce or the EDC, and could supplement the resources of the Small Business Development Center at Skagit Valley College by providing a broad range of talents that can be brought to bear on specific business problems and situations. Each company using the services of this group is treated as a case study, with an action plan being developed to correct problems or expand opportunities. This group can also assist start-up companies by evaluating their ideas and management plans, and recommending appropriate ways of developing their businesses.

Overcoming barriers to business retention and expansion may be as simple as making a contact with the right person, but usually involves problem solving, coordination of resources, and facilitation of solutions. The first task is to identify companies that can benefit from outside help and get them to agree to use it. One technique is an annual survey of businesses, usually conducted by a chamber of commerce, which includes questions relating to business expansion plans and the identification of barriers that would prevent firms from achieving those plans. It offers assistance and gives the business owner the opportunity to request it.

Another technique is the business capability survey, which asks firms to identify their production or service capabilities, as well as any additional ones they could provide. This is useful information to have to respond to inquiries about business support capabilities by firms considering locating in the area, or to support a target marketing

effort. It also allows the development organization to match current or underutilized capabilities with opportunities it identified through its development programs, such as opportunities to shift in-house operations at NAS Whidbey to local private companies. When follow-up contacts are initiated, then barriers can also be identified and the problem-solving processes can begin.

The main objective of these kinds of programs is to identify and solve problems before companies make the decision to find the solutions off the Island and relocate. Problems identified in this study related to lack of expansion capabilities due to inadequate or unsuitable industrial sites; lack of technical and skilled labor; excessive delays and regulatory hassles associated with plant operations and expansions; and lack of local capital sources. Companies have generally found their own solutions to problems related to transportation and the relative isolation of the location.

Marketing/Business Recruitment

Recruiting companies from off the Island is not a high priority of most people surveyed for this report, but is a necessary part of an economic diversification strategy. The right kinds of companies, attracted at the right time in their business development, can provide North Whidbey with the catalyst for sustained economic growth and diversification.

Several of the existing firms on North Whidbey demonstrate that the area is capable of attracting companies from other locations. This is a dynamic process that works through its implementation, rather than producing results by means of a static study. Success in recruiting will depend on how well the economic development organizations implement the process.

Several organizations need to be involved in the process. These include the City of Oak Harbor, Island County, the Greater Oak Harbor Chamber of Commerce, the Island County EDC and the private land owners and developers who provide and market the specific sites. In addition, local businesses and the Navy need to be active supporters of the process.

Because the focus will be to attract companies to sites within the city limits of Oak Harbor, the Chamber of Commerce should take a lead role in local coordination and facilitation of contacts. The job of marketing, however, is probably more appropriate for the Island County EDC. Both of these organizations are underfunded and will need additional financial resources to take on their respective responsibilities. (A full discussion of management implementation strategies is contained later in this report).

It first needs to be recognized that neither industries nor companies make business location decisions: People do. The key to successful marketing is reaching the right people and selling them on the product. Even in a target marketing program, this requires continual assessment of the market and contacting company decision makers

at the time when they are receptive to expansion or relocation solicitations.

An ideal market for North Whidbey would be the large number of new firms that are continually being started in the Seattle area as spin-offs of major technology companies. For example, Logos Research was started by former employees of Microsoft, in Redmond, and was located in Oak Harbor for lifestyle reasons. These kinds of companies often relocate to permanent facilities within two or three years after they are established. Because they are small, they are relatively easy to move. Their permanent location gets the benefits of their growth and their headquarters operations.

The scale of recruitment efforts in North Whidbey is sufficiently small that it should not be necessary to go outside of the Puget Sound area with marketing programs. Vancouver, B.C., might be considered to established contacts with Canadian firms looking for U.S. branch locations.

Marketing to these firms should combine written promotional materials with telephone and personal contacts. The written materials should inform the prospects that the EDC has researched their industries and their companies and believes that they could operate profitably in the North Whidbey area. Telephone contacts should confirm that the right person is being contacted, determine whether there is a present or future expansion or relocation opportunity, and determine whether there is interest in evaluating North Whidbey. When a positive contact is established, the relationship should be continued and nurtured until the company is ready to look seriously at the area.

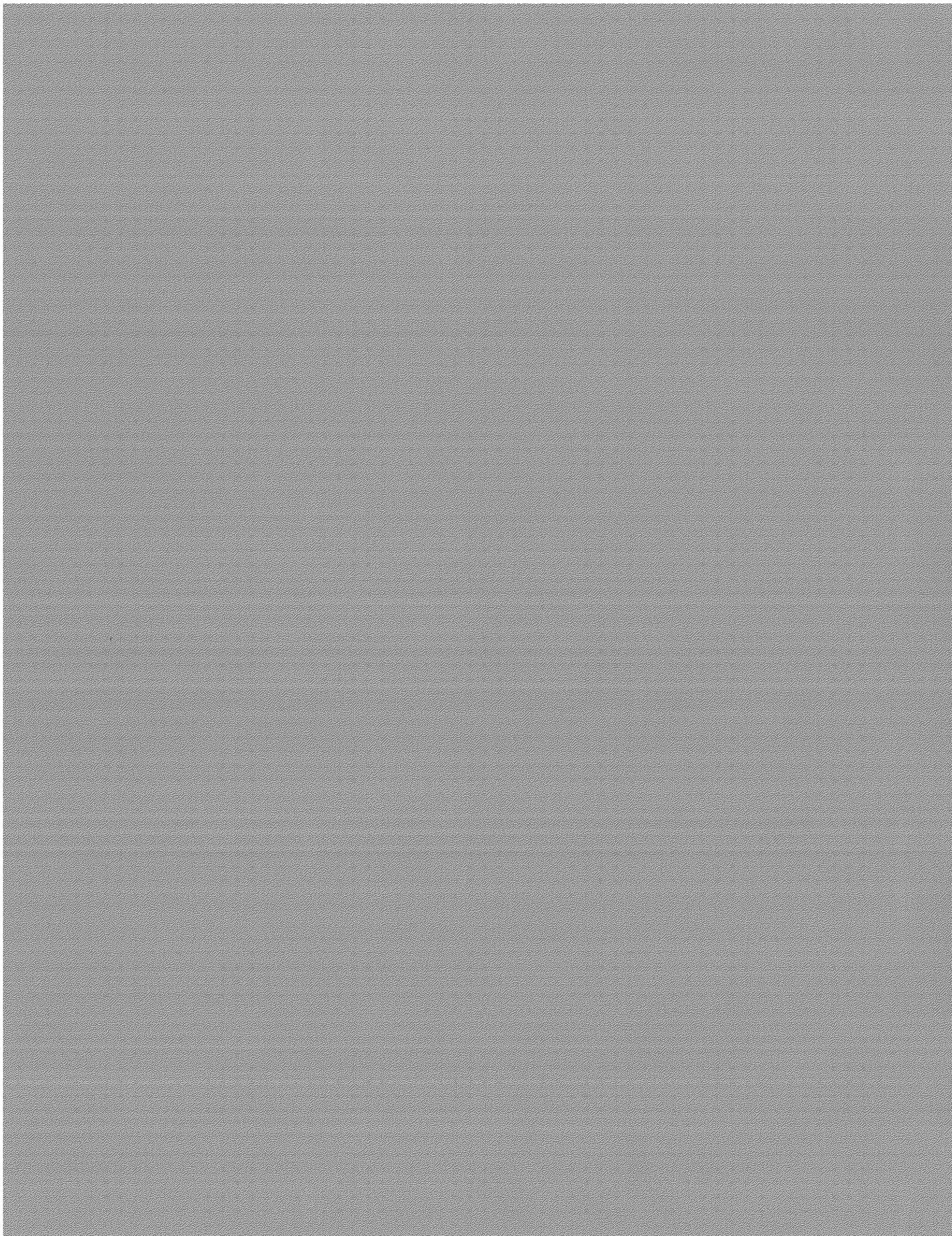
Advertising is often used for recruitment purposes, with the hope that companies will become so excited about the area that they will respond without any further efforts by local economic development officials. This rarely produces meaningful results. Advertising has little value in a target market program except to develop an image and awareness of the area and build receptivity to direct mail and telephone contacts. Ads can be placed in trade publications specific to the industries being recruited.

The primary objective of these efforts is to bring the decision-makers into North Whidbey to personally evaluate the community for their future expansions or reallocations. This requires having a plan of action to respond to inquiries and handle personal visits. The social aspects of the visit should be subordinated to business interests, with arrangements made for the executives to meet with local company executives, personnel managers, purchasing managers, and others who can answer technical questions about operating a business in North Whidbey.

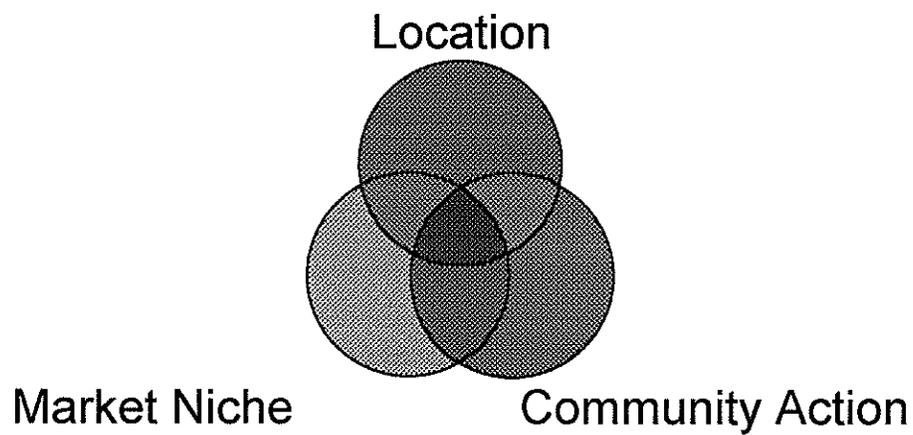
Where different communities are competing for a facility, the decision is often made in favor of where the executive believes he or she will get the most help in making a smooth transition. As much as possible, the visit should provide solutions to known or anticipated concerns and describe the processes that will facilitate the move.

None of this works, of course, if the solutions are not available. Before marketing efforts are initiated, solutions need to be implemented for the problems that were previously identified, especially the problem of providing adequate and appropriate industrial sites.

Finally, North Whidbey can offer an extraordinary incentive if it can earn a reputation as being friendly to appropriate businesses. For retention and recruitment, businesses seek certainty from government and a regulatory and permitting process which is customer-service driven. A further discussion of a customer-service driven government process is outlined later in this report.



Creating a Diversified Economy



Other Economic Diversification Strategies

Introduction

As discussed in the preceding chapter, there are several other key diversification strategies for North Whidbey. These opportunities fall into the following areas:

- Downtown and Waterfront Development/Tourism
- Economic Linkages with NAS Whidbey
- The Encouragement of Agriculture and Open Space

This chapter focuses on the opportunities and strategies in these areas. In addition during the course of the public workshops suggestions were made to create strategies regarding the senior citizen/retired population. A discussion of this opportunity is presented at the end of this chapter.

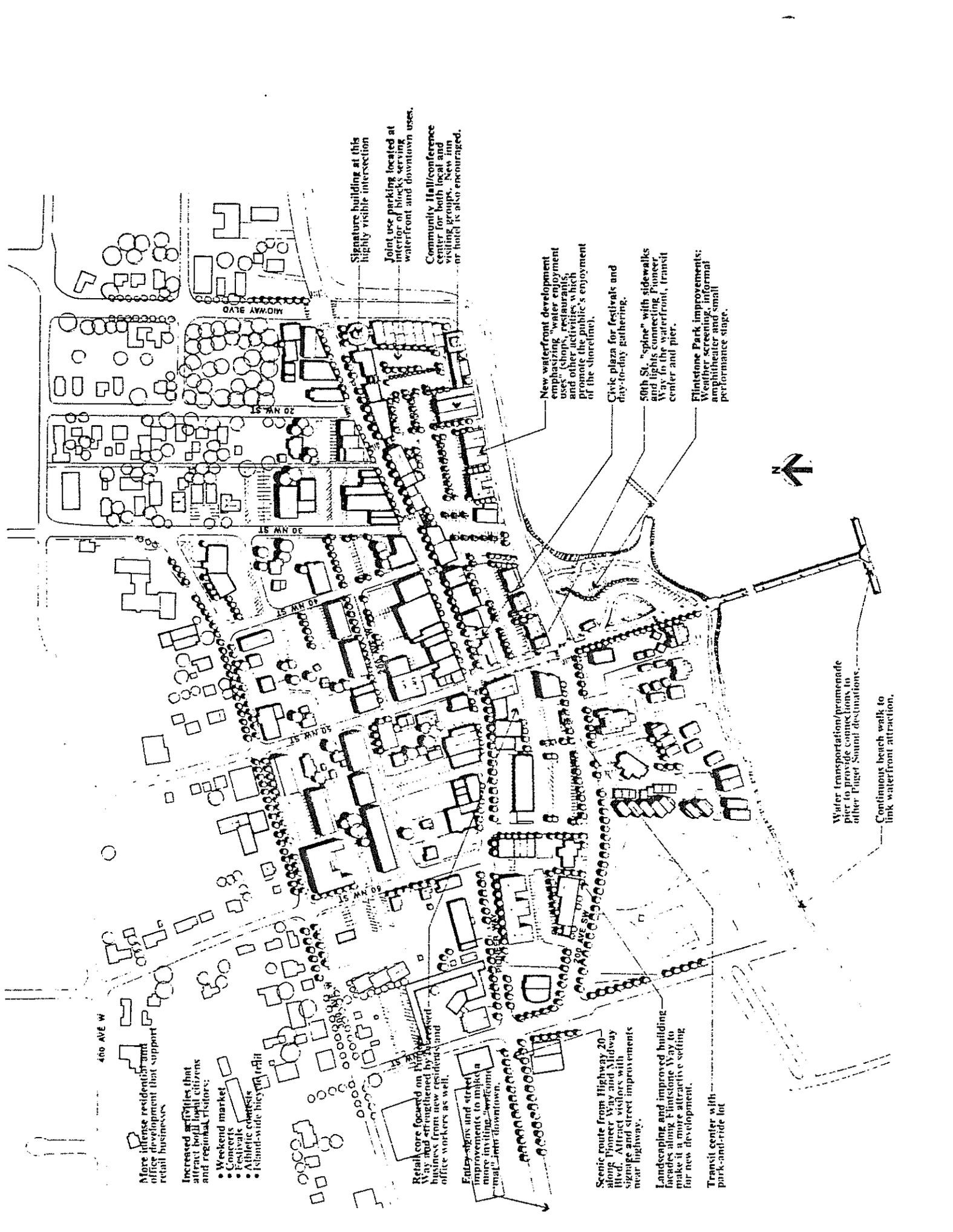
Downtown and Waterfront Development Strategies

Downtown and the Oak Harbor Waterfront are the heart of the community. To strengthen economic opportunities, we believe the Harbor Watch Downtown Redevelopment Plan, completed in 1989, is a viable and attractive development strategy. We strongly encourage full implementation of this exciting plan. (See map of targeted area on the following page).

This strategy of the Harbor Watch Plan is based on meeting three markets:

1. A stronger local market for residential space producing a greater in-town population needing local services for every day personal needs.
2. A market arising for increased office space as the Downtown becomes the focus for business and professional needs on North Whidbey Island. This will result in a greater need for business services.
3. A recreational/retail market developed to serve visitors from throughout the area as well as residents and office workers.

The plan already has been partially implemented. Projects currently in the works or being discussed are the Pioneer Way Landscaping and beautification program, Plaza and Clock Tower at Pioneer Way and 50th, Waterfront Walk, Transit Station, Entry Park at Pioneer and SR 20 and various continuing promotions.



400 AVE W

More intense residential and office development that support retail businesses

Increased activities that attract both local citizens and regional visitors:

- Weekend market
- Concerts
- Festivals
- Athletic contests
- Island-wide bicycling trail

Retail core focused on Highway 20 Way and strengthened by new business from new residents and office workers as well.

Enter signs and street improvements to make a main downtown shopping mall downtown.

Scenic route from Highway 20 along Pioneer Way and Midway Blvd. Attract visitors with signage and street improvements near highway.

Landscaping and improved building facades along Flinstone Way to make it an attractive setting for new development.

Transit center with park-and-ride lot

Signature building at this highly visible intersection

Joint use parking located at interior of block serving waterfront and downtown uses.

Community Hall/conference center for both local and visiting groups. New inn or hotel is also encouraged.

New waterfront development emphasizing water enjoyment, shopping, restaurants and other amenities to promote the public's enjoyment of the shoreline.

Civic plaza for festivals and day-to-day gathering.

50th St. "spine" with sidewalks and lights connecting Pioneer Way in the waterfront, transit center and pier.

Flinstone Park improvements: Weather screening, informal amphitheater and small performance stage.

Water transportation/promenade pier to provide connections to other Puget Sound destinations.

Continuous beach walk to link waterfront attraction.



The following actions would be appropriate to continue the strategic plan and meet the target markets:

1. Commence plans to establish an LID to finance the remainder of the capital projects with revenue bonds. This strategy would allow the improvements to be completed forthwith and financed over the life of the bonds. It would ensure that the Downtown property owners, who will receive the benefits of the program in increased property values, will bear the cost in a manageable manner.
2. Establish a Property Improvement/Beautification program as follows: For a two year period the City should match the scheduled property tax and allow the entire amount to be applied to approved projects. The City match would come from current expense funds and would be limited to the first \$50-60,000 for approved projects. Such a program would make \$200-240,000 available for property improvements which would be recouped through increased property values. A typical Downtown property with a \$1,500 annual tax would have \$6,000 for approved improvements. This program would reinforce the government dedication to the Harbor Watch Program and facilitate establishing the LID or Business Improvement Area. If the program is successfully implemented Downtown, it could be repeated for other areas on a rotating basis.
3. Continue applications to the Interagency Committee for Outdoor Recreation (IAC) for funding for the Waterfront Walk, Pier, and Plaza/Clock Tower.
4. The Downtown businesses should be commended for their creation of a Main Street management program. This program requires attention to four areas: management, marketing, common areas and business development. The success of this program - and for much of the Downtown plan - requires full-time attention by a paid professional staff person. This could be offered through the Downtown Development Council or through a working agreement with the Chamber. Funding could come through a BIA, membership drive or local economic fund, which is discussed in the next section.

