

San Juan County Comprehensive Plan Economic Development Element



September, 2007



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Revision History:

Error Correction January 2008	by the SJCEDC – corrected “average net income per farm” statistic on page 26.
Updated September 2007	by the San Juan County Economic Development Council
Original March 2007	by Barney & Worth Inc. in association with Non-Profits Unlimited

Introduction

From the San Juan County Comprehensive Plan – The Vision:

“We support a pattern of economic development which serves the needs of our community, and which recognizes the rural, residential, quiet, agricultural, marine and isolated nature of the islands. Our economy comprises a wide spectrum of stable, year-round activities that provide employment for islanders. We support and encourage traditional industries including forestry, farming, aquaculture, construction, fishing, and tourism without jeopardizing the resources on which they depend. We have home occupations and cottage industries, which are compatible with surrounding neighborhoods. We encourage new ideas and new technology for improving the quality and profitability of our goods and services. Value-added activities are encouraged. Environmental conservation and sustainable development are balanced.”

December 31, 2002

From the “Cost of Government: A Report on the Cost of Community Services in San Juan County, Washington”

“Should San Juan County encourage business development?”

Commercial development currently contributes far more to the County treasury than it costs in County services. Increasing commercial revenues would therefore probably help the County fund services to all land use types.”

May 2004

Purpose of Economic Development Element

The Washington Growth Management Act (GMA) requires Washington counties and municipalities to maintain a Comprehensive Plan to help plan for and manage growth now and in the future. While not a required component of the comprehensive plan, the Economic Development Element has become an important planning tool supported and promoted by the State of Washington.

The statewide goal for economic development is as follows:

“Encourage economic development throughout the state that is consistent with adopted comprehensive plans, promote economic opportunity for all citizens of this state, especially for unemployed and for disadvantaged persons, and encourage growth in areas experiencing insufficient economic growth, all within the capacities of the state’s natural resources, public services, and public facilities.”

Economic development itself has been described in many ways, but is essentially the process and associated initiatives undertaken to ensure financial security for all people living in a specific geography.

Sound economic development seeks to create sustainable wealth by creating jobs that match the workforce or conversely, providing workforce training that qualify locals to fulfill available jobs. Long-term economic development efforts seek to add value to existing industries before creating new ones. Short-term efforts seek to protect existing employers from or help them mitigate detrimental trends or conditions.

Proactive economic development seeks out business development opportunities based on an area’s competitive advantