

Economic Development Strategy and Action Plan: December, 2013

Illusions
BEAUTY LOUNGE
• Tanning • Nails • Hair



THIS SPACE
IS NOT EMPTY.

HISTORIC
DOWNTOWN
OAK HARBOR

IT IS FULL OF
OPPORTUNITY



This page left intentionally blank

Acknowledgements

Oak Harbor Mayor: Scott Dudley

Oak Harbor City Council: Danny Paggao, Rick Almberg, James Campbell, Beth Munns, Tara Hizon, Bob Severns, Joel Servatius

Planning Commission: Keith Fakkema, Bruce Freeman, Sandi Peterson, Anna Schlect, Kristi Jensen, Greg Wassinger, David Fikse

Economic Development Ad Hoc Committee: Bob Severns City Council • Patty Cohen, Former Mayor • Cathy Reed, Executive Director Oak Harbor Chamber of Commerce • Ron Nelson, Executive Director Island County Economic Development Council • Mick Donahue, Executive Vice President - Skagit Valley College • Jennifer Meyer, NASWI Community Liaison • Dee Boothe, President Technical Services Inc. • Courtney Richmond, WorkSource Whidbey • Ron Apgar, Paint Your World • David Fikse, Gerald's Jewelry and Planning Commission • Dwight Galbraith, Whidbey Cleaners • Stan Stanley, consultant; Ed Wilkins, citizen • Sandi Peterson, Planning Commission • Christine Cribb, citizen

Focus Group Participants: Jason Trit, Flyer's Restaurant • David Wilson, Woody's Carwash • Jennifer Meyers, NASWI • Scott Smith, NASWI • Mike Welding, NASWI • Todd Krantz, Whidbey Island Bank • Abdul Sharif, Technical Services, Inc. • Lance Gibbon, Oak Harbor School District • Calvin Hewitt, Habitat for Humanity

City of Oak Harbor Staff: Larry Cort, City Administrator • Ethan Spoo, Economic Development Coordinator

Contents

Acknowledgements.....	i
Purpose	1
Background	1
Framework for Local Economic Development.....	1
Relationship to the Oak Harbor Comprehensive Plan	2
Economic Profile and Needs Assessment	2
Focus Groups.....	3
Strategy and Action Plan.....	3
Conclusion.....	7
Appendix A: Economic Profile and Needs Assessment.....	9
Appendix B: Focus Group Notes	11

Purpose

In the early to mid-1990s, Oak Harbor was faced with the prospect that Naval Air Station Whidbey Island (NASWI) would close as part of the federal Base Realignment and Closure Commission's recommendations. As a result of that process, Oak Harbor and its County partners produced the *North Whidbey Diversification Action Plan* in an effort to attract businesses to North Whidbey not dependent on the Navy.

Now, the City of Oak Harbor is faced with an entirely different prospect than it was in the 1990s: the US Navy has announced that it will relocate between four and seven new squadrons for the P-8A aircraft to NASWI. These new squadron personnel and their families will have a large impact on Oak Harbor's economy. Oak Harbor needs a new economic development strategy moving forward to capitalize on the squadron relocation, as well as address long-standing economic challenges.

This document is meant to meet Oak Harbor's need for an economic development strategy given the new reality the City faces. The Economic Development Strategy and Action Plan (EDSAP) is intended to be a concise document, while still capturing actions Oak Harbor can take to promote job and revenue growth in the next 3-5 years. The document is not meant to be a "pie-in-the-sky" vision, but rather a specific list of actions that purposely account for staff resources to implement them. The EDSAP is a short-term "strategy and action plan" to be carried out in the coming few years as opposed to a long-term plan or vision. Finally, the EDSAP is not a departure from existing City policy, but a further step toward implementing the goals in the Oak Harbor Comprehensive Plan.

Consistent with current trends in economic development and with staff resources in mind, the EDSAP is most focused on existing business. In the past, cities have spent huge sums of money and untold sums to attract new businesses. While attracting new businesses is important, research shows that 60-80 percent of new job growth comes from existing businesses. Consequently, the strategies and actions in this document emphasize retaining and growing Oak Harbor's existing businesses.

Background

Framework for Local Economic Development

Traditionally, local economic development has focused on "catching the big fish"- herculean efforts made to attract large employers to a city. Cities have waived taxes and fees; installed expensive infrastructure at their cost; undertaken special studies; and used eminent domain to condemn land and clear blight; all in an effort to convince an employer to move to their city. In some cases, those employers moved, stayed and were successfully integrated into the community. In other cases, the employer went out of business or moved on to the next city in a few years when a better package of incentives was offered.

Given the high risk of spending substantial local resources on attracting new business, modern economic development tends to emphasize retaining and growing existing businesses. These businesses are already located in the city, have relationships with the community, and are familiar with local market conditions.