Tourism Development Strategies

The future success of tourism development in North Whidbey relies on the ability of the North Whidbey community to:

- Create product to attract visitors and visitor spending; and,
- Fund a year-round marketing program.

To accomplish these two goals, we would recommend the following strategies be considered:

1. Destination activities must be developed in Downtown and along the Waterfront. The successful implementation of the Harbor Watch Plan will create a tremendous attraction for local residents and visitors.
2. The EDC and Chamber should work together on programs to encourage new tourism activities. For example a workshop could be held in conjunction with the Washington State Tourism Division on tourism business development. The workshop could focus on businesses such as adding horse back riding to a farm business, boat rentals, bicycle rentals and others. To assist with business start-ups, we would encourage the use of the management and financing tools outlined in the preceding chapter.
3. Public recreation is a highly held community value. The development of recreational facilities and community amenities can also be great tourism attractions. Oak Harbor and Island County must make a commitment to the continual upgrading of public recreation programs and facilities. This would include continuing investment in marina facilities, parks, hiking trails, athletic fields and other recreational activities. Furthermore, a number of individuals interviewed indicated a need for better coordinated planning and management of existing facilities. We strongly encourage the community to create a joint City-County Task Force to examine parks and recreation management alternatives and to create a long-term plan for recreational enhancement.
4. The area hosts a variety of unique celebrations and special events. These events are tremendous opportunities for tourism. We strongly encourage that financial and management systems be implemented to ensure the long-term success of these important community events. (Financing and management systems are addressed below).
5. The potential creation of a community center offers an outstanding opportunity for North Whidbey. This facility has the potential to satisfy local needs for meeting space and community activities, but could be a powerful lure for visitors and small convention/retreat needs. As the community reviews this opportunity, we would strongly encourage the consideration of two ideas. First, don't be afraid to dream and to create a real statement about the values of North Whidbey. The small town of Chaska, Minnesota built a \$8.5 million, 99,825 square foot community center that is a true success story. Second, how can this project be a win-win in terms of economic diversification? Creating a new center will be a win, but could it not also serve as the anchor for Downtown redevelopment? As it considers selection criteria for the location of this facility, we would hope that spin-off economic impacts would be one of the key location factors.

6. To coordinate the development of a tourism action program, we would encourage the following:
 - A. North Whidbey should create a Tourism Commission, with staffing provided by the Chamber, to create an annual action agenda. The Commission, which would be representative of stakeholder interests in the community, would be responsible for creating an annual work program and recommending budget allocations for funds collected from the hotel-motel tax.
 - B. The Tourism Commission should hold an annual community workshop on tourism to solicit ideas and determine community priorities.
 - C. The Tourism Commission should work with the community to build consensus on raising the local hotel-motel tax. These funds could be used to enhance marketing and potential development projects, such as the meeting space for a community center.

Economic Linkages with NAS Whidbey

A key diversification strategy in other communities around the country is to use the primary industry as the basis for spin-off economic opportunities. For example, Microsoft has spun-off a series of like high technology companies. There has been other experience with a public sector driven economy. For example, in Richland, the Hanford Nuclear Reservation has fostered an exciting partnership for economic development focusing in the area of environmental remediation.

Currently, outside of a few contractors, there are very few substantial linkages between NAS Whidbey and the local economy. We recommend an aggressive program to enhance these linkages in the future as a part of an overall diversification strategy. (The timing is also particularly opportunistic as there appears to be substantial interest in the areas of technology transfer and privatization of public sector services).

Specifically, we would recommend the following opportunities:

1. Partnership Oak Harbor should bring together the business community and the military on an annual basis to hold a procurement conference. This conference would outline opportunities for local businesses to be able to bid on supply and operating contracts.
2. Partnership Oak Harbor should coordinate a planning retreat with the business community and top military leadership to discuss opportunities for technology transfer and the privatization of services.

Are there opportunities to dispose of base oil? Can a current supplier outside of North Whidbey be recruited to locate a branch office on the Island? These and other questions could be addressed through this planning session.

Agriculture Development Strategies

"Rural atmosphere" is an essential part of the quality of life on North Whidbey Island. While agriculture is not a major industry in terms of employment and income, it will be essential to address the economic development of a viable agricultural industry to ensure the future of the rural atmosphere and the associated quality. To neglect the agricultural economy would leave the landowners no choice but to convert their holdings to a more lucrative purpose, such as residential or commercial development.

North Whidbey agriculture is characterized by small farms involved in dairy, hay, seed or row crops. The majority of the farmers have other employment. In the 1982 Census of Agriculture only 19.2% of Island County farms had sales over \$10,000, and farm earnings were only 1.5% of total County earnings.

The basic problems are to:

1. Encourage marginal farming and maintenance of open space.
2. Provide a cost effective market for farm products.
3. Allow the farmer to receive the value of his land at retirement or in a depressed market which requires conversion of land for economic survival.

The following strategies would address these problems:

1. The tax rate for agricultural, forest and other dedicated open space must reflect the community's encouragement to maintain these lands for the overall population. Consequently, property assessments for farm lands could be less than other commercial or residential properties.

While the designation of eligible lands into a lower tax rate should be encouraged, there must be a fair way to remove such lands in order to avoid excessive economic hardship. For example, it would be unfair to regulate or zone a land owner into receivership for the lack of ability to dispose of property in a prudent and economical manner.

2. A local retail market for farm products should be developed. This would eliminate the shipping costs and the markup taken by the distribution process and increase the revenue to local farmers.

In order to finance and operate such a Farmers Market, the local farm community should consider a Co-op or Grange organization formed under the auspices of the WSU Cooperative Extension Service or the Washington State Grange Bureau. Such a market should encourage higher priced or value added row crops which are not currently economically viable on Whidbey Island.

3. High value crops, such as seed crops, for export should be encouraged. The Co-op or Grange should provide export assistance for such crops.

Economic Impact of Retired/Senior Citizens

Whidbey Island has increasingly become a retirement destination for a number of reasons:

1. The availability of military commissary, exchange and health care has attracted a large number of military retirees.
2. The quality of life, mild climate and reasonable housing prices have attracted many urban midwest and southern California retirees.
3. The proximity to recreation, boating and urban amenities combine with a rural atmosphere to make North Whidbey highly attractive.

In 1990, the population of the North Whidbey study area for this project was 38,327. The Bureau of Census data indicates that 4,536 people (11.8%) are over 55 years old. Of this figure, there are 2,480 residents (6.5%) over 65 years of age. This percentage of population can be expected to increase over time, due to national population trends and the presumed continued operation of NAS Whidbey.

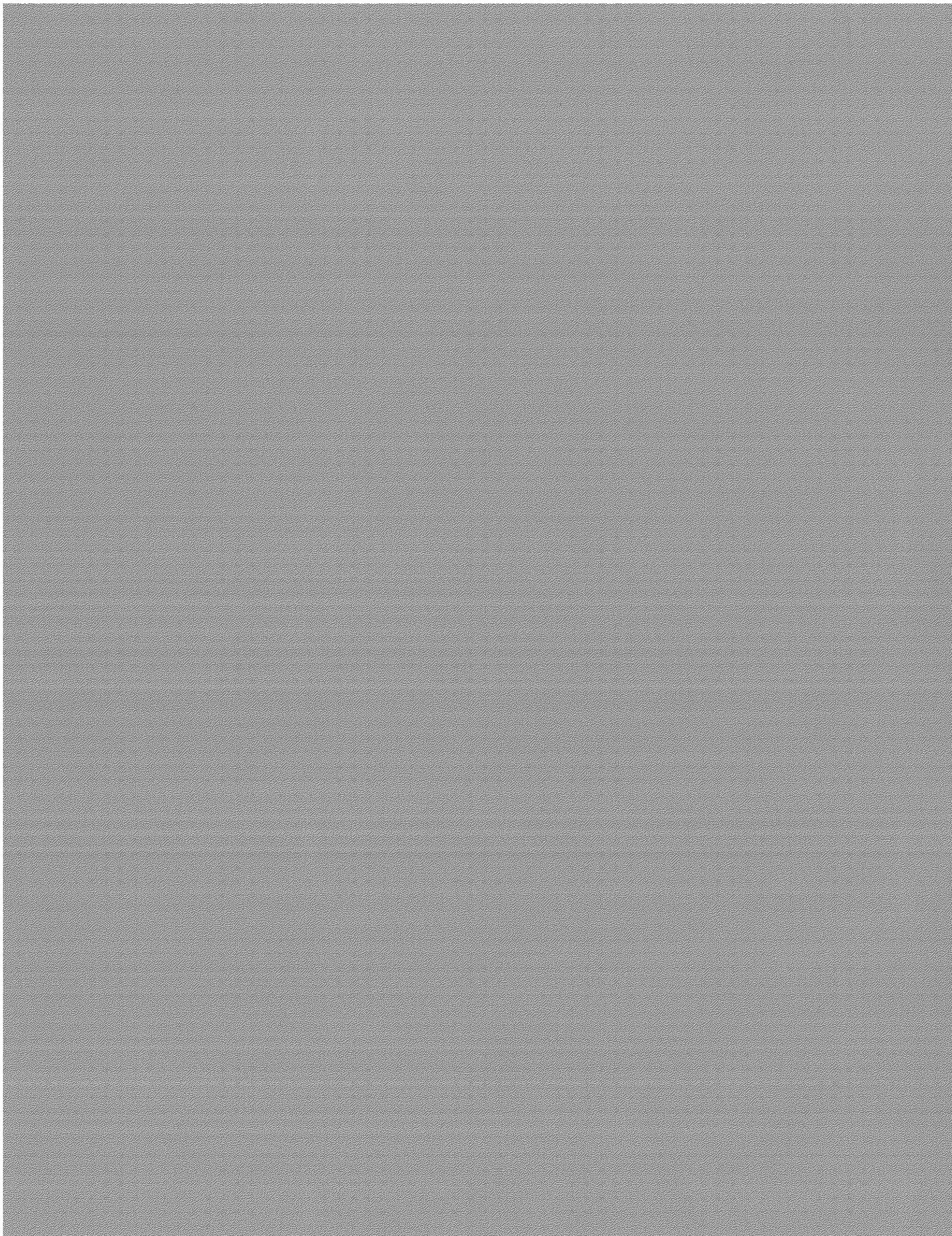
The retired/senior citizen population represents a significant and growing segment of the North Whidbey economy. Table 1 indicates the spending patterns of the mature market relative to under 65 age groups, according to a survey by the Bureau of Labor Statistics.

Table 1: Average Annual Expenditures of Urban Consumer Households

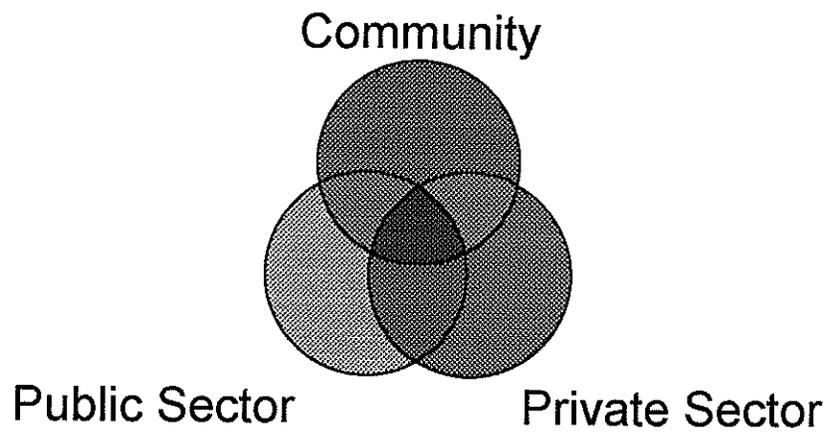
Type of Expenditure	Under 65	65 - 70	Over 75
Shelter/Furnishings	5,396	3,204	2,661
Utilities	1,718	1,644	1,311
Food	3,603	2,831	1,912
Clothing	1,335	715	346
Health Care	785	1,340	1,487
Transportation	4,838	3,041	1,450
Pension and Life Insurance	2,358	778	229
Entertainment	1,168	604	291
Cash Contributions	1,645	953	632
Other	724	762	878

Table 3 suggests that the health care, housing, utilities, transportation, and retail markets are heavily impacted by the mature market. Income from the senior/retired market in terms of retirement, transfer and investment will be an increasingly important source of money for the local economy.

The needs of this population in the future will be primarily in the health, retail and housing sectors as opposed to being oriented toward employment opportunities. Clearly, as long as NAS Whidbey is an active facility and the major private hospital is located out of the targeted area, significant opportunities for economic development are reduced. However, there will be opportunities to create retail and professional services to cater this important market in the future. This impact must be considered in the economic future of the area.



Mobilizing Resources



Chapter 10: Organizing for Success

Introduction

One of the major keys to the successful implementation of this Action Plan will be the creation of new management and financing systems for North Whidbey. This section is designed to discuss alternatives which would be implemented over the life of this Action Plan.

Reposition Partnership Oak Harbor

Partnership Oak Harbor is a terrific vehicle which can bring together the community to discuss economic diversification projects and to ensure the successful completion of projects. The community should be congratulated for forming such an organization. To build on this success, we would offer the following recommendations:

1. Partnership Oak Harbor should be recognized as the catalyst which will ensure the successful implementation of this Action Plan. It can provide the necessary "elmer's glue" and communications network to ensure implementation and accountability. It's basic mission would be community communication on economic issues. Implementation would primarily be the responsibility of existing organizations, such as the City, Chamber, Planning Commission, Skagit Valley College, etc.

We are not suggesting creating another membership organization or a permanently incorporated structure. Rather we view Partnership as a forum for ideas about and community participation in economic diversification.

2. To accomplish the goals and to successfully implement the North Whidbey Community Diversification Action Plan, we would recommend that Partnership Oak Harbor be renamed "The North Whidbey Partnership."
3. The North Whidbey Partnership meetings would be open to the public and the schedule of agenda items published in the local press. Recruitment efforts should be made to include additional participation by members of stakeholder organizations including agriculture, residents on the north end of Island County and others.
4. The North Whidbey Partnership meetings would be structured, with a formal agenda, made up primarily of reports on community action items. For example, a meeting could include an update on the community center, Save NAS, Harbor Watch plan, transportation, downtown revitalization, etc.

5. Either a staff person (see discussion below) or an organizational secretary should provide meeting notices and minutes.
6. The North Whidbey Partnership should provide the lead in informing the community about economic diversification choices and fostering community communication on economic issues. This work program would build off the strategies used to create this report. These strategies include town meetings, speaker's bureau, publicity, flyers and other actions.

Create New Economic Task Forces through the Partnership

Currently, the community has an on-going Task Force to support efforts to maintain the strong presence of NAS Whidbey Island. The North Whidbey Partnership should work with other local organizations to ensure the creation of the following new economic entities:

1. As discussed, the community should formulate a Business Assistance Advisory Council to create assistance programs - both financial, training and technical assistance - for existing small businesses. Ultimately, the program should be managed in cooperation with the EDC, Chamber and Skagit Valley College.
2. Partnership should create a TEAM North Whidbey to assist in business recruitment efforts. The TEAM could include businesses, property owners, residents and government leaders who could meet with potential prospects, as well as go on recruiting visits with the EDC director. For example, the TEAM could spend a day working the office corridors of small buildings in the greater Redmond area to recruit small, but established, high-tech companies for relocation. (The owners of Logos indicated an interest in participating in this kind of effort).
3. As discussed, Partnership should encourage the creation of a Tourism Commission, which would be responsible for the development of an annual tourism action plan and recommending allocations of hotel-motel tax funds.

Hold an Annual Economic Summit

The process to create this Action Plan included extensive community outreach and ultimately community consensus on goals and implementation strategy. We would recommend that on an annual basis, a mini-economic summit is held, in the Fall to help set the Action Plan agenda for the coming year. This summit would review past success and create priorities for the following year. It would be patterned after the successful Puget Power-sponsored summit in 1991.

Create a North Whidbey Action Fund

Successful economic diversification programs require proper financial support from the public and private sector. The communities who participated in a survey by the Frey Foundation, as reported in their book "Taking Care of Civic Business," recommended that from \$250,000 to \$500,000 be spent on a community development program. A recent survey of 125 economic development agencies by the National Council on Urban Economic Development reported that the average operating budget of all respondents was almost \$1 million, with per capita spending at approximately \$3. The Pacific Region of the country spent the most per capita, \$4.12. The survey also indicated that the economic development organizations received 48% of its budget from a city; 26% from the federal government; 18% from other local government; and, the remaining from the private sector, foundations and the state.

Currently, economic development organizations on North Whidbey are woefully underfunded by the public and private sector. If the community is serious about economic diversification, then it is in everyones best interest to participate in funding programs which support the successful implementation of the Action Plan.

Consequently, we would propose establishing a North Whidbey Action Fund, with the funds used to supplement efforts to implement the Action Plan by the Chamber and EDC. In addition, funds would be used for specific project implementation, such as the recruitment marketing campaign or to purchase an updated version of the Forte' software, and, potentially, to supplement the salary of a Main Street Manager in Downtown. (These funds can provide incredible seed money to leverage additional contributions and grants for projects).

Therefore, we would propose spending a total of \$4 per capita to create the fund. This would total \$138,380 annually. Furthermore, we would hope to solicit a three year commitment in establishing the fund, which would be managed by Partnership.

The Action Fund would receive support from three areas:

1. The City of Oak Harbor would be asked to contribute \$40,000 per year for three years;
2. Island County would be asked to contribute \$20,000 per year for three years; and,
3. The private sector, foundations and other government agencies would be asked to contribute the remainder.

Pursue Creation of Additional Development Tools

North Whidbey is competing with one hand tied behind its back because it is not taking advantage of all potential development tools. These tools are not an end in themselves, but rather a means for the community to accomplish its shared economic vision and mission. We would recommend that Partnership lead a community discussion on the following potential opportunities:

1. Partnership should work with the Downtown Development Council on the potential creation of a Downtown Local Improvement District for streetscape improvements. Long term, the Downtown Development Council should lead a discussion regarding the potential establishment of a Downtown Oak Harbor Parking and Business Improvement Area.
2. Partnership should lead the discussion and involve stakeholders regarding infrastructure improvements, including funding mechanisms, and potential annexation of the area identified for business expansion.
3. Partnership should lead the discussion regarding the creation of a local development funds to assist with small business expansion. This could include a loan pool with local financial institutions, the creation of a community development organization, a small business investment corporation or similar organization.
4. Partnership should lead the discussion regarding the potential creation of an Oak Harbor Public Development Authority. Authorized by Washington State Law (RCW 35.21.730 -755), PDAs can be established to:
 - A. Transfer to the PDA, with or without consideration, any funds, real or personal property, property interest or services;
 - B. Organize and participate in joint operations or cooperative organizations funded by the federal government when acting solely as coordinators or agents of the federal government;
 - C. Continue federal-assisted programs, projects and activities after expiration of contractual term or after expending allocated federal funds as deemed appropriate to fulfill contracts made in connection with such agreements or as may be proper to permit an orderly readjustment by the PDA; and,
 - D. Create PDAs to administer and execute federal grants or programs; or receive and administer private funds, goods or services for any lawful public purpose or public function.

The statute allows a PDA to be empowered to own and sell real and personal property; to contract with individuals, associations and corporations and the state and the United States; to sue and be sued; to loan and borrow funds and issue bonds and other instruments of indebtedness; transfer any funds, real or personal property, property interest or services; to do anything that a natural person may do; and, to perform all manner and type of community service. The PDA's powers do not include the power of eminent domain.

PDAs have been successfully used in Washington State for projects such as the Pike Place Market, Museum of Flight, Tall Ship Lady Washington and others.

On North Whidbey, a PDA could be utilized for projects such as the creation of the Enterprise Park, the redevelopment of the City-owned parcel along the Downtown waterfront and the community center.

5. For the long-term, Partnership could be the catalyst of community consideration of potential grant applications and other economic tools.
6. In addition, the following other sources of capital formation should be pursued by the community:
 - A. **Municipal Capital Improvement Fund.** The revenue for this fund is the 1/4% Real Estate Excise Tax. Funds are restricted for capital improvement projects. This fund currently generates approximately \$90,000 annually (1994 Budget). This fund could be used to retire revenue bonds or service debt.
 - B. **Extend the B and O tax to public utilities.** A 0.05% tax on water, sewer and garbage fees would generate approximately \$205,000 annually (1994 Budget). These funds could be used to retire revenue bonds or service debt.
 - C. **Additional federal and state grant programs.** As a part of this report, the community has received a copy of "Communities in the Lead," which is a rural development source book of grants and development strategies prepared by the Northwest Policy Center, University of Washington. These programs can be used to leverage funds generated for Economic Diversification capital projects:

For example, the Federal Farmers Home Administration Community Facilities Program. FmHA is authorized to make 40 year loans to communities of less than 20,000 people.

These loans can be used for community buildings, industrial parks, roads, bridges, utilities, and other improvements; or to acquire lands, leases, and

rights-of-way necessary to develop these facilities; or to acquire the equipment necessary to operate these facilities.

The State Community Economic Development Board (CERB) makes loans to finance the construction of public facilities which will result in private sector investments and permanent job opportunities. Eligible projects include: sewer, water, access roads, utility lines, highway improvements, etc.. Loans are for up to 20 years with an option for a five year deferral of principal and interest repayments.

The State Public Works Trust Fund is a state low-interest revolving loan fund which helps local governments maintain or improve essential public works systems. Loans are available to repair, replace, rehabilitate, reconstruct or improve existing eligible public works systems to meet current standards and to serve the existing service users. Maximum interest is 3%. With a 30% match the interest is 1%.

In addition, Local Revenue Bond programs can be used to extend public services to facilities which would provide a stable and diversified economy. "Late Comers" service charges would be used to recoup the investment as such a facility develops.

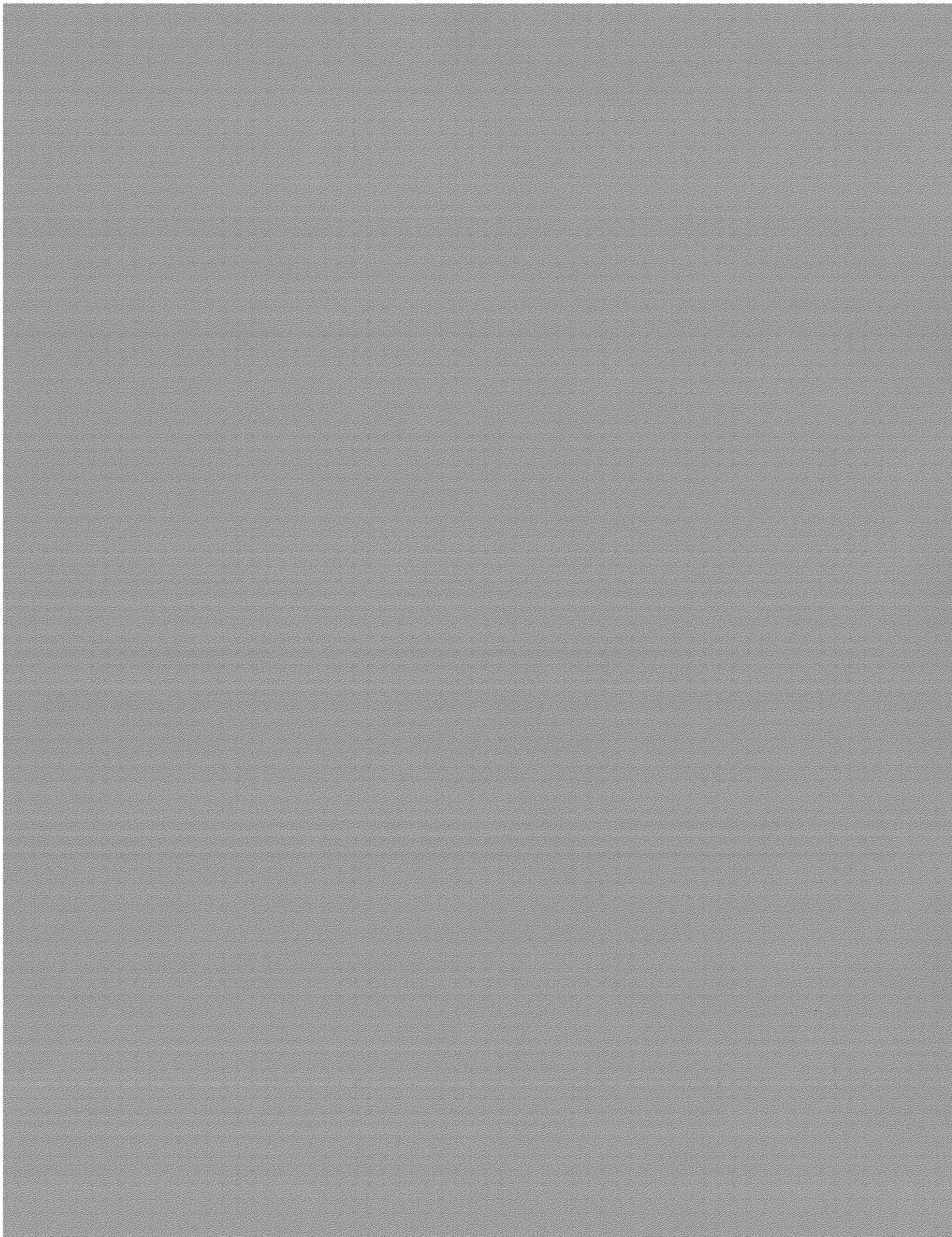
Create Government Economic Diversification Management Systems

The City and County are to be commended for their participation in the development of the Community Diversification Action Plan. To build on this momentum and to ensure the success of the implementation of this report, we would recommend the following:

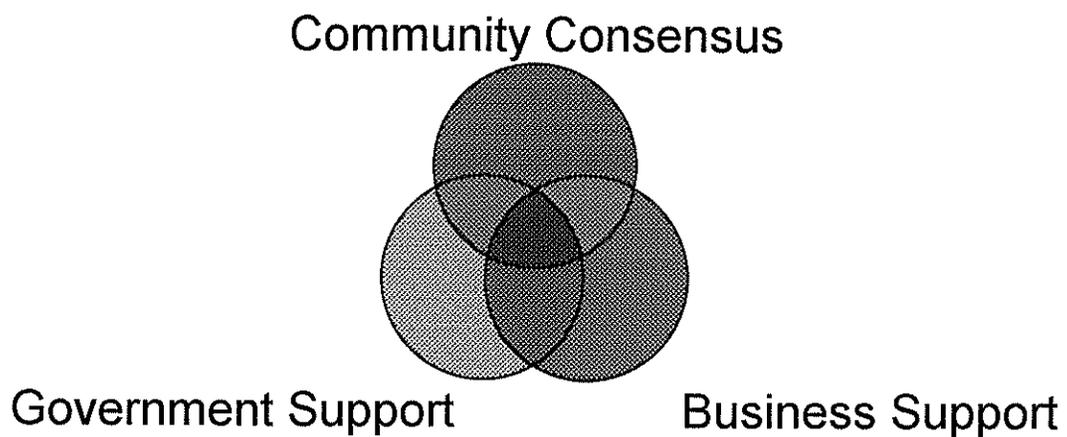
1. The City of Oak Harbor should have someone who is specifically responsible for economic development. We would recommend the following approach:
 - a. The Director of Planning's title should be expanded to include economic development. Consequently, this staff person would have the title of Director of Planning and Economic Development.
 - b. The City should fund - either through a staff person or through a contract with a local economic organization - an economic development specialist. This person would report to the Director of Planning and Economic Development and would be responsible for City implementation of Action Plan recommendations. This person could also be assigned to staff the Partnership North Whidbey.
2. The City Council and County Commissioners should hold a workshop with department heads who are responsible for economic development, including engineering, public works, building and planning. The purpose of this workshop

would be learn about existing management systems and to discuss the efficient operation of permitting systems.

3. The City Council and County Commissioners should create an Economic Impact Test when reviewing potential new permitting and regulatory programs. This would encourage the creation of a cost-benefit analysis of new programs and policies.
4. The City of Oak Harbor and Island County will take the lead in working with the community on a thorough review of existing permitting and regulatory programs. A proactive system will be established which encourages the success of businesses outlined in the Action Plan.



***A Commitment to Action
and to Evaluate Success***



Chapter 11: 1994/95 Action Plan

Based on the recommendations and the diversification strategies outlined in this report, we would suggest the following Action Plan be adopted. This Action Plan would also form the basis for a way to evaluate the first year success of the community's economic diversification efforts.

We recommend that the basic focus of the Action Plan be on building the foundation for future economic diversification. As discussed in the preceding chapters, the North Whidbey area must first address capacity, infrastructure and organizational issues before its leaders can implement strategies such as business recruitment.

While we believe the recommendations outlined in the preceding chapters should be addressed over the course of the next 20 years, there appears to be consensus on a number of major action items. This prioritization of strategies also recognizes the limited local development capacity, in terms of the number of local professional development specialists, limited City and County staffs and finite public and private sector financial and volunteer resources.

The action strategies and priorities listed below are a result of a series of public meetings and discussions. From this input six priorities have emerged as critical immediate actions which should be addressed in the short term to achieve economic diversification. These priorities include:

1. *Establish a Local Commitment to Economic Diversification*
2. *Create a Community Economic Coordination Work Program*
3. *Establish a North Whidbey Enterprise Park Area*
4. *Enhance Downtown Oak Harbor*
5. *Enhance Tourism on North Whidbey*
6. *Enhance Open Space and Agriculture*

The first two priorities address basic philosophical and organizational issues. The third priority offers the greatest opportunity for economic diversification. The fourth priority supports the recommendations of the Harbor Watch Study. The final two recommendations focus on opportunities associated with the unique and exciting natural, rural environment of North Whidbey.

The following is an outline of implementation strategies which are designed to achieve these goals. The most detail focuses on the biggest opportunity: the creation of the enterprise park area. Following this outline is an Action Matrix which provides a framework for key steps and responsibilities.

Work Program and Responsibilities

Priority 1: *Establish a Local Commitment to Economic Diversification*

Goal:

Develop a series of policies to be supported by the City of Oak Harbor and Island County to commit local government to implement strategies which will ensure a commitment to long-term economic diversification. To implement the first year Action Plan, commitments are required of local stakeholder organizations, including the City of Oak Harbor, Island County, the Economic Development Council, the Chamber of Commerce and the Downtown Development Council. Furthermore, other stakeholders must be involved in an open planning process to ensure community consensus. These stakeholders include local residents, the school district, Skagit Valley Community College, Naval Air Station Whidbey Island and others in the North Whidbey area.

Key Actions

1. A policy will be created to double the share of North Whidbey area manufacturing jobs to eight percent of all non-agricultural workers by the year 2013.

Organizational Responsibilities:

Lead: City and County
Support: Chamber and EDC

Resource Requirements:

Policies developed by City and County planning staffs

2. A target policy will be implemented to double transportation and utility jobs to three percent of total non-agricultural workers by the year 2013.

Organizational Responsibilities:

Lead: City and County
Support: Chamber and EDC

Resource Requirements:

Policies developed by City and County planning staffs

3. The City and County will adopt the economic vision statement outlined in the Action Plan.

Organizational Responsibilities:

Lead: City and County

Support: Chamber and EDC

Resource Requirements:

Policies developed by City and County planning staffs

4. The City and County will hold regularly scheduled meetings or workshops to discuss planning activities, economic opportunities and improvements in process, including permitting, regulations and infrastructure investment.

Organizational Responsibilities:

Lead: City and County

Support: Chamber and EDC

Resource Requirements:

Implementation led by City and County planning staffs

5. The City will provide funding for an economic development specialist.

Organizational Responsibilities:

Lead: City

Support: County, Chamber and EDC

Resource Requirements:

Funded through City's budget

6. The City and County will each provide support for local development organizations.

Organizational Responsibilities:

Lead: City and County

Support: Chamber and EDC

Resource Requirements:

City to contract with the Chamber of Commerce for projects. City will provide EDC with rent and utilities. The County will fund the EDC's funding request of \$26,500.

7. A joint City-County Task Force will be established to examine parks and recreation management alternatives and to create a long-term plan for recreational enhancement.

Organizational Responsibilities:

Lead: City and County

Support: Chamber and EDC, North Whidbey Parks and Recreation

Resource Requirements:

Funded through existing budgets for planning and parks

Priority II: Create a Community Economic Coordination Work Program

Goal:

Strengthen communication between North Whidbey stakeholder organizations by creating consensus on the overall Action Plan and strategies. Implement or ensure implementation of selected diversification strategies. Ensure the efficient use and leveraging of private sector resources.

1. Partnership Oak Harbor will be a forum for all sectors and stakeholders, public and private, to discuss and coordinate the economic future of North Whidbey Island. Implementation would primarily be the responsibility of existing organizations, such as the City, Chamber, Planning Commission, Skagit Valley College, etc. However, Partnership could still be responsible for coordinating a special project, such as overseeing the progress of the development of this plan.
 - A. To accomplish the goals and to successfully implement the North Whidbey Community Diversification Action Plan, we would recommend that Partnership Oak Harbor be renamed "The North Whidbey Partnership."
 - B. The North Whidbey Partnership meetings would be open to the public and the schedule of agenda items published in the local press. Recruitment efforts should be made to include additional participation by members of stakeholder organizations including agriculture, residents on the north end of Island County and others.
 - C. The North Whidbey Partnership meetings would be structured, with a formal agenda, made up primarily of reports on community action items. For example, a meeting could include an update on the community center, Save NAS, Harbor Watch plan, transportation, downtown revitalization, etc.
 - D. The North Whidbey Partnership would have an elected chair and vice chair.
 - E. Either the new economic specialist or a contract person from an economic development organization should serve as Partnership's secretary and provide meeting notices and minutes.
 - F. The North Whidbey Partnership should provide the lead in informing the community about economic diversification choices and fostering community communication on economic issues. This work program would build off the strategies used to create this report. These strategies include town meetings, speaker's bureau, publicity, flyers and other actions.

Organizational Responsibilities:

Lead: Partnership Oak Harbor

Support: Government and Economic Development Organizations

Resource Requirements:

None

2. On an annual basis, Partnership would coordinate an Economic Summit. The 1995 event would be held after BRAC 95.

Organizational Responsibilities:

Lead: Partnership

Support: Government and Economic Development Organizations

Resource Requirements:

Similar to Puget Power Summits

3. Partnership should lead the discussion regarding the creation of local development funds, such as a loan pool with financial institutions, the creation of a community development organization, a small business investment corporation or similar organization.

Organizational Responsibilities:

Lead: Partnership

Support: Government and Economic Development Organizations

Resource Requirements:

None

4. The Board of Directors of the Downtown Development Council, Greater Oak Harbor Chamber of Commerce and Island County Economic Development Council should meet jointly twice a year to review progress on private sector initiatives, work programs and the coordination and leveraging of private sector resources. A key initiative for 1995 would be for the Boards of all of the organizations to commit to an evaluation of the opportunity to share office space to create "one-stop" shopping and organizational efficiencies.

Organizational Responsibilities:

Lead: DDC, Chamber and EDC

Support: City and County

Resource Requirements:

None

5. The executive directors of the Downtown Development Council, Greater Oak Harbor Chamber of Commerce and Island County Economic Development Council should meet jointly at least quarterly to review progress on private sector initiatives, work programs and the coordination and leveraging of private sector resources.