Economic development professionals have a variety of tools they can use to encourage job growth. However, these tools usually fall into eight main categories:

- **Business attraction:** marketing the advantages of a particular location or city to attract new businesses.
- **Business retention:** communicating with existing businesses and addressing their needs.
- **Business development:** providing training and information resources for business owners and managers such as finance or customer service classes.
- **Development fee and tax incentives:** reducing, waiving, abating fees and taxes to encourage development of new and expanded businesses.
- **Workforce education:** educating and training employees to meet the needs of businesses.
- **Land supply:** ensuring that an adequate land supply exists for new and expanding businesses.
- **Infrastructure:** ensuring that there is adequate public infrastructure to allow businesses to relocate or expand.
- **Quality of life:** providing a quality of life (proximity to doctors, quality of schools, access to recreation, etc.) conducive to business innovation.

These broad categories cover nearly all economic development activities that cities and governments undertake. Some of these categories, such as workforce education and business development, are not the purvey of a local government because cities' natural strengths are not education or training. Other categories, like quality of life, are best addressed by a combination of public, private, and non-profit organizations. The economic development functions cities are typically best at performing are land supply strategies, infrastructure investments, reduced development fees/financial incentives, business retention, and some types of business attraction. Business retention activities, such as communicating with local businesses about their needs and working to address those needs, are some of the most successful and effective economic development tools cities have. Therefore, the EDSAP is heavily weighted toward business retention activities.

Relationship to the Oak Harbor Comprehensive Plan

The Oak Harbor Comprehensive Plan has a chapter containing economic development goals and policies. There are six goals and 31 policies in the Comprehensive Plan. The goals focus on diversifying Oak Harbor's economy from its reliance on NASWI, implementing the Waterfront Redevelopment, Branding and Marketing Program, reducing retail sales leakage, and strengthening Oak Harbor's appeal to tourists. This strategy and action plan should be viewed as consistent with and complimentary to the Comprehensive Plan and a further step in implementing it. The strategy should not be viewed as steering Oak Harbor in a new direction or directing resources toward goals and actions inconsistent with already adopted City policies. Rather, the EDSAP should be seen as an economic development project list implementing the Comprehensive Plan.

Economic Profile and Needs Assessment

The Mayor's Economic Development Ad Hoc Committee convened in early 2012. Beginning in January 2013, with the guidance of newly dedicated staff, this committee began discussions on the EDSAP. As part of the background research for the Draft EDSAP, staff prepared the "Economic Profile and Needs Assessment" and presented the findings to Planning Commission in March, 2013 and to City Council in May, 2013. The Economic Profile and Needs Assessment forms the foundation of the EDSAP and is the basis of the strategies and policies in it. It is important to have a factual basis for the EDSAP moving forward as the evidence for the actions the plan recommends. Among the key trends of the Economic Profile and Needs Assessment are:

- **Slow population growth.** Oak Harbor's population growth has slowed dramatically over the last two decades from an annual rate of eight percent prior to 1990 to a rate between just above one percent thereafter. However, looking to the future, Oak Harbor's population is expected to grow again dramatically as new squadron personnel and their families move to the area assuming the City's housing stock, infrastructure, and employment opportunities can accommodate the prospective residents.
- **Young demographic.** Oak Harbor has a young demographic with strong representation of people in their 20s and 30s, but also has a fast growing population of senior citizens.
- **Housing affordability.** Oak Harbor has a housing affordability problem for civilian sector workers whose median wages are often too low to leave budget for non-housing related expenses (food, clothes, transportation, etc.).
- **High unemployment.** Oak Harbor's unemployment rate is higher than average and was the highest in the state for a city its size in 2010 at 11.1 percent. Oak Harbor's unemployment rate has been persistently high over the last decade in which NASWI was reducing military personnel.
- **Low incomes.** As previously mentioned, Oak Harbor's incomes are quite low, not considering Navy allowances for housing. Oak Harbor's median household income is approximately \$50,000 per year compared with median incomes of \$70,000 for other cities its size across the state.
- **High per capita sales.** Despite its low income Oak Harbor' businesses have high per capita sales figures. This paradox might be partly due to Navy allowances for housing and other living expenses which give Navy personnel and families higher disposable incomes than their household income would imply.

Following the completion of the Economic Profile and Needs Assessment, the Economic Development Committee conducted several months of discussions on the EDSAP. The Committee worked diligently to create a document that is based on implementable projects that Oak Harbor can accomplish over the next 3-5 years with existing staff resources. For that reason, the EDSAP is primarily a list of projects as opposed to a policy document.

Focus Groups

In addition to the Economic Profile and Needs Assessment and the work the ad hoc committee completed, staff conducted four focus groups in June and July of 2013 to obtain additional input on Oak Harbor's economy and potential obstacles to economic growth. The four focus groups conducted were: (1) US Navy (2) Small Businesses (3) Large Businesses and (4) Public Non-profit Institutions.