Organizational Responsibilities:

Lead: DDC, Chamber and EDC

Support: City and County

Resource Requirements:

None

Priority III: *Establish a North Whidbey Enterprise Park Area*

Goal:

Create an identified area and environment to facilitate the creation of primary jobs in targeted business sectors. This area would be defined as that area inside the proposed Urban Growth Area bounded by Ault Field Road on the north, and generally between Heller Road on the west and the Goldie Road commercial/industrial areas on the east. This includes the existing Oak Harbor-industrially-zoned land west of Goldie Road, plus all the land between Goldie Road and the Naval Reservation properties north of the existing City Limits. Cemetery Road would be extended east/west between Goldie Road and Heller Road to form a natural southern boundary. In addition, there is a small triangle of existing Oak Harbor industrial land between Goldie Road and SR 20, south of Cemetery Road, that has vacant sites available. Finally, strip industrial/commercial facilities should not be developed along SR 20 north of Oak Harbor. The North Whidbey Enterprise Area would see utilization by both existing North Whidbey businesses and targeted businesses.

To implement this goal the following detailed strategy is recommended.

Set Goals (Priority I)

The community should formulate a strategy in the context of the community development goals it is intended to achieve. These goals have been defined under Priority I in the Action Plan, which establishes a commitment to economic diversification. They include:

1. Increase the share of North Whidbey area manufacturing jobs by a minimum of four to eight percent of all non-agricultural workers by the year 2013. Based on population and employment forecasts, this will require an increase from 328 manufacturing jobs in 1993 to about 1,045 manufacturing jobs in 2013, an increase of at least 717 workers employed in the manufacturing sector.
2. Set specific objectives for the types of primary employment that will be recruited and/or developed in North Whidbey. The recommended focus is on high value-added products and services, emphasizing information processing centers, light manufacturing/assembly operations and high-technology development and production.
3. Develop sites that are both sufficient and suitable to accomplish the quantitative and qualitative objectives of the industrial policies. This includes sites that can facilitate the development of new business enterprises in North Whidbey, in addition to recruiting established firms from outside the area. This will require expanding the supply of industrially-zoned land in North Whidbey from approximately 230 acres in 1993 to 441 acres in 2013.

Other objectives for industrial policy include: concentrating industrial activities in appropriate areas; minimizing growth impacts on the community and its residents; protecting and efficiently using limited resources; and, ensuring the attraction of complementary businesses with the existing lifestyle characteristics of North Whidbey.

Establishing a North Whidbey Enterprise Area (Priority II)

This is the overall strategy that accomplishes the goals set forth above. It creates an identified area and environment to facilitate the creation of primary jobs in targeted business sectors. This is an area within the Urban Growth Boundary that is bounded by Ault Field Road to the north, and generally between Heller Road on the west and the Goldie Road commercial/industrial areas on the east. This includes the existing Oak Harbor industrially-zoned land west of Goldie Road, plus all the land between Goldie Road and the Naval Reservation properties north of the existing City Limits. Cemetery Road would be extended east/west between Goldie Road and Heller Road to form a natural southern boundary. In addition, there is a small triangle of existing Oak Harbor industrial land between Goldie Road and SR 20, south of Cemetery Road, that has vacant sites available. Finally, strip industrial/commercial facilities should *not* be developed along SR 20 north of Oak Harbor. (See map of targeted area in preceding chapters). The North Whidbey Enterprise Area would be utilized by existing and newly formed North Whidbey businesses, as well as by companies recruited and/or developed through the economic diversification program.

There are two components of this strategy:

1. A planning component that consolidates industrial sites within the Enterprise Area, providing them with zoning and infrastructure capabilities to accommodate industrial growth on North Whidbey Island;
2. Development of a "North Whidbey Enterprise Park" as the focus for recruiting and/or developing the specific types of companies that will achieve the economic diversification objectives. The Enterprise Park will be located within the overall Enterprise Area, so these two components will be integrated into a comprehensive strategy.

Primary leadership for formation and development of the Enterprise Area should be provided by the City of Oak Harbor, with implementation by the City Planning Department. The strategy also requires coordinated participation and support by Island County, the Chamber of Commerce, the Economic Development Council, property owners, developers, and companies locating within the Enterprise Area. Some implementation components require that one of these entities take the lead role, with support from the City of Oak Harbor and other members of the coalition.

Consolidate industrial/commercial sites in the Enterprise Area (Priority III)

Implementation

1. *Identify and annex industrial/commercial properties within the Enterprise Area into the City of Oak Harbor.* The City of Oak Harbor needs to begin a process of working with Island County and the owners of properties outside the City Limits to identify properties suitable for industrial/commercial uses and annex those properties into the City. Meetings need to be held with property owners to identify issues and address concerns. Selected interviews indicate general support for annexation, but *only if* it provides solutions for existing problems of land use, infrastructure, and public safety, without excessive costs and restrictions. Special attention needs to be given to addressing the City's fire code and enforcement provisions to determine the costs of upgrading existing facilities.

The processes and time schedules for annexation need to be established.

- a. City and EDC identify properties suited for industrial development.
 - b. City, County and property owners develop an annexation map.
 - c. City initiates annexation process.
2. *Establish coordinated zoning and land use plans for this area.* Industrial/commercial properties annexed into the City of Oak Harbor will be intermingled with residential properties that will remain in the county. The City and County need to develop coordinated zoning and planning overlays that will minimize conflicts, protecting residential properties, while achieving the objectives of the Enterprise Area.
 - a. City and County develop planning overlays with buffers, open space, etc.
 - b. Meet with property owners and residents to develop final plan.
3. *Draft specific performance standards and design criteria for the Enterprise Area.* The City needs to craft its zoning ordinances to include performance standards and design criteria. This will assure maximum compatibility with adjacent land uses. Performance standards may include such criteria as allowable uses, employment densities, traffic generation and other factors. Performance-based zoning, instead of exclusionary zoning, will allow maximum flexibility of uses while minimizing undesirable impacts.
 - a. Public process, led by City, to develop design and performance standards.

- b. City revises zoning ordinances to be based on performance standards. These may vary by specific locations to be consistent with planning objectives.
4. *Develop a long-range infrastructure and road improvement plan to provide full City services and development standards to all the industrial/commercial sites.* The plan should provide for phased development, with primary emphasis on the Goldie Road corridor, with benchmarks that can be tied to market demand and/or budget capabilities. Development of the plan needs to include active participation of the property owners and a problem-solving approach to assure that it meets development requirements as well as City planning requirements. Part of this process should be concurrent with annexation planning, with pre-annexation agreements committing City services at levels that will add value to the industrial/commercial properties without undue costs and/or regulations.
 - a. City draft ultimate service and road improvement plan in open process. Develop schedule for implementation.
 - b. Use plan to develop costs, schedules, benchmarks.
 - c. Use plan to validate benefits of annexation and obtain pre-annexation agreements.
5. *Develop major road corridor and facilities plan to accommodate site services.* A specific need is to plan for the extension of Cemetery Road to serve as the southern boundary of the Enterprise Area. Other needs may include expansion of arterial and collector roads, a drainage plan to accommodate surface runoff from developed sites, and upgrades in water systems and sewer treatment facilities.
 - a. City determine major requirements (not site-specific) to fully develop the Enterprise Area.
 - b. Develop a plan to meet those requirements consistent with the benchmarks for industrial site development.
6. *Develop a financing plan to fund the major roads and facilities, as well as the road and infrastructure improvements within the Enterprise Area.*
 - a. City and County jointly develop public works plan for area, including costs.
 - b. Assess funding sources, such as CDBG's, other EDA grants, DOD funds, State funds, etc. As appropriate, identify special funding mechanisms such as service development fees, a real estate transfer tax, etc.

- c. Develop financing plan, showing sources of funds, fiscal impacts on local government, tax impacts (if any) on citizens, etc.
- d. Establish budgets and implement selected funding options.

7. *Implement processes of annexation and public works improvements.*

Develop a North Whidbey Enterprise Park (Priority IV)

With full City services and road improvements, the sites within the Enterprise Area are expected to accommodate most of the normal growth of industrial activities in North Whidbey. These include virtually all industries that respond to local demand, such as auto repair shops, warehousing and distribution firms, cabinet shops, etc.

In addition to these kinds of firms, a primary policy objective is to develop a larger base of high value-added companies that require substantially upgraded site environments, improvements and amenities. While several "high-tech" companies are currently operating within the boundaries of the North Whidbey Enterprise Area, there is a need to develop a site that is specifically designed and serviced to meet the requirements of these kinds of firms. This site is designated as the *North Whidbey Enterprise Park*.

Responsibility for developing this Park needs to be in the private sector, with one or more private developers acquiring and developing the site to standards established through planning criteria. These planning criteria should be jointly formulated by the City, County, EDC, the Chamber of Commerce and the private developers.

Implementation

1. *Select an appropriate site within the Enterprise Area for an Enterprise Park.* The recommended minimum size is 20 acres, with future expansion capabilities. It needs to be recognized that this site will be developed to a *higher and more restrictive set of standards* than other industrial properties within the Enterprise Area and will be given a different planning and zoning designation. One proposed site is a portion of 80 acres located west of Oak Harbor Road, at the west end of Gun Club Road.
 - a. The City, County, EDC, Chamber and private developers identify and designate a selected site to be developed as the Enterprise Park.
 - b. Determine Enterprise Park boundaries within overall site for separation of uses and development standards.

2. *Establish design criteria and performance standards for the Enterprise Park.* These will be written into a new City zoning ordinance that applies specifically to the Enterprise Park and need to include the input of the County, Chamber, the EDC, private developers and tenant companies. Input of effected neighboring residents needs to be included to assure conflict avoidance. At a minimum, the standards need to include:
 - a. Reduced densities and extensive common areas with amenities for employees of companies located in the Park, such as trails, ponds, picnic areas and recreational facilities.
 - b. Restrictive CC&R's to assure compatible site uses and buildings. These should include restrictive performance standards for considerations such as employment densities, parking, truck traffic, outside storage, sign codes, emissions and odors, as well as building design criteria such as height limits, types of materials, amounts of exterior glass, colors, etc.
3. *Develop an infrastructure plan that meets the special needs of high-tech industries.* In addition to public works requirements, such as potential high water volumes and discharge for semiconductor manufacturing, there may also be special requirements for private electric and gas utilities.
 - a. The Chamber and EDC should organize a user group of high-technology industries to advise the City on an infrastructure needs analysis. Input could also be solicited from facility planners in selected firms outside of Island County who represent industries targeted in the economic diversification program.
 - b. Based on input from this group, the City needs to work with the developer of the Park and private utility companies to ensure an off-site infrastructure development plan that is consistent with the on-site plan of the developer. Major common facilities such as electric substations, water storage and pressure systems, gas pumping stations, on-site drainage systems or holding ponds, pre-treatment facilities, etc., need to be planned.
 - c. Structure an implementation plan that clearly defines what will be provided, by whom, and at what time.
4. *Develop a financing plan to meet the needs of the infrastructure plan.* In addition to identifying needs and costs, the financing plan identifies the sources of funds when the costs are incurred. To keep market costs competitive, public assistance grants and/or low-costs loans should be used as much as possible to fund off-site improvements and special on-site facilities that service the overall Park. The financing plan should include a cost-benefit analysis to show the

fiscal impacts of the development, as well as the long term returns on investment and other public benefits.

5. *The City should establish a regulatory and permit system to facilitate the special needs of high-technology companies in the Enterprise Park.* One of the characteristics of high-technology industry is rapid change. The City should consider a special provision for master building permits which allow companies to develop and expand their facilities as needed, subject to annual review. This would be a powerful incentive for firms that are constrained by delays in obtaining building permits for each expansion or alteration.

6. *Establish an incubator facility for start-up companies within the target industries.* A key component of the economic diversification strategy is to encourage the development of new, start-up firms in the targeted industries. This can be facilitated by providing a facility with shared resources and low-cost incubator space that enables firms to concentrate their capital on product development.
 - a. The Chamber and/or the EDC should conduct a survey of other incubator facilities, and conduct a survey of local companies to determine the levels of potential demand and the optimum design requirements.

 - b. A decision needs to be made as to which agency will build, manage and operate the incubator center, and an organization and management plan needs to be developed by that agency. This could be done under in cooperation with the Chamber, the EDC, a new non-profit agency and the developer of the incubator. The Small Business Resource Center at Skagit Valley College should be actively involved in the provision of services, and possibly in its management. The management plan needs to include the terms and conditions under which companies may occupy space and operate in the center. It also needs to include consideration of what services will be provided to firms located in the center, who will provide those services and at what costs.

 - c. A design plan for the center needs to be formulated, including its size, configuration, shared resources, equipment, etc.

 - d. A development and financing plan will be required to build and operate the incubator center. While a substantial portion of the operating income is expected to come from rents, most of these types of facilities are subsidized. Sources of funds need to be determined.

 - e. Negotiate with the developer of the Enterprise Park for a site and terms to enable construction of the incubator center.

Create a Successful Business Marketing Program (Priority V)

When the Enterprise Area, the Enterprise Park and the incubator center are established, the key to successful economic diversification will be recruiting and/or developing companies in the target industries that meet the stated policy objectives. This is essentially the function of a well-conceived and executed marketing plan.

Recruitment of companies and/or the development of start-up firms is logically the responsibility of the Island County EDC, assisted in the Oak Harbor area by the Greater Oak Harbor Chamber of Commerce, the City of Oak Harbor, and the owners/developers of the industrial sites. A baseline marketing program needs to be established for the EDC that will make it effective in competing for new businesses, and the program needs to be adequately staffed and funded.

Implementation

1. *Local companies that meet the target profile should participate in the planning and development processes described above, with their relocation and/or expansion requirements built into the final plans. A major rationale for developing the North Whidbey Enterprise Area and Park is to retain local companies and encourage them to expand in the area. Having them participate in the process, and taking a problem-solving approach to addressing their needs, will be an effective way to do this.*
2. *The EDC, with the City and property owners/developers, needs to define the "product" that is being marketed. This includes the general geographic area and business support capabilities, but also the industrial sites and the prices, rents and terms being offered. It also includes any special incentives or advantages, such as the proposed master building permit approvals.*
3. *The EDC needs to develop a program that is effective in achieving its marketing objectives, along with funding to implement that program. In order to accelerate and maximize the revenue returns on the public and private investments, as well as to achieve the objectives of economic diversification, a major effort needs to be made to recruit new companies and develop start-ups to utilize the industrial sites. This will require a substantial increase in the existing marketing programs and their funding.*
 - a. *The types of firms targeted for economic diversification need to be screened for their existing locations, expansion patterns, facilities requirements, and other factors to develop a marketing profile. It would be preferable to concentrate efforts on the North and West area to minimize marketing costs and maximize prospect contacts.*

- b. Once the market is defined, a "delivery system" needs to be designed and funded. This includes development of research information, brochures, advertising, and direct telecommunications.
- c. A response system needs to be developed to follow up on leads once they are developed. This may include visits to prospect companies, hosting their visits to North Whidbey, who meets with the clients, who provides research on specific needs, etc. This ability to follow through with a prospect is at least as important as the initial contact.

There are many additional details that need to be addressed in the development and operation of a marketing program, but these are variables that depend, in part, on the levels of commitment that can be obtained from the various participants in the economic diversification process. Consequently, a marketing budget is not presented, because priority efforts must focus on the establishment of the Enterprise Area, the Enterprise Park and the incubator center.

Priority IV: Enhance Downtown Oak Harbor

Goal:

Strengthen Downtown Oak Harbor as a place to shop, visit, work, live and have fun. To accomplish this task the community is committed to seeing the full implementation of the Harbor Watch Plan. (See map of targeted area in preceding chapter).

Downtown and the Oak Harbor Waterfront are the heart of the community. To strengthen economic opportunities, we believe the Harbor Watch Downtown Redevelopment Plan, completed in 1989, is a viable and attractive development strategy. We strongly encourage full implementation of this exciting plan.

This strategy of the Harbor Watch Plan is based on meeting three markets:

1. A stronger local market for residential space producing a greater in-town population needing local services for every day personal needs.
2. A market arising for increased office space as the Downtown becomes the focus for business and professional needs on North Whidbey Island. This will result in a greater need for business services.
3. A recreational/retail market developed to serve visitors from throughout the area as well as residents and office workers.

The plan already has been partially implemented. Projects currently in the works or under discussion are the Pioneer Way Landscaping and beautification program, Plaza and Clock Tower at Pioneer Way and 50th, Waterfront Walk, Transit Stop, Entry Park at Pioneer and SR 20 and various continuing promotions.

We believe the following actions are the top priorities for 1994/95.

1. Commence plans to establish a Downtown LID for improvements.

Organizational Responsibilities:

Lead: Downtown Development Council

Support: Chamber and City, with private property owners

Resource Requirements:

Staffing, grants and property owner commitments

Implementation

1. Conduct a design exercise with the local AIA chapter to update the proposed streetscape plan. This could be provided at no cost or funded through a grant, such as a local development matching fund grant through the State.

2. Present the findings and design sketches to property owners.
 3. Meet with Downtown property owners and businesses to discuss opportunities for funding through an LID.
 4. The City should consider participating in funding a portion of the LID, as it owns significant property in Downtown.
 5. Create petition and implement sales campaign to form the LID.
2. Continue discussions about applications for funding for Waterfront Walk and Pier.

Organizational Responsibilities:

Lead: City and DDC

Support: Chamber

Resource Requirements:

Grant application to Interagency Committee for Outdoor Recreation

3. Successfully raise funds for a Main Street manager for the DDC.

Organizational Responsibilities:

Lead: DDC

Support: City

Resource Requirements:

Funding from Downtown businesses and property owners and City. The proposed budget is \$24,000, with the contribution by the City totaling \$8,000.

4. The Citizen's Task Force should complete recommendations for the development of a new community center in Downtown or another appropriate location.