Although there were four different focus groups, there were shared themes across the four groups. The shared themes, as well as the focus groups notes, are included in Appendix B. All participants noted the positive impact of the Navy, that Windjammer Park is an underutilized space, the lack of activities for children in the community, need for employee training for businesses, and the need for an upscale waterfront restaurant, among other issues. The fact that there were shared themes across groups is a strong indication that these are long-standing issues need to be addressed.

Strategy and Action Plan

The EDSAP is organized into four goals with actions listed under each goal. Each action is organized into those actions which require no additional funding or staffing and actions which require additional

funding or staffing. There are a total of 31 different actions, 12 of which will require additional funding or staffing to accomplish and 19 which can be accomplished with existing funding and staffing levels.

The 31 actions are organized under four broad goals chosen to promote economic development in Oak Harbor over the next 3-5 years:

1. Retain and Grow Existing Businesses
2. Foster a Business-friendly Culture at the City
3. Redevelop to Catalyze Job Growth
4. Welcome Tourists to Oak Harbor

Retaining and growing existing businesses was chosen because research has shown that 60-80 percent of all job growth comes from existing businesses. In the past, economic development in cities across the US has focused heavily on recruiting new businesses. While recruiting new businesses is still important and tends to be what many people think of as economic development, research is showing that helping existing businesses thrive is more productive and cost effective.

Fostering a business-friendly culture at the City was chosen because the committee perceived that improvements were needed to reach out to new and existing businesses to make them feel welcome and cared for. In addition, the committee wanted to see that business interests were continually represented and taken into consideration in City decision making.

Goal 3 refers to efforts the City would take to redevelop key properties thereby catalyzing development on adjacent properties and creating high-quality buildings in which businesses can locate. For many years, downtown has been the focus of efforts to attract new development. The EDSAP affirms that redevelopment is an important activity for the City to undertake to revitalize Oak Harbor’s business districts. Redevelopment might be accomplished by selling city-owned land to a developer who would meet City goals for project outcomes and design or by targeting needed infrastructure improvements to promote private investment.

Goal 4 focuses on tourism. Tourism can be a controversial economic development focus because tourist-oriented jobs such as restaurants, tours, etc. usually pay low wages. However, the committee chose this goal because the Economic Profile and Needs Assessment showed that Oak Harbor lags far behind other communities for its lodging tax revenues meaning that Oak Harbor has work to do just to be perceived as an “average” tourist destination.

The following table includes the goals and actions that make up the EDSAP:

Goal/Action	Schedule	Funding
Goal 1: Retain and grow existing businesses		
Actions – No Additional Funding or Staffing		
1. Annual Business Survey and Reporting. Nurture open communication lines with existing businesses to anticipate their expansion or relocation needs. To do so, the City will implement a business survey to ascertain how the City can help existing businesses remain successful or avoid closing. The City will also have a business visitation program, as well as contact businesses which closed or left the City. The City will issue annual	Q1 2014 & annually thereafter	Nominal

reports for survey and business visitation efforts.		
2. Coordinate with the Chamber on researching “shop local” campaigns and report on the findings.	End of 2014	N/A
3. Seek grants/money to build the knowledge of existing business owners/operators to help them succeed and grow.	Ongoing	N/A
a. Actively promote free entrepreneurship training available to businesses through the Island EDC.	Ongoing	N/A
b. Spread the word about Skagit Valley College business classes and secure possible funding to send business owners to these classes. These classes would work in tandem with training classes offered by the Chamber.	Ongoing	N/A
4. Assist merchants in creating a Main Street program for downtown Oak Harbor allowing a portion of B&O taxes to be used locally. Part of this effort should be to explore the feasibility of creating a historic district downtown.	End of 2014	N/A
Additional Funding and Staffing		
5. Explore creating a business incubator in coordination with Island EDC, Skagit Valley College, and the high school. Such incubator could be a light manufacturing/industrial incubator in the Goldie Road corridor and could work in conjunction with the high school vocational program.	End of 2014	Unknown
6. “Business Leadership Breakfast.” Organize events in which the Mayor and Council can meet with business owners on a quarterly basis. These events may be hosted by different businesses in Oak Harbor.	Q1 2014	\$1,000 per event
Goal 2: Foster a business-friendly culture at the City		
No Additional Funding or Staffing		
7. Develop “welcome packages” for those considering opening a business in Oak Harbor. The packages should be tailored to retail, office, and industrial sectors and would provide information on the steps required to open their doors. The packages will include information on the economic impact of the Navy and information on WorkSource. The City should also develop recruitment/marketing packages with basic demographic/workforce information for Oak Harbor that can be used to attract new businesses. In addition, the City should contact new businesses, with the assistance of designated ambassadors, and establish relationships.	End of 2013	Nominal
8. Actively maintain business owner membership on boards and commissions.	Ongoing	N/A
9. Actively engage with the Chamber of Commerce and maintain constructive relationships with its leadership	Ongoing	N/A
10. Research financial incentives for new and existing businesses such as reducing/waiving/abating fees and taxes, tax increment financing, industrial revenue development bonds, and storefront improvement grants.	End of 2014	N/A
11. Create a business impact section in City agenda bills.	End of 2014	N/A
12. Research target industries to attract to the City to determine which are most likely to succeed in Oak Harbor and fit the community’s long-term vision.	End of 2014	N/A