Organizational Responsibilities:

Lead: Citizen's Task Force and City

Support: Chamber and DDC

Resource Requirements:

None until report is completed

Priority V: *Enhance Tourism on North Whidbey*

Goal:

Strengthen the tourism industry on North Whidbey by creating products to attract visitors and visitor spending and to provide a plan for year-round marketing.

The future success of tourism development in North Whidbey relies on the ability of the North Whidbey community to:

1. Create products to attract visitors and visitor spending; and,
2. Fund a year-round marketing program.

To accomplish these two goals, we would recommend the following strategies be implemented:

1. Destination activities must be developed in Downtown and along the Waterfront. The successful implementation of the Harbor Watch Plan will create a tremendous attraction for local residents and visitors.
2. Community consensus should be developed on a Tourism Plan and the most effective use of the 2% funds

Organizational Responsibilities:

Lead: Chamber

Support: DDC, EDC and City

Resource Requirements:

- A. Commitment of planning time by stakeholders
- B. Implementation through 2% funds

The plan should include:

- A. The targeted development of tourism attractions, products and services based on research of successful tourism destinations and local capacity.
- B. Targeted visitor and growth rates based on capacity and implementation.
- C. Marketing strategies to achieve projected growth based on projected product and capacity expansion.
- D. A program for the overall management of the tourism promotion and development effort.

- E. An opportunity to create environmental or ecotourism businesses.
3. The EDC and Chamber should work together with the State on a workshop to encourage the beginning of new tourism businesses.

Organizational Responsibilities:

Lead: EDC and Chamber

Support: City and DDC

Resource Requirements:

State funds and workshop fees

Priority VI: Enhance Open Space and Agriculture

Goal:

Maintain the rural atmosphere of North Whidbey Island as a major factor in the quality of life and the economic attractiveness of the area. Strategies to accomplish this goal include encouraging open space and promoting a viable market for local agricultural goods.

While agriculture is not a major industry in terms of employment and income, it will be essential to address the economic development of a viable agricultural industry to ensure the future of the rural atmosphere and the associated quality. To neglect the agricultural economy would leave the landowners no choice but to convert their holdings to a more lucrative purpose, such as residential or commercial development.

North Whidbey agriculture is characterized by small farms involved in dairy, hay, seed or row crops. The majority of the farmers have other employment. The basic problems are to:

1. Encourage marginal farming and maintenance of open space.
2. Provide a cost effective market for farm products.
3. Allow the farmer to receive the value of his land at retirement or in a depressed market which requires conversion of land for economic survival.

We would recommend the following actions in 1994/95 to address these problems:

1. The community should explore the potential for tax incentives to preserve open space and family farms.

Organizational Responsibilities:

Lead: County and EDC

Support: City and Chamber

Resource Requirements:

Staffing provided by planning departments

2. Pursue an aggressive policy to preserve open space through such funding sources as Conservation Futures, Nature Conservancy, Audubon Society, Ducks Unlimited, etc.

Organizational Responsibilities:

Lead: County, EDC and Local Conservation Organizations

Support: City and Chamber

Resource Requirements:

Staffing provided by planning departments with funding from conservation futures funds and businesses/citizens

3. Partnership should work with the EDC on the development of a local Farmer's Market.

Organizational Responsibilities:

Lead: EDC

Support: City, County, Chamber and businesses

Resource Requirements:

Budget dependent on findings

4. Provide technical and financial assistance to local farmers to assist in developing alternative farm products which will enhance farm income (i.e. organic and specialty crops, seeds, flowers, etc.)

Organizational Responsibilities:

Lead: EDC and WSU Extension

Support: County, City and Chamber

Resource Requirements:

County Extension Agent budget and EDC

***North Whidbey
Community Diversification Action Plan***

**Work Program
and Responsibilities**

Priority 1: Establish a Local Commitment to Economic Diversification

Goal:

Develop a series of policies to be supported by the City of Oak Harbor and Island County to commit local government to implement strategies which will ensure a commitment to long-term economic diversification. To implement the first year Action Plan, commitments are required of local stakeholder organizations, including the City of Oak Harbor, Island County, the Economic Development Council, the Chamber of Commerce and the Downtown Development Council. Furthermore, other stakeholders must be involved in an open planning process to ensure community consensus. These stakeholders include local residents, the school district, Skagit Valley Community College, Naval Air Station Whidbey Island and others in the North Whidbey area.

Action Area	Organizational Responsibility			Staff	Resource Allocation					
	City	County	CoC		EDC	Other	Local Funds	State Funds	Private Funds	Other
1. A policy will be created to double the share of North Whidbey area manufacturing jobs to eight percent of all non-agricultural workers by the year 2013.	P	P	S	S	City County	Local Funds	Policies developed by City and County	State Funds	planning staffs	Other
2. A target policy will be implemented to double transportation and utility jobs to three percent of total non-agricultural workers by the year 2013.	P	P	S	S	City County	Local Funds	Policies developed by City and County	State Funds	planning staffs	Other

P = Primary Responsibility

S = Secondary/Support Responsibility

Action Area	Organizational Responsibility				Resource Allocation				
	City	County	CoC	EDC	Other	Local Funds	State Funds	Private Funds	Other
3. The City and County will adopt the economic vision statement outlined in the Action Plan.	P	P	S	S		City	Policies developed by City and County planning staffs		
4. The City and County will hold regularly scheduled meetings or workshops to discuss planning activities, economic opportunities and improvements in process, including permitting, regulations and infrastructure investment.	P	P	S	S		City	Policies developed by City and County planning staffs		
5. The City will provide funding for an economic development specialist.	P	S	S	S			Funded through City's budget		
6. The City and County will each provide support for local development organizations.	P	P	S	S			City to contract with Chamber of Commerce for projects to benefit the economic diversification of the City. The City will provide the EDC rent and utilities. The County will fund the EDC's funding request of \$26,500.		

Action Area	Organizational Responsibility				Resource Allocation					
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
7. A joint City-County Task Force will be established to examine parks and recreation management alternatives and to create a long-term plan for recreational enhancement.	P	P	S	S	North Whidbey Parks and Recreation District	City County				Funded through existing budgets for planning and parks.

Priority II: Create a Community Economic Coordination Work Program

Goal:

Strengthen communication between North Whidbey stakeholder organizations by creating consensus on the overall Action Plan and strategies. Implement or ensure implementation of selected diversification strategies. Ensure the efficient use and leveraging of private sector resources.

Action Area	Organizational Responsibility				Resource Allocation					
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
1. Partnership Oak Harbor will be a forum for all sectors and stakeholders, public and private, to discuss and coordinate the economic future of North Whidbey Island. Implementation would primarily be the responsibility of existing organizations, such as the City, Chamber, Planning Commission, Skagit Valley College, etc. However, Partnership could still be responsible for coordinating a special project, such as overseeing the progress of the development of this plan.	S	S	S	S	Partnership					None

Action Area	Organizational Responsibility				Resource Allocation					
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
A. To accomplish the goals and to successfully implement the North Whidbey Community Diversification Action Plan, we would recommend that Partnership Oak Harbor be renamed "The North Whidbey Partnership."	S	S	S	S	Partnership					None
B. The North Whidbey Partnership meetings would be open to the public and the schedule of agenda items published in the local press. Recruitment efforts should be made to include additional participation by members of stakeholder organizations including agriculture, residents on the north end of Island County and others.	S	S	S	S	Partnership					None

Action Area	Organizational Responsibility				Resource Allocation					
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
C. The North Whidbey Partnership meetings would be structured, with a formal agenda, made up primarily of reports on community action items. For example, a meeting could include an update on the community center, Save NAS, Harbor Watch plan, transportation, downtown revitalization, etc.	S	S	S	S	S	Partnership				None
D. The North Whidbey Partnership would have elected officers, with the officers serving for one year in a position.	S	S	S	S	S	Partnership				None
E. Either the new Whidbey economic specialist or the contracted person from an economic organization should provide meeting notices and minutes.	S	S	S	S	S	Partnership				None

Action Area	Organizational Responsibility				Resource Allocation					
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
F. The North Whidbey Partnership should provide the lead in informing the community about economic diversification choices and fostering community communication on economic issues. This work program would build off the strategies used to implement Phase I of this report. These strategies include town meetings, speaker's bureau, publicity, flyers and other actions.	S	S	S	S	S	Partnership	None			
2. On an annual basis, Partnership would coordinate an Economic Summit. The 1995 event would be held after BRAC 95.	S	S	S	S	S	Partnership				Similar to Puget Power Summits with corporate sponsorships, volunteer donations and registration fees.

Action Area	Organizational Responsibility					Resource Allocation				
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
3. Partnership should lead the discussion regarding the creation of local development funds, such as a loan pool with financial institutions, the creation of a community development organization, a small business investment corporation or similar organization.	S	S	S	S	Partnership		None			
4. The Board of Directors of the Downtown Development Council, Greater Oak Harbor Chamber of Commerce and Island County Economic Development Council should meet jointly twice a year to review progress on private sector initiatives, work programs and the coordination and leveraging of private sector resources. A key initiative for 1995 would be for the Boards of all of the organizations to commit to an evaluation of the opportunity to share office space to create "one-stop" shopping and organizational efficiencies.	S	S	P	P	DDC		None			

Action Area	City			County				CoC			EDC			Other		Staff	Resource Allocation			
	S	S	S	S	P	P	P	S	P	P	EDC	Other	Local Funds	State Funds	Private Funds		Other			
5. The executive directors of the Downtown Development Council, Greater Oak Harbor Chamber of Commerce and Island County Economic Development Council should meet jointly at least quarterly to review progress on private sector initiatives, work programs and the coordination and leveraging of private sector resources.	S	S	S	S	P	P	P	S	P	P	EDC	Other					None			

Priority III: Establish a North Whidbey Enterprise Park Area

Goal:

Create an identified area and environment to facilitate the creation of primary jobs in targeted business sectors. This area would be defined as that area inside the proposed Urban Growth Area bounded by Ault Field Road on the north, and generally between Heller Road on the west and the Goldie Road commercial/industrial areas on the east. This includes the existing Oak Harbor-industrial-zoned land west of Goldie Road, plus all the land between Goldie Road and the Naval Reservation properties north of the existing City Limits. Cemetery Road would be extended east/west between Goldie Road and Heller Road to form a natural southern boundary. In addition, there is a small triangle of existing Oak Harbor industrial land between Goldie Road and SR 20, south of Cemetery Road, that has vacant sites available. Finally, strip industrial/commercial facilities should not be developed along SR 20 north of Oak Harbor. The North Whidbey Enterprise Area would see utilization by both existing North Whidbey businesses and targeted businesses.

Action Area	Organizational Responsibility				Resource Allocation					
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
Overall leadership of the Enterprise Area	P	S	S	S	Property Owners	City	Funded by existing City planning budget for staff. Consultants possibly retained throughout \$15,000 proposed by Planning Budget and other sources, such as the Local Development Matching Fund Grant. Other costs are as analyzed below.			

- The City should budget. plan to annex the targeted properties in the Urban Growth Area.

P	S	S	S	S	Property Owners	City	Funded by existing City planning budget.
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- The City and County coordinate zoning and land use plans for this area.

P	S	S	S	S	Property Owners	City	Funded by existing City planning should budget.
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Action Area	Organizational Responsibility					Resource Allocation				
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
3. Design standards for various types of business and industrial development in the Enterprise Area should be established	P	P	S	S	Property Owners	City County	Funded by existing City and County budget for planning			
4. Planning should be initiated to service all of this area with City utilities. Research should begin with State sources (CERB, Public Works Trust Fund, etc.) to fund these programs. City should take lead on applications for these funding sources.	P	S	S	S	Property Owners	City	Funded by existing City planning budget for staff.			
A. The City should consider establishing a one-quarter of one percent real estate transfer excise tax for capital improvements in the Enterprise Area	P	S	S	S	Property Owners	City	Funded by existing City planning budget for staff			

Action Area	Organizational Responsibility					Resource Allocation				
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
5. The City should revisit its policies regarding providing service to this area. Pre-annexation agreements should be developed with interested property owners.	P	S	S	S	Property Owners	City	Funded by existing City planning budget for staff. Research should be being with the funding sources outlined above, with the City taking the lead on applications. A schedule of late comer fees should be created with the goal of having the property owners in the targeted area fund the infrastructure improvements over the life of the project.			
6. Plans should be made to upgrade the Goldie Road corridor to City standards for roads, utilities and performance requirements. These improvements can be phased in over a period of time, with the private property owners contributing their fair share over the life of the project.	P	S	S	S	Property Owners	City	Funded by existing City planning budget for staff			
7. The extension of Cemetery Road to serve as the southern boundary of this site should be planned.	P	S	S	S	Property Owners	City	Funded by existing City planning budget for staff. The City should take the lead on all grant applications or formation of improvement districts.			

Action Area	Organizational Responsibility					Resource Allocation			
	City	County	CoC	EDC	Other	Local Funds	State Funds	Private Funds	Other
8. About 40 acres of the Enterprise Area should be designated as the North Whidbey Enterprise Park, with high standards and performance zoning.	P	S	S	S	Property Owners	City	Funded by existing City planning budget for staff. Property owners should be responsible to pay for site development costs.		
A. Extensive common areas with amenities for employees of companies on site.									
B. Restrictive CC&R's to assure compatible site uses and buildings.									
C. Infrastructure that meets the specialized needs of high-technology firms.									
9. The City should negotiate with the County to develop a special provision for master building permits.	P	P	S	S	Property Owners	City County	Funded by existing City and County planning budgets.		

Action Area	Organizational Responsibility			Resource Allocation						
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
10. Efforts will be made to review existing standards (i.e. fire flow), the sign code and other regulations.	P	S	S	S	Property Owners	City	Funded by existing City planning budget for staff.			
11. The Enterprise Area should also house shared resources and incubator facilities for start-up operations.	S	S	S	P	Property Owners Businesses	EDC	Funded by existing EDC budget.			
12. A business retention and recruitment plan should be developed for the Area.	S	S	S	P	Property Owners Businesses	EDC	Funded by existing EDC budget. Supplemental funds possible from local government and businesses.			

Priority IV: Enhance Downtown Oak Harbor

Goal:

Strengthen Downtown Oak Harbor as a place to shop, visit, work, live and have fun. To accomplish this task the community is committed to seeing the full implementation of the Harbor Watch Plan.

Action Area	Organizational Responsibility				Staff	Resource Allocation				
	City	County	CoC	EDC		Other	Local Funds	State Funds	Private Funds	Other
1. Commence plans to establish a Downtown LID for improvements.	S	S	S	S	DDC	DDC	DDC	DDC	DDC	Grants and LID on properties.
2. Continue applications for funding for Waterfront Walk and Pier.	P	S	S	S	DDC	DDC	DDC	DDC	DDC	Grant applications by City to Interagency Committee for Outdoor Recreation
3. Successfully raise funds for a Main Street manager for the DDC.	S	S	S	S	DDC	DDC	DDC	DDC	DDC	Funding from Downtown businesses and property owners of \$16,000. City contribution should be \$8,000.
4. The Citizen's Task Force should complete recommendations for the development of a new community center.	S	S	S	S	Task Force	Task Force	Task Force	Task Force	Task Force	None until plan is finalized.

Priority V: Enhance Tourism on North Whidbey

Goal:

Strengthen the tourism industry on North Whidbey by creating product to attract visitor and visitor spending and to provide a plan for year-round marketing.

Action Area	Organizational Responsibility					Resource Allocation				
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
1. Destination activities must be developed in Downtown and along the Waterfront. The successful implementation of the Harbor Watch Plan will create a tremendous attraction for local residents and visitors.	S	S	S	S	DDC	DDC				Staffing leadership through DDC.

2. Community consensus should be developed on a Tourism Plan and the most effective use of the 2% funds. The plan should include:

- A. The targeted development of tourism attractions, products and services based on research of successful tourism destinations and local capacity.

Chamber

Staff leadership through Chamber.

Action Area **City** **County** **CoC** **EDC** **Other** **Staff** **Local Funds** **State Funds** **Private Funds** **Other**

B. Targeted visitor and growth rates based on capacity and implementation.

C. Marketing strategies to achieve projected growth based on projected product and capacity expansion.

D. A program for the overall management of the tourism promotion and development effort.

3. The EDC and Chamber should work together with the State on a workshop to encourage the beginning of new tourism businesses.

S S S P P DDC Chamber EDC State funds and workshop fees.

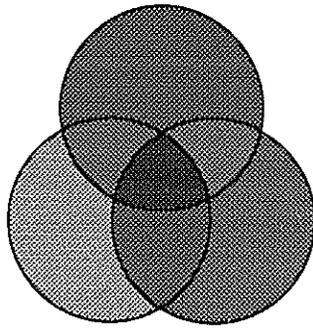
Priority VI: Enhance Open Space and Agriculture

Goal:

Maintain the rural atmosphere of North Whidbey Island as a major factor in the quality of life and the economic attractiveness of the area. Strategies to accomplish this goal include encouraging open space and promoting a viable market for local agricultural goods.

Action Area	Organizational Responsibility			Resource Allocation						
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
1. The community should explore the potential for tax incentives to preserve open space and family farms.	S	P	S	P		County EDC				Staffing funds provided by existing County planning and EDC budgets.
2. Pursue an aggressive policy to preserve open space through such funding sources as Conservation Futures, Nature Conservancy, Audubon Society, Ducks Unlimited, etc.	S	P	S	P		County EDC Conservation Organizations				Staffing funds provided by existing County planning and EDC budgets. Implementation through conservation funds and interested businesses and citizens.
3. Partnership should work with the EDC on the development of a local Farmer's Market.	S	S	S	P		Partnership EDC				Staffing provided by existing EDC budget. Implementation budget dependent on findings of current study.

Action Area	Organizational Responsibility				Resource Allocation					
	City	County	CoC	EDC	Other	Staff	Local Funds	State Funds	Private Funds	Other
4. Provide technical and financial assistance to local farmers to assist in developing alternative farm products which will enhance farm income (i.e. organic and specialty crops, seeds, flowers, etc.	S	S	S	P	WSU Extension	EDC				Staffing provided by existing EDC and Extension budgets.



North Whidbey

Community Diversification Action Plan

Community Interviews/Discussions

One on One Interviews (33)

Ed Boonstra, City Council member

Gene Coleman, citizen

Richard Davis, InterWest Savings Bank

Bridget DeMuth, Senior Center

Larry Eaton, City Council member

Arnie Freund, property owner

Linda Haddon, Island County Planning Commission

Harriette Hayes, citizen

Bill Hildebrand, Harbor Airlines

John Hitt, Island County Economic Development Council

Dave Holmly, U.S. Savings Bank

Ken Hulett, InterWest Saving Bank

Dave Johnson, Key Bank

Al Koetje, real estate business and Mayor

John Lafond, City Council member

Bill Massey, Island Construction

Greg McConnell, publisher, Whidbey News-Times

Rich Melass, NAS Whidbey

Mike Milat, City Council member

Tom Miller, Oak Harbor Police Chief

Pat Nevin, Oak Harbor City Supervisor

Nora O'Connel, ERA Properties

Danny Paggao, City Council member

Bob Pritchett, Logos Research

Dale Pritchett, Logos Research

Chris Saxman, Architect, past president of Downtown Development Council and
Chairman of the City Planning Commission

Allen Schell, Upchurch Scientific

Mike Shelton, Island County Commissioner

Mark Soptich, Oak Harbor Fire Department

Ron Wallin, P&L Construction and Skagit-Island County Builders Association

Pat Walsh, AIL Systems

Linda Wright, Greater Oak Harbor Chamber of Commerce

Bob Zylstra, Whidbey Island General Hospital

Discussion Groups (12 involving 108 individuals)

Automobile Dealers (2)
Chamber of Commerce Members (29)
Community (11)
Downtown Retailers (6)
Financial Institutions (8)
Hospitality Industry (9)
Island County Economic Development Council Board (5)
North Whidbey Retailers (6)
Oak Harbor High School Leadership (15)
Professional Services (8)
Property Owner/Developers (3)
Social Service Providers (6)

Discussion Group Participants

Michael Abbott, citizen
Bobbi Allan, Pioneer Title Company of Island County
John Allgire, Casual House
Albin Bartlett, Puget Power
Jo Balda, Key Bank
Lea Belleora, Alaska USA Credit Union
Maran Broxson, Oak Harbor High School
Audrey Butler, Green House Nursery
Sheila Case-Smith, citizen
Rick Chapman, Hearthside Homes
Marsha Chapman, Coachman Inn
George Churchill, Churchill Real Estate
Vickie Churchill, attorney
Patty Cohen, City Council member
Gene Coleman, citizen
Steve Connole, Oak Harbor High School
Lovelynn Dela Cruz, Oak Harbor High School
Mick Donahue, Skagit Valley College
Joel Douglas, Coachman Inn
Betsy Eidsmoe, Pot Pourri
Tim Enloe, Oak Harbor High School
Chuck Fakkema, Westgate Homes
Dave Fisher, Whidbey News-Times
Dave Fiske, Gerald's Jewelry
Joe Franssen, Auld Holiday Inn
Bob Fraser, North Whidbey Park and Recreation District
Mark Fye, Discount Party Store
Jennifer Fuentes, Oak Harbor High School
Kristi Gamble, Old Mint, Victorian and Yardstick

Michael Gann, Whidbey Island Bank
Carianna Gischer, Alaska USA Credit Union
Ryan Goodman, Oak Harbor City Engineer
Steve Gulliford, Island County Housing Authority
Linda Haddon, Island County Planning Commission
S.M. Harris, citizen
Harriette Hayes, citizen
Steve Hertling, John L. Scott
John Hitt, Island County Economic Development Council
Kari Holmly, citizen
Dave Holmly, U.S. Savings Bank
Mike Horrobin, Oak Harbor Motors
Jim Howe, citizen
Fran Hughes, Help House
Andrew Hunter, Whidbey Island Bank
Sue Jamerson, Jacobsen Mortgage Services
Dave Johnson, Key Bank
Erik Karjalainen, Oak Harbor High School
Mary Koll, Summer Hill Retirement Center
Darlene Krieg, Krieg Construction
Karl Krieg, Krieg Construction
Shannon Krueger, Oak Harbor High School
Butch Laurion, YWCA
Kari Lagerway, Oak Harbor High School
Pam LaMont, J C Penney's
Bob Lundstrom, Best Western
Bill Massey, Island Construction
Melissa Merwine, Oak Harbor High School
Greg McConnell - Whidbey News-Times
Barbara Moore, Oak Harbor Fitness Center
Laura Mott, Oak Harbor High School
Kit Mills, Oak Harbor High School
Sande Mulkey, Green House Florist
Shelly Muzzall, citizen
Pete Peterson, Navy Relief Society
Rick Peterson, Oak Harbor Hardware
Marianne Petitt, Oak Harbor High School
Steve Potter, Oak Harbor School District
Pat Punteney, GTE
Delores Randall, citizen
Arvis Rector, citizen
George Rector, citizen
Jean Sallis, United Way
Marie Sammis, citizen
Jim Seabolt, Seabolt's Smokehouse

Debbie Staugler, Opportunity Council
Robert Severns, Island Title Company
Carter Smith, Chocolates for Breakfast
Marsha Smith, Whidbey News-Times
Valerie Stafford, CADA
Sharleen Stroyan, North Whidbey Inn
Dennis Sullivan, Wind & Tide Bookshop
Brandy Tacia, Oak Harbor High School
Peg Tenant, citizen
Chuck Thomas, Oak Harbor Fitness Club
Penny Torvill, Torvill Architect
Bruce Van Tassell, Grumman Aircraft
Gerald D. Vandenberg, Seafirst Bank
Ann VandenHaak, Harbor Tower Village Retirement Apartment
Tim Walton, Auto Brokers and All-Star Rental Car
Eling Wang, Acorn Motor Inn
Wendy Wezeman, Oak Harbor High School
John Whitlock, Mitzel's
Wendy Wilhonen, Seafirst Bank
Dave Williams, City of Oak Harbor Marina
Donna Beth Wilson, Whidbey Magazine
Linda Wright, Greater Oak Harbor Chamber of Commerce

Presentations to Community (19)

Community Kick-Off Meeting
Community Phase I Presentation
Community Phase II Presentation
Community Phase III Presentation
Downtown Development Council
Greater Oak Harbor Chamber of Commerce
Island County Commissioners
Island County Planning Commission
League of Woman Voters
Lions Club (day)
Lions Club (evening)
Master Chiefs of the Command
Oak Harbor City Council
Oak Harbor Planning Commission
Republican Woman
Rotary (noon)
Rotary (morning)
Soroptomists
Whidbey Island Board of Realtors

NORTH WHIDBEY BUSINESS SURVEY

The following survey is designed to assist in the preparation of a Strategic Economic Plan for the Greater Oak Harbor, North Whidbey area. All responses will be kept in the strictest confidence. Please take a few minutes to respond to this very important survey.

The survey is sponsored by the City of Oak Harbor, Island County, Washington State Department of Trade and Community Development, and the Department of Defense Office of Economic Adjustment; and is being conducted by krs services in conjunction with Partnership Oak Harbor, the Greater Oak Harbor Chamber of Commerce, the Oak Harbor Downtown Development Council and the Island County Economic Development Council.

In return for your assistance in filling out this survey, we will have a drawing of those respondents who fill out the identification on the back cover. The winner will receive dinner for two at **Kasteel Franssen** and tickets to the **Whidbey Playhouse**.

Please return this survey before February 28. When you complete the survey please fold and tape as indicated on the back cover, and return the survey postpaid to: krs services, c/o Partnership Oak Harbor, P.O. Box 1153, Oak Harbor, Washington 98277. For further information, contact Ken Saunderson, krs services, (206) 292-8028.

1. What would you say is your primary type of business? (Please check one)

- A. RETAIL
General Consumer
- B. Business to Business
- C. Restaurant
- D. Hotel / Motel
- E. Personal Services

- F. WHOLESALE

- G. FINANCIAL
Insurance
- H. Banking
- I. Securities

- J. REAL ESTATE
Management
- K. Sales
- L. Development

- M. MANUFACTURING
Manufacturing
- N. Construction

- O. TRANSPORTATION/DISTRIBUTION

- P. PROFESSIONAL SERVICES
Law
- Q. Accounting
- R. Health Care
- S. Business Services

- T. AGRICULTURE

- U. OTHER _____

12. What percentage of your total customers or clients do you estimate are from?
- A. _____% Oak Harbor/North Whidbey
 - B. _____% Central/South Whidbey
 - C. _____% Island/Skagit County
 - D. _____% Western Washington
 - E. _____% Canada
 - F. _____% Other: _____
13. What percentage of your total customers or clients do you estimate are:
- A. _____% Associated with NAS Whidbey: Active Duty, Employees, or Dependents
 - B. _____% Civilian; Not Retired
 - B. _____% Retired Civilian and Military
14. Were your annual gross business sales or revenues in 1993:
- A. [] less than \$50,000
 - B. [] \$50,001 - \$100,000
 - C. [] \$101,001 - \$250,000
 - D. [] \$250,001 - \$500,000
 - E. [] \$500,001 - \$1,000,000
 - F. [] \$1,000,001 - \$2,000,000
 - G. [] More than \$2,000,000
15. Would you describe your present sales or revenues as:
- A. [] Excellent
 - B. [] Good
 - C. [] Average
 - D. [] Poor
 - E. [] Very Poor
16. During the past three years, would you say your business sales or revenues have:
- A. [] Dramatically Increased
 - B. [] Grown Steadily
 - C. [] Remained about the Same
 - D. [] Decreased Slightly
 - E. [] Dramatically Decreased
17. During the next three years, do you expect your sales or revenues to:
- A. [] Dramatically Increase
 - B. [] Grow Steadily
 - C. [] Remain about the Same
 - D. [] Decrease Slightly
 - E. [] Dramatically Decrease

THANK YOU FOR YOUR COOPERATION

Please fill out the information below to enter the drawing for an evening for two at Kasteel Franssen and the Whidbey Playhouse. When you have completed, fold and tape as indicated with the address on the outside, and return postpaid.

Name _____

Business _____

Phone _____

FOLD FIRST HERE

FOLD SECOND HERE

North Whidbey Business Survey

P. O. Box 1153
Oak Harbor, WA 98277-1153

*Franssen and
Playhouse*



krs services
c/o Partnership Oak Harbor
P. O. Box 1153
Oak Harbor, WA 98277-1153

TAPE HERE

North Whidbey Telephone Survey Script

Hello. I am _____, a student at Seattle Pacific University. I am conducting a survey of North Whidbey Island on behalf of Partnership Oak Harbor. This survey will be used in planning the future economy of North Whidbey Island. Your views are important to this planning process. May I please speak to the head of the household?

This Survey is sponsored by the City of Oak Harbor, Island County, Washington State, and the Department of Defense. You were called by a random dialing process and your answers will be kept in the strictest confidence. This survey will just take a few minutes of your time.

I would first like to ask about your local buying habits

Q1 MIL SHO 1. Are you authorized to shop in the Military Exchange and Commissary?

Yes No

What percentage, between zero and 100 percent, of the following do you purchase locally on Whidbey Island instead of purchasing them off-island?

Q2A 2a. Grocery and Drug Purchases?

Q2B 2b. Hardware and Building Materials Purchases?

Q2C 2c. Personal Services? (Barber, Beauty Shop, Etc.)

Q2D 2d. Clothes Purchases?

Q2E 2e. Appliance, Furniture, and Housewares Purchases?

Q2F 2f. Professional Services?(Lawyer, Engineer, Accountant, Etc)

Q2G 2g. Health Care

Q2H 2h. Dine Out?

Q2I 2i. Entertainment? (Movies, Sporting events, Theatre, Etc)
(NOTE: Entertainment MUST have an answer, or 0, to ensure sequence.)

What percentage, between zero and 100 percent, of the following do you purchase or obtain on base at local military facilities, OR off base locally on Whidbey Island, OR from any source off of Whidbey Island.

Q3A1 3a. Grocery and Drug Purchases

On Base

Q3A2 Off Base Locally

Q3A3 Off Island

Q3B1 3b. Hardware and Building Materials Purchases?

On Base

Q3B2 Off Base Locally

Q3B3 Off Island

Q3C1 3c. Personal Services? (Barber, Beauty Shop, Etc.)

On Base

Q3C2 Off Base Locally

Q3C3 Off Island

Q3D1 3d. Clothes Purchases

On Base

Q3D2 Off Base Locally

Q3D3 Off Island

Q3E1 3e. Appliance, Furniture, and Housewares Purchases?

On Base

Q3E2 Off Base Locally

Q3E3 Off Island

Q3F1 3f. Professional Services?(Lawyer, Engineer, Accountant, Etc)

On Base

Q3F2 Off Base Locally

Q3F3 Off Island

Q3G1 3g. Health Care

On Base

Q3G2 Off Base Locally

Q3G3 Off Island

Q3H1 3h. Dine Out?

On Base

Q3H2 Off Base Locally

Q3H3 Off Island

Q3I1 3i. Entertainment? (Movies, Sporting events, Theatre, Etc)

On Base

Q3I2 Off Base Locally

Q3I3 Off Island

Now I will ask about what type of business activity you think is appropriate for North Whidbey.

On a scale of one to five, with one meaning NOT DESIRABLE AT ALL and five meaning VERY DESIRABLE, with three being NEUTRAL, rate the following businesses on whether they are DESIRABLE and APPROPRIATE for INTRODUCTION or EXPANSION on North Whidbey Island:

Q4A 4a. Additional Small Retail Stores, and Boutiques

Q4B 4b. Additional Large Retail Stores, or Shopping Centers

Q4C 4c. High Tech Manufacturing; such as Electronics, Software, etc.

Q4D 4d. Light Manufacturing and Assembly; such as Furniture, Machine Shops, etc.

Q4E 4e. Additional Hotel, Motels

Q4F 4f. Data Processing and Computer Services; such as Insurance Company and Bank Data Centers

Q4G 4g. Additional Full Service Restaurants

Q4K 4k. Additional Health Services

Q4M 4m. Additional Entertainment Opportunities; such as Movies, Sporting Events, Theatre, etc.

Q4N 4n. Additional Educational and Technical Training Opportunities

Q4O 4n. Additional Tourism Activities; such as Fishing Charters, Arts and Crafts, Bike Rental, etc.

I will describe three areas of Oak Harbor and North Whidbey Island and then ask you about which type of business you think would be appropriate in each of them.

The first area is the NORTH OAK HARBOR AREA. This area is between the North City Limits and the Naval Air Station.

The second area is the OLD DOWNTOWN, PIONEER WAY, and WATERFRONT AREA.

The third area is the Business District on HIGHWAY 20 and MIDWAY BOULEVARD.

On a scale of one to five, with one meaning NOT DESIRABLE AT ALL and five meaning VERY DESIRABLE, with three being NEUTRAL, rate whether the following businesses are DESIRABLE and APPROPRIATE for each of the areas.

Q5A1 5b. Large Retail Stores, or Shopping Centers

North Oak Harbor

Q5A2 Downtown Pioneer Way

Q5AB3 Highway 20 - Midway Blvd.

Q5B1 5c. High Tech or Light Manufacturing.

North Oak Harbor

Q5B2 Downtown Pioneer Way

Q5B3 Highway 20 - Midway Blvd.

Q5C1 5e. Hotel, Motels

North Oak Harbor

Q5C2 Downtown Pioneer Way

Q5C3 Highway 20 - Midway Blvd.

I would now like to ask for some information on your and your family employment.

Q6 EMPLOYM 6. Are you:

Employed Full Time Employed Part Time

Unemployed, looking for work

Retired, or not looking for work

Q7 OCCUPAT 7. Is your occupation:

Active Duty Military Professional Clerical

Management or Administration Sales or Marketing Service

Construction Manufacturing Business Owner Other

Q8 WORK LO 8. Do you work:

On North Whidbey Island On Central or South Whidbey Island

Off of Whidbey Island

Q9 DESIRED 9. What kind of job are you looking for?

Professional Clerical Management or Administration

Sales or Marketing Service Construction Manufacturing

Business Owner Other

Q10 MARRIE 10. Are you married:

Yes No

Q11 SPOUSE 11. Is your spouse:

Employed Full Time Employed Part Time

Unemployed, looking for work Retired, not looking for work

Q12 SPOUSE 12. Is your spouses occupation:

Active Duty Military Professional Clerical

Management or Administration Sales or Marketing Service

Construction Manufacturing Business Owner Other

Q13 SPOUSE 13. Does your spouse work:

On North Whidbey Island On Central or South Whidbey Island

Off of Whidbey Island

Q14 SPOUSE 14. What kind of job is your spouse looking for?

Professional Clerical Management or Administration

Sales or Marketing Service Construction Manufacturing

Business Owner Other

On a scale of ONE to FIVE, with one meaning STRONGLY DISAGREE and five meaning STRONGLY AGREE, with three being NEUTRAL, what is your opinion of the following statements as they describe the employment opportunity on North Whidbey Island.

(NOTE: You may have to remind the respondent of the scale.)

(NOTE: If respondent can't answer leave blank.)

Q15A PLENT 15a. There is plenty of employment if you are willing to work.

Q15B FEW J 15c. There are too few jobs, and not much opportunity.

Q15C DONT 15e. I dont know, or I dont care about employment opportunities.

Q16 REQD I 16. What is the minimum annual income that you think would be adequate for you to live on North Whidbey Island?

Q17 INCOME 17. Which of the following best describes your 1993 total household income:

Less than \$10,000 \$10,000 to \$15,000 \$15,000 to \$25,000

\$25,000 to \$35,000 \$35,000 th \$50,000 \$50,000 to \$75,000

\$75,000 to \$100,000 \$100,000 to \$150,000 More than \$150,000

Now I would like to get some personal and family information from you.