13. Make a stronger link between the City's Capital Improvement Plan and the budget with realistic reflections of cost and time to complete projects to reduce guesswork and risk for developers.	End of 2015	N/A
14. Revise the list of permitted/conditional uses for the Central Business District code to streamline permitting and align uses with community policies.	End of 2016	N/A
15. Explore issuing planned action SEPA's to reduce regulatory barriers	N/A	N/A
Additional Funding or Staffing		
16. Complete a buildable lands analysis to ensure that there is an adequate supply of residential, commercial, and industrial land in the City and incorporate the findings from this study into the Comprehensive Plan.	End of 2014	\$10,000-\$15,000
17. Excellent customer service should be the hallmark of the business-friendly atmosphere at the City. Customer service training for employees should be regular and recurring.	Ongoing	\$10,000-\$20,000
18. Revise the "business" portion of the City website to include tools for new and expanding businesses, including possible financial incentives.	End of 2014	\$10,000
19. Consider developing a streamlined development review process and implementing it, including a "fast response" review team for the review of new business and job-generating uses.	End of 2016	Unknown
20. Complete a cultural resources management plan to more accurately quantify risk of encountering resources and to inform developers/builders about their responsibilities.	End of 2016	Unknown
21. Explore partnerships with nonprofit and private organizations to create a community center focused on, but not exclusively for, youth. A new senior center may be a component of the overall community center complex.	End of 2017	Unknown
22. Gauge parking supply and demand in downtown for now and the future. Explore feasibility of a public garage downtown which will help facilitate redevelopment of this area. Adequate parking is a precursor to investment in new retail and office space in downtown.	End of 2015	N/A
Goal 3: Redevelop to Catalyze Job Growth		
No Additional Funding or Staffing		
23. Explore selling land to a developer to create a catalyst development in downtown or elsewhere. The developer would need to meet City objectives for development of the land. The catalyst development might include a new City library.	End of 2015	N/A
Addition Funding and Staffing		
24. Determine the feasibility of overnight moorage pier/dock near downtown/Flintstone Park.	End of 2015	\$20,000
25. Explore creating a port district.	End of 2016	Unknown
Goal 4: Welcome Tourists to Oak Harbor		
No Additional Funding or Staffing		
26. The City, in coordination with the Chamber and Island County Tourism, needs to explore what it can do to increase tourism, including creating tourist attraction(s) and a regular schedule of events.	End of 2014	N/A
27. Explore better transportation options to and from the Marina, including	End of 2014	N/A

pursuing grants for city bicycles and/or trolley.		
28. Explore options for funding restrooms for downtown.	End of 2015	N/A
Additional Funding or Staffing		
29. Commission a study to explore ways that it can create a more tourist-oriented atmosphere in the City including an arch/gateway for downtown and updated design regulations for downtown.	End of 2016	\$15,000
30. Study the feasibility of constructing an amphitheater near the waterfront as envisioned by the Waterfront Redevelopment, Branding, and Marketing Program as well as other improvements envisioned by that plan such as vendors. The Windmill is a potential location for a vendor.	End of 2014	\$15,000
31. Market the City to tourists using the Whidbey Island Scenic Byway and the Cascade Scenic Loop, including capitalizing on visitors to Deception Pass Bridge possible transportation to and from the bridge. The City should work in coordination with the merchants to develop a “hot list” of things to do in Oak Harbor for tourists.	End of 2014	Unknown

Conclusion

Oak Harbor has significant economic opportunities and challenges ahead. Opportunities include the arrival of the new squadrons, its quality of life, youthful population, growing population of seniors, and high per capita sales. Challenges the City faces are high civilian unemployment, low incomes, and housing affordability. To be successful at economic development and encourage diverse, private-sector growth, Oak Harbor needs not to lose sight of these challenges and opportunities. Since other cities in the region are strategically positioning themselves to compete for new jobs and residents, Oak Harbor needs to remain competitive by embracing its own economic plan for the future. Economic development is a lofty, but achievable goal if Oak Harbor applies appropriate resources to the issue, tackles its problems head-on, and internally cooperates to meet its economic development needs.

Appendix A: Economic Profile and Needs Assessment

Appendix B: Focus Group Notes