Q18 HOW LO 18. How many years have you lived on North Whidbey Island?

Q19 WHY LI 19. Why do you live on North Whidbey Island?

Born Here Parents moved here Military Orders

Retired Here Employment, other than military Other

Q20 HOUSIN 20. Do you own or rent your residence, or do you live in military quarters?

Own Rent Military quarters

Q21 FAMILY 21. How many people live in your household?

Q22 EDUCAT 22. What is your education level?

Non-High school Grad High School Grad Associates Degree
Bachelors Degree Advanced Degree

Q23 VOTE 23. Are you a registered Voter in Island County?

Yes No

Q24 MEDIA 24. Which of the following media do you read or listen to regularly?

(Check all that apply)

Whidbey News Times KJTT Radio Crosswinds
Whidbey Magazine, or Town Cryer Island Independent
Skagit Valley Herald Seattle Times
Seattle Post Intelligencer

Q25 SEX

Male Female

Thank you for your time and assistance. The results of this survey will be the subject of a community meeting in mid April. Check the local paper for the exact date and time.

ORDINANCE NO. 1012

AN ORDINANCE OF THE CITY OF OAK HARBOR, WASHINGTON, PROVIDING FOR ADOPTION OF THE NORTH WHIDBEY COMMUNITY DIVERSIFICATION ACTION PLAN.

WHEREAS, the economy of the City of Oak Harbor is dependent upon Department of Defense spending; and

WHEREAS, NAS Whidbey is the economic foundation of North Whidbey Island and the City of Oak Harbor;

WHEREAS, the mission of the Naval Air Station has changed with the reduction of the A-6 aircraft and potential gain of P-3 aircraft;

WHEREAS, the community participated in developing a plan to diversify the economy of North Whidbey;

WHEREAS, a diversification plan is an optional element under the Growth Management Plan;

THE CITY COUNCIL of the City of Oak Harbor, Washington, do ordain the adoption of the North Whidbey Community Diversification Action Plan as an economic plan to be included as an element of the Comprehensive Plan for the City of Oak Harbor, a copy of which is on file with the City Clerk and which shall be made available for public inspection.

Severability. If any section, paragraph, subsection, clause or phrase of this ordinance is for any reason held to be unconstitutional or invalid such decision shall not affect the validity of the remaining portions of the ordinance.

Effective Date. This ordinance shall be in full force and effect five (5) days after its passage and publication as required by law.

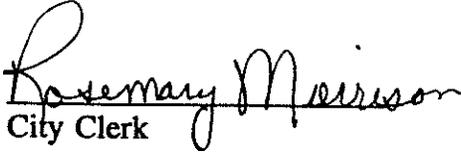
Passed by the City Council and approved by its Mayor this 8th day of Aug 1995.

THE CITY OF OAK HARBOR

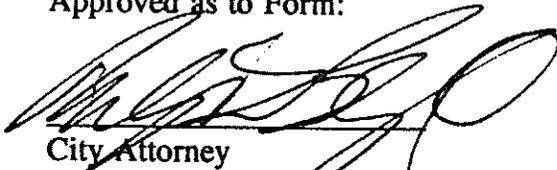


Mayor

Attest:


City Clerk

Approved as to Form:


City Attorney

Published: 8-19-95

BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF ISLAND COUNTY, WASHINGTON

IN THE MATTER OF ENDORSEMENT OF)
THE NORTH WHIDBEY COMMUNITY) RESOLUTION C-51-95
DIVERSIFICATION ACTION PLAN)

WHEREAS, the economy of the City of Oak Harbor and North Whidbey are dependent upon Department of Defense spending; and

WHEREAS, NAS Whidbey is the economic foundation of North Whidbey Island and the City of Oak Harbor; and

WHEREAS, the mission of the Naval Air Station has changed with the reduction of the A-6 aircraft and potential gain of P-3 aircraft; and

WHEREAS, the Oak Harbor/North Whidbey community participated in developing a plan to diversify the economy of North Whidbey; and

WHEREAS, a diversification plan is an optional element under the Growth Management Act; and

WHEREAS, a copy of the economic plan is intended as an element of the Comprehensive Plan for the City of Oak Harbor. NOW, THEREFORE

IT IS HEREBY RESOLVED that the Board of Island County Commissioners along with the City of Oak Harbor endorse the North Whidbey Community Diversification Action Plan.

APPROVED AND ENDORSED this 14th day of August, 1995.



BOARD OF COUNTY COMMISSIONERS OF
ISLAND COUNTY, WASHINGTON

Wm. L. McDowell
Wm. L. McDOWELL, CHAIRMAN

Mike Shelton
MIKE SHELTON, COMMISSIONER

Tom Shaughnessy
TOM SHAUGHNESSY, COMMISSIONER

ATTEST:

Art Hyland
ART HYLAND, County Auditor
& Ex-Officio Clerk of the Board

NORTH WHIDBEY COMMUNITY DIVERSIFICATION ACTION PLAN

Public Workshop

March 16, 1995 - 7:00 p.m.

Hayes Hall, Skagit Valley College

In Attendance:

Tom Burdett, Project Manager, Oak Harbor
Virginia Mayer, DOD, ODA Project Manager
Hon. Mac McDowell, Commissioner, Island County
Hon. Tom Shaughnessy, Commissioner, Island County
Hon. Mike Shelton, Commissioner, Island County
Hon. Al Koetje, Mayor, Oak Harbor
Hon. Ed Boonstra, City Council, Oak Harbor
Hon. Patty Cohen, City Council, Oak Harbor
Hon. Steve Dernbach, City Council, Oak Harbor
Hon. Larry Eaton, City Council, Oak Harbor
Hon. John LaFond, City Council, Oak Harbor
Hon. Mike Milat, City Council, Oak Harbor
Paul Knox, Diversification Program Manager, DCTED
Earle Smith, President, Kitsap EDC
Ken Saunderson, Consultant
Lee Smith, Consultant
Stan Stanley, Consultant

A. Welcome & Background/Purpose of Workshop - Tom Burdett, City of Oak Harbor

Welcome by Tom Burdett and Virginia Mayer. There was an explanation of the evening, including the purpose of the workshop - an opportunity to give the Partnership Oak Harbor feedback and ask questions of the elected officials in attendance. This is the third and last community wide workshop.

B. Background of Diversification in Kitsap County - Earle Smith, Kitsap County EDC

Earle Smith, Kitsap County EDC, discussed the diversification of his county. Mr. Smith listed some of the reasons for diversification in Kitsap County. With the Department of Defense cuts in their budget, it has proven to be the smallest military budget in 50 years. Kitsap wanted to create more jobs to keep people in Kitsap county but also maintain the rural nature of the area. He noted that there were 231 people involved in the planning, divided into 13 groups. Each group included at least one environmentalist, no-growther, labor, private sector, schools and government. Kitsap had the support of the county and cities, who signed resolutions to diversify. Three main points were included in each resolution: 1) understandable regulatory process, 2) intergovernmental cooperation, and 3) uniform approach to permitting and regulatory reform. During diversification, Kitsap was selective in their business recruiting; and since there was tourism infrastructure already in place, many businesses were developed toward that aspect. It was felt that with the increasing costs of schools, social services and law enforcement, etc., it was better idea to fund with sales tax revenues than to have property taxes increase. Kitsap's plan included:

A focus on providing jobs for those displaced from the military.

A focus on bringing wealth into the community from beyond the borders of Kitsap County.

A focus on businesses compatible with quality of life in Kitsap County

Their project was paid for by grants - no additional tax money was used and there was no tax increase to citizens. After diversification, they have experienced an increase in household income, lower unemployment and no school levies in 3 years. The diversification resulted in 2,600 added businesses in Kitsap, many of them home-based.

C. Overview of Local Plan - Dr. Mick Donahue, Skagit Valley College

Dr. Donahue became a member of Partnership Oak Harbor's steering committee, for three reasons: 1) if you do not plan, you end up where you don't want to be, 2) a concern about the students at SVC, as they need to leave the island to find gainful employment, and 3) he enjoys the quality of life and wants to retain and maintain it.

Dr. Donahue reviewed the committee findings through an overhead presentation. He presented the history of Partnership Oak Harbor, discussed the various aspects of phases one and two and what each accomplishes, and concluded with phase three priorities, what each priority represents and the specific actions to be taken. Partnership Oak Harbor is now at the implementation stage.

D. Remarks by Participants of Grants

Virginia Mayer, ODA Project Manager, DOD, spoke from the national perspective. She works with many different communities all over the country, large & small, who are going through this same process. Ms. Mayer announced that she would be the facilitator for public comments. She quickly ran through a view graphs presentation. A few of the main points made were that the Secretary of Defense feels that not enough cuts have been made yet, so there may be another round of cuts in the future. North Whidbey and the Oak Harbor area is 70% military dependent, more than most other communities. The community faces some very significant challenges. It is a small community, with limited resources, fairly isolated, very dependent on volunteer leadership and heavily defense dependent. Comments received by the consultants from the business community should be ringing alarm bells. In particular, the three which should be focused on because they will affect the quality of life here are: 1) bankers, realtors and others generally indicated that few people are looking for business opportunities on North Whidbey; 2) housing costs are surprisingly high; and 3) the demand for social services is increasing. Ms. Mayer then presented the diversification action plans created by two other military dependent communities.

Paul Knox, Diversification Project Manager, WA State Department of Community, Trade and Economic Development, commented on the state's enthusiasm for the local participation. The state feels that this is an excellent plan and fits the community. The time is right to accomplish these goals, and the state will participate in finding resources to go forward. It will cost time and money, but he feels that North Whidbey has the leaders and commitment, etc. to accomplish these goals.

Mayor Al Koetje thanked the audience for its time and participation. He remarked that it is time to look at and address these issues; it is time to look ahead instead of just living in the present. The City of Oak Harbor has maintained its interest and will work hard to accomplish diversification.

Commissioner Mac McDowell spoke on the 1970's defense budget of 40% compared to the 1995 defense budget of 14%. Even if NAS Whidbey is not closed, it will downsize. Island County wants to provide for the needs of the residents of North Whidbey but still protect the environment. The cost for services necessary for residents is paid for by property tax and sales tax. Unless more sales tax revenue is available, then property taxes will need to be increased. He feels that more money is needed to solve social problems, and one of the answers is to provide jobs for the labor force.

City Councilman Steve Dembach felt that Priority #1 does not go far enough. TSI, Upchurch, Logos needs such things as infrastructure, zoning, etc., for them to remain in the community. Harbor Watch should be initiated; tangible results must be produced for the community to remain actively involved in the process.

E. Public Comments - Facilitated by Virginia Mayer

The ground rules of the workshop, including a limit of 3 minutes per speaker was given, with remarks to be addressing the specific topic. Ms. Mayer indicated that she would be splitting the comments into 3 sections, with the topic of "what's missing, needs to be emphasized or clarified" first.

OUTCOME QUESTIONS and COMMENTS:

No changes needed; waste of time, money and effort.

Partnership

- What is the process
- Data

Light Industry

- Clarify where light industrial park funds come from
- Will taxpayers be supporting
- Clarify what light industrial is
- Who will pay for LIDs
- Look at other options to create jobs unrelated to light industrial, should not be only one
- Who owns land and what is assessed value
- Would city be purchasing
- Is the private sector developing / where is money coming from
- What are infrastructure costs
- Concern when industry comes, they bring own staff in for the higher paying jobs
- more emphasis in document that we already have light industrial
- no infrastructure to accept growth - many companies have left due to lack of it
- Emphasis on infrastructure paid for by users not taxpayers
- light industrial jobs at risk
- Lack of joint land use opportunities with NAS
- light industrial park long-term / allows for growth
- light industrial brings jobs
- Where should growth should take place

Diversification Plan

- Document too generalized - no financial data given - where are funds coming from
- Cannot count on block grant dollars to fund (CDGB)
- Inter-jurisdictional impact - what effect of plan on rest of island
- Voters should be allowed to vote on issue. Who would pay to put on ballot?
- Direction of growth - where growth should take place
- Is conclusion drawn from survey valid? - investigate conclusions drawn from survey
- Include a provision for econ. devlpmnt by means of developing retirement community

Rural & Agricultural Character of Island

- Need open space to keep area rural / farming to continue
- Focus on keeping products here - market / process product here
- Rural character
- Concern regarding the lack of farming of land
- Rural as #1 priority instead of #6 priority
- More businesses means more people, more homes means more trees cleared

Jobs / Housing

- Inability of military dependents to find jobs locally - must go off island
- Cost of living too high to support pay, what is living wage
- No housing available
- Concern about training costs to employers
- Community does not support military - military will ensure that their opinions will be related
 - DoD - If a committee can save, a committee can also close NAS.
- Military people not happy about being here and voice their opinions to Navy re problems they encounter in community
- Civilian jobs not given to military dependents because they are too transient
- Poor relationship between civilians and NAS due to base closure scares
- Direct discussion re jobs and wage rates
- Unemployment rate reality
- Navy not hiring local people
- What responsibility does Navy have in regards to creating jobs
- Why should taxpayers pay to provide jobs for military
- When will Navy take responsibility

Regional Partnership - look into possibility so wouldn't have to bear the cost alone

Infrastructure

- Study cost to property owners to replace infrastructure in a down economy
- Look at schools
- Water - quantity/quality

Business ⇔ Quality Jobs Over Time

Sales Tax Revenues

- How much is lost to Skagit County
- What is impact for North Whidbey and Oak Harbor

Ms. Mayer concluded the public input and had the elected officials present address a few of the issues to clarify points for members of the audience.

Mayor Koetje commented on the question of water and infrastructure. North Whidbey and Oak Harbor have plenty of water and the infrastructure for waste water facilities for the next 20 years.

Commissioner McDowell defined where the monies for the business parks would come from. These costs cannot be paid for by public sector or taxes, since there are none available. Business parks are built by private sector, and any LIDs are paid for by property owners. He reiterated that there are no taxpayer funds available to provide for any of these types of improvements. Since water in the area is piped in and not local water, there are no inherent costs to Island County. The public sector not going to be paying for creation of jobs, but the County will be facilitating the private sector accomplishing it. The public sector facilitates creating the opportunities, but does not fund them.

Gregg McConnell of Whidbey Press asked if any studies had been done on what the costs would be to taxpayers down the road when sales taxes decline. What will it cost property tax payers to replace existing infrastructure if everyone leaves and sales taxes decline? Commissioner McDowell responded that most county revenues come from businesses. The answer is to recruit and retain businesses and create more jobs.

As a wrap up, a member of the audience commented that people are going to come here and there is no stopping it. We've got a choice to either do planned growth or just shut our eyes and just let things happen randomly. The possibilities are here and it is better to dream than to do nothing at all.

F. Wrap Up / Closing Remarks - Virginia Mayer & Tom Burdett

Virginia Mayer addressed the different viewpoints, emphasizing that the public's opinions are being heard and noted. She encourages everyone to stay engaged in the process and to think more broadly, not just about what you don't want, but also what you do want and how you can achieve it.

Tom Burdett announced that written comments will be accepted until March 27, 1995. Forms are available. Please send these to him at the City of Oak Harbor.

After thanking the participants for their input and comments, the workshop adjourned at 9:10 p.m.

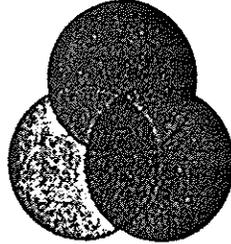
attachment: Listing of Community Participants

Community Values

RECEIVED

MAR 20 1995

CITY OF OAK HARBOR



Community Action
and Commitment

Economic Opportunities

ECONOMIC DIVERSIFICATION ACTION PLAN

Comments regarding draft plan will be included in addendum to elected officials. Comments must be received at City Hall by March 27 at 5 p.m.

To the City Council and County Commissioners: Implementation and success of the Community Diversification Action Plan submitted by Partnership Oak Harbor devolves primarily on the city of Oak Harbor. Cooperation between the city and the county on zoning decisions is required, but the city will need to make appropriate decisions about annexation and extension of utilities into the proposed development area.

The plan seems preferable to allowing growth to occur without controls. Concentrating growth and development in the area bounded by Goldie Road, Ault Field Road, Heller road and the city needs to be tempered by concern for leaving aquifer recharge areas unpaved and replacing the wetlands and agricultural land that will be lost within the
(Please attach additional pages as needed.) development area.

From: James K. Johnston, Ed.D.

Name

1842 E. Lola Beach Lane, Oak Harbor

(679-4217)

Address (required)

Date: 17 March 1995

Please return to:

Tom Burdett, Planning Director, Oak Harbor City Hall
3075 300 Avenue West, Oak Harbor, Washington 98277

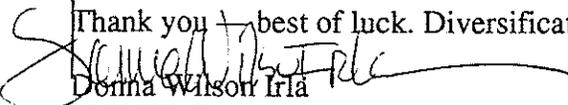
Thank you for your participation.

March 27, 1995

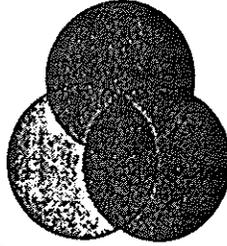
To Whom It May Concern:

I support in concept the proposed NW Community Diversification Action Plan. I regret that I missed the meetings regarding this; it seemed like such a good idea to me that I thought many people would be in favor of it. It seems that a vocal minority of opposition may scuttle the program. I think many of us who would support it are caught up in our jobs and families ~~to be~~ *and are* truly ^{un}aware of how serious a plan this is; that it is our future. May I recommend that you advertise more heavily, and should it go to another phase for public comment that you do something like a telemarketing sweep for those of us who are too tired at the end of a day to attend a meeting? Perhaps a telephone poll or print media survey would at least give you some measure of how much support you really have.

Thank you + best of luck. Diversification is desperately needed here.


Donna Wilson Iria
1320 W. Swantown Road
Oak Harbor

Community Values



Community Action
and Commitment

Economic Opportunities

ECONOMIC DIVERSIFICATION ACTION PLAN

Comments regarding draft plan will be included in addendum to elected officials. Comments must be received at City Hall by March 27 at 5 p.m. *who is being paid to*

To the City Council and County Commissioners: *develop this so called plan?*

Priority IV was let go when all the buildings were destroyed. Have the property owners develop their property on their own, not taxes.

*Priority V went with priority IV
Jobs - what type do you want?
How far do you want to commute?*

This is a regional problem why not work with Skagit County?

(Please attach additional pages as needed.)

From: *Eugene W. Gilbert*

Name: *8513 800 Ave W Oak Harbor*

Address (required)

Date: *3/16/95*

Please return to:

Tom Burdett, Planning Director, Oak Harbor City Hall
3075 300 Avenue West, Oak Harbor, Washington 98277

Thank you for your participation.

TAXPAYERS FOR RESPONSIBLE GOVERNMENT
P. O. BOX 425, OAK HARBOR WA 98277
GENE COLEMAN, CHAIR
REX HANKINS, SECY-TREAS.

T R G

THE ENCLOSED QUESTIONS HAVE BEEN COMPILED AND ARE BEING DISTRIBUTED BY TAXPAYERS FOR RESPONSIBLE GOVERNMENT, TRG, ON THE PREMISE THAT VERY FEW PEOPLE WILL HAVE HAD THE OPPORTUNITY TO READ THE NORTH WHIDBEY COMMUNITY DIVERSIFICATION ACTION PLAN, WHICH IS 245 PAGES IN LENGTH. MEMBERS OF PARTNERSHIP NORTH WHIDBEY, OR MEMBERS OF THE OAK HARBOR PLANNING STAFF CAN PROVIDE INFORMATION ON WHERE PERSONAL COPIES MAY BE OBTAINED AT AN APPROXIMATE COST OF \$18.00.

IT IS HOPED THAT MEMBERS OF THE AUDIENCE WILL USE THIS HANDOUT AS A SOURCE OF QUESTIONS TO ASK PARTNERSHIP NORTH WHIDBEY.

TRG

QUESTIONS FOR PARTNERSHIP NORTH WHIDBEY RELATIVE TO THE NORTH WHIDBEY COMMUNITY DIVERSIFICATION ACTION PLAN, March 16th, 1995.

1. Doesn't the Navy's planning for facility expansion at NAS WHIDBEY indicate that the base's future does not involve downsizing?
2. Is "light industry," the Junk Bond form of economic diversification, the only alternative seriously considered for future job opportunities?
3. Why is there no economic evaluation presented for the "light industry" concept? There is no mention of what a "light industry" park would cost the taxpayers.
4. The map you present of the proposed economic development area covers North Whidbey from Waterloo Road to Deception Pass Bridge. Does this mean that the taxpayers living within those boundaries will share the cost of your proposed development even though your "light industrial" park will have to be annexed into the city of Oak Harbor if it is to come into being?
5. The unemployment rate in Island County is currently 4.8%, the second lowest of all 39 counties in the state. Where would you find employees for all the jobs you propose to create?
6. What is a reasonable ratio of customer service-related jobs to retired individuals?
7. Can you provide a cost breakdown of the total infrastructure required to support a "light industrial park?"
8. Concerning the 654 residents interviewed by phone in March 1994, when base closure was uncertain, what information is available concerning their backgrounds?

9. Concerning the same 654 respondents, how are they considered representative of the North Whidbey unemployed?
10. Since events have occurred to negate the circumstances which existed in March 1994, do you plan to conduct another telephone or other type survey?
11. Can you present facts to support the assumption that the current 4.8% unemployed would qualify for employment in high tech, light industrial, skilled jobs?
12. Why is "light industry" a good concept to pursue for economic diversification considering its uncertain nature? Is "light industry" a concept on which to build a solid, sustainable, secure future?
13. Why are "light industrial" manufacturing jobs preferable to those in the customer service area (construction, home maintenance, retailing, food service, health care, recreation, etc.)?
14. What evidence exists that the voters support an industrial park, developed at taxpayers expense, any more than they supported the formation of a port district, which was overwhelmingly rejected?
15. How does an economic diversification concept based on service support for an active retirement community concept compare with a "light industrial" park concept?
16. What advantages would an Oak Harbor "light industrial" park have over the Skagit Industrial located Park between Anacortes and Burlington? What did the acquisition and development of that land cost the Skagit County taxpayers? What is the rate of return on their investment?
17. How does a "light industrial" economic diversification concept capitalize on the unique geographical nature and island characteristics of North Whidbey?
18. Does the Comprehensive Plan of Oak Harbor still cite infrastructure development of new, potential city property lowest on the priority list for unfunded projects?

19. Partnership Oak Harbor claims to have its origins in a 1991 Economic Summit Meeting sponsored by Puget Power. If so, why do you ignore so many of the valid recommendations made during that meeting?

20. The Keynote speaker at the Economic Summit mentioned above was the Economic Development guru of the day, Mr. Jon Roberts. Mr. Roberts was Business Development Director, Washington State Department of Trade and Economic Development. Mr. Roberts made three highly significant statements, all of which you have completely ignored:

A. ".....we are going to have a very top-heavy elderly population in the near future. If that fact is not integrated into our economic and social fabric, we will fail miserably in articulating a vision."

NOWHERE DOES YOUR PLAN REFER TO SLY OLD SILVER FOXES. WHY NOT?

B. "....and the other was the need to realize that job creation was not a solution unto itself."

ONE OF YOUR STATED GOALS IS JOB CREATION. WHY?

C. "I would like to add that economic diversification is no solution either.

There is nothing inherently necessary about economic diversification.

There is absolutely wrong with dependence on a single industry.Nothing."

HOW CAN YOU CLAIM THE ECONOMIC SUMMIT AS THE SOURCE OF YOUR EXISTENCE AND IGNORE THE WISDOM OFFERED BY THE ONLY EXPERT PRESENT?

21. You say that your plan will be used in the development of the overall Comprehensive Plans for Oak Harbor and Island County. Does this mean that the Island County Planning Commission will reopen public hearings on the County Comp Plan?

22. On Page 1-3 you refer to "extensive public involvement." How do you reconcile that to the fact that this is only the third public meeting you have held in fifteen months?

23. On Page 1-2 you say, "The support for the creation of an overall plan was demonstrated through consensus by more than 150 people who attended the Economic Summit in October 1991." According to records, 138 people registered, of whom 13 were from out of town. Also, the group endorsed a policy which included the statement, "Existing water and sewer facilities are inadequate to accomodate the future growth of the area." Please comment.

24. Your report represents the expenditure of more than 101,000 tax dollars. Recognizing that a group was involved in the report's preparation, what individual was in charge of the group and consequently gave guidance and is responsible for the report's contents? Please name the individual.

25. Under "further public involvement" (Pg 1-8) you list workshops held August 15th & November 7th, 1994. You say, at the Aug meeting "..... individuals had the opportunity to comment, ask questions, and prioritize strategies." At the November meeting you say,"during which individuals had the opportunity to ask questions regarding the Action Plan Matrix and suggested priorities." These meetings were advertised as "Workshops involving Island County Commissioners and Mayor and members of the Oak Harbor City Council." By law, you could not preclude public attendance; however, the only "individuals" permitted to participate were members of the involved entities. How, then, can you infer that the public was involved? Are recorded minutes of those meetings available to support your claims?

26 On Page 1-12 you say, "A unique community, government and business partnership has been created to FUND, GUIDE, AND DEVELOP this Action Plan. Which members of the community, which government, and which business people will do these things? How much will it cost taxpayers?

27. On page 3-7 You state that the Island County Economic Development Council has an annual budget of \$60,000.00, and that \$1,000 came from Oak Harbor taxpayers and \$1,000 Island County taxpayers. Can you list in detail the source of the remaining \$58,000.00?

28. Page 4-22 Under the heading Type of Work Being Sought you say, "In those households in which persons were seeking work, 77% of the respondents and 67% of their spouses sought professional positions."

- A. What was the total number of households with persons seeking work?
- B. How many persons were in each household?
- C. What was the educational level of those persons seeking professional positions?

29. Page 4-43 In discussing aspects of doing business on North Whidbey you noted three positive aspects:

- A. Quality of life, lifestyle, environment, and friendly customers.
- B. NAS Whidbey brings a stable economy which offers opportunities.
- C. Proximity to customers, local markets, and clients.

How will your economic diversification plan improve on that?

30. Page 4-45 Under "General Thoughts" you say "Preserving the quality of life and small-town rural lifestyle on North Whidbey is a top priority for everyone interviewed. It is the main reason why people move there or decide to do business there."

How will your economic diversification affect that attitude?

31. Page 6-3 You say, "Data in the Comprehensive Plan show that Oak Harbor is underserved with industrial land compared to comparable cities and towns throughout the United States."

ARE THE CITIES AND TOWNS TO WHICH YOU COMPARE OAK HARBOR ALSO ON ISLANDS? OR ARE THEY, PERHAPS, SUBURBS OF GARY, INDIANA, OR PITTSBURG, PA?

32. Page 5-8 Under "Income" you say that, "The positive employment climate in Island County in recent years should not mask the fact that local wages are much lower than Puget Sound and statewide averages."

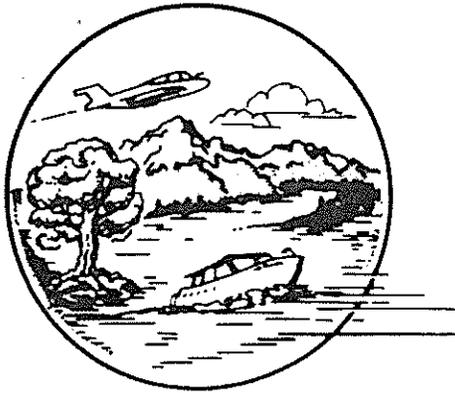
Can you be more specific, like, where do you get your figures?

33. Will the "light industrial" park be developed by private funds? Who will pay to extend the infrastructure?

34. Can you identify ANY companies which have shown positive interest in moving to North Whidbey? If so, have any government incentives been offered to lessen their moving costs?

35. Nowhere have you listed, or even mentioned, costs. Do you believe the taxpaying public will approve your so-called plan blindly?

36. Do you plan to submit this to a vote of the people? If not why not?



CITY OF OAK HARBOR

3075 300 Avenue West
City Hall (206) 679-5551

Oak Harbor, Washington 98277

May 18, 1995

Taxpayers for Responsible Government
Gene Coleman, Chairman
P.O. Box 425
Oak Harbor, Washington 98277

Re: Questions Concerning the Economic
Diversification Plan, March 16

Mr. Coleman:

Thank you for your comments and recommendations regarding the Economic Diversification Action Plan. Attached is a response to your questions from the economic consultants and myself. This is a lengthy and detailed report which can be confusing to many citizens.

This plan was developed with a very high degree of citizen involvement. It's success in implementation depends on continued citizen involvement.

I have directed the consultants to check the data and make some recommendations for retirement age populations for economic development. We will incorporate their recommendations into the plan. If you have any further suggestions, please do not hesitate to give them to me or Ken Saunderson.

Sincerely,

A handwritten signature in cursive script that reads "Tom Burdett".

Tom Burdett, AICP
Director
Planning and Community Development

TB:RS

This is a statement of answers addressing the questions concerning the North Whidbey Economic Diversification Plan. The questions came from the Taxpayers for Responsible Government dated March 16, 1995.

1. The Navy will decommission all of the A-6 squadrons by 1997. The economic growth due to NAS Whidbey over the long term is forecast to be level or negative. The P-3 squadrons transferring to Whidbey will replace the A-6 squadrons. After the realignment takes place, there may be a net loss at the base.
2. Light industry is not the only opportunity for economic diversification. Tourism is also highly recommended in the action plan.
3. Light industry seems to have a negative connotation with the questions brought up by tRg. Light industry is being used as a general term of context for assembly, light manufacturing and service office uses. The cost to the taxpayers and rate payers is expected to be zero. There are no new taxes anticipated with this plan. As long as initial costs for extension of infrastructure are borne by the property owners, this recommendation will result in an economic gain for the community.
4. No new taxes are proposed as stated above.
5. The unemployment rate as published by the State for Island County is misleading. As stated by the Office of Employment Security the actual number is about twice as high as that which is published. The reason for this discrepancy is the fact that people who are seeking employment, namely Navy spouses, are not registering as unemployed because the Office of Unemployment is located in Skagit County.
6. The number of customer service related jobs is not only related to retired individuals. Customer service related jobs are support jobs to the entire population of North Whidbey.
7. A specific cost breakdown of total infrastructure to support the light industrial park area has not been calculated nor has specific funding recommendations. Funding alternatives are discussed in the report.
8. The residents interviewed by phone were randomly picked by a computer. The reliability of the sample survey is accurate within a very small percentage of error.
9. The respondents to the survey were adult household members picked randomly.
10. No. Circumstances regarding base closure do not negate the results of the survey.
11. The survey does indicate that the labor force has a higher than national average level of education. The plan recognizes the need for training for many of these positions. Skagit Valley College and Chapman University are capable of providing necessary training.

12. The light industry concept is a generic land use term being applied to a variety of potential employment sectors. Examples are Logos Software and Upchurch Scientific, which are clean sustainable industries.
13. Construction, home maintenance, retailing, food service, health care and recreation are all support, secondary employment. In other words they do not bring in revenues outside of the local area. They are not considered an economic development strategy by the experts in this field.
14. As stated above, there are no new taxes proposed with the adoption of the Community Diversification Action Plan.
15. If the question requests answers to compare attracting retirement community living as opposed to basic employment, then the answer is in higher paying jobs. Basic employment will pay higher wages than service support jobs for retirement community. Also, attracting retirement community and the residential development that coincides with that strategy increases population and infrastructure demands beyond that required to bring in primary service jobs or light industrial basic employment.
16. Oak Harbor has a labor force ready to work. The strategy to develop an industrial park in Oak Harbor will be different than that of Skagit County. Skagit County was not looked at as a model on which to base the Oak Harbor plan.
17. By focusing on tourism and employing military spouses who are already here, and are in need of employment, the plan will result in maintaining the unique environment of Whidbey Island. The type of basic employment attracted to North Whidbey does not include resource development operations.
18. The Draft Comprehensive Plan for Oak Harbor lists priorities for funding capital improvements required to meet concurrency under the State of Washington Growth Management Act. Many infrastructure capital facilities will be required to be extended by private landowners. Other forms of infrastructure development may include low interest loans and revenue based debt service special districts.
19. The Economic Diversification Plan does have it's roots stemming from 1991 Economic Summit meeting sponsored by Puget Power. The concern the Taxpayers for Responsible Government keep referring to is one statement out of context as a justification for attacking the entire diversification effort. A broad perspective comparison of the goals and actions will identify this plan as written, as being consistent with the goals and recommendations from the summit.
20. A, B, & C. Economic development across the country, centers on creation of primary jobs. Retirement age persons could be part of the training and employment programs offered by the Colleges. In addition, the retired portion of the population show higher degrees of community volunteerism and experience. The Taxpayers for Responsible Government continue to take Mr. Roberts comments out of context.

21. The Comprehensive Plans for Oak Harbor and Island County both include economic development sections which are compatible with the Economic Diversification Plan. The Oak Harbor Comprehensive Plan is integrated with the Environmental Impact Statement. Because the recommendations of the Economic Diversification Plan physically influence the Oak Harbor UGA more than the unincorporated areas of the County, most of the implementation will fall within the Oak Harbor UGA. The Island County Commissioners will be encouraged to consider adoption of the Community Diversification Action Plan.
22. Extensive public involvement includes, in addition to the three public meetings, the random telephone survey, meetings and surveys with leaders from the automobile dealers association, chamber of commerce members, downtown retailers, financial institutions, hospitality industry, Economic Development Council Board of Directors, North Whidbey retailers, Oak Harbor High School, professional services, property owners and social service providers. There were discussion groups held with 33 individuals on a one-on-one basis including presentations to 19 community organizations. This included members of the Taxpayers for Responsible Government.
23. Additional water and sewer facilities will have to be constructed to serve both the North Whidbey Goldie Road Industrial Park and downtown revitalization efforts for tourism enhancement. Water resources are available in Oak Harbor. Sewage treatment capacity is also available.
24. The lead consultant for this project who is responsible for preparing and writing the report is Ken Saunderson with KRS Services. The project manager was Tom Burdett with the City of Oak Harbor.
25. This is a statement of semantics. The elected officials are public citizens representing the region and the community. They are not paid to participate in the project. They represent the citizens of the study area.
26. As stated above, there are no new taxes proposed with this action plan. A reallocation of existing tax dollars is proposed.
27. The Taxpayers for Responsible Government should contact the EDC directly. City records indicate the EDC receives it's funding based on the following percentages. 30% State, 60% member dues, 10% grants.
28. See attached cross-correlation.
29. Quality of life should also include a competitive wage job.
30. The recommendation for high design standards for property development, including both downtown revitalization and North Whidbey Business Park, will address the need for preserving the rural lifestyle on North Whidbey.

31. The comparison made is one of Cities and Towns all across the nation including waterfront cities and island cities.
32. Department of Employment Security and Economic and Revenue Forecast Council.
33. The light industrial park will be developed with private funds. Infrastructure extension will be recommended to be financed by private property owners. Water and sewer extension will have to be incorporated with rate structures which do not adversely affect the existing rate payers. This will be done in accordance with the comprehensive plan policies.
34. According the Island County EDC many companies show an interest in moving to North Whidbey. No government incentives have been offered.
35. It is assumed this is a rhetorical question. The plan speaks for itself.
36. The plan is not proposed to be voted on by the public at large, but to be included as part of the representative government authority for review and adoption. A plan (200 pages) which is as extensive as this, cannot be summarized in simple ballot language. Representative Government is the best form for consideration of these matters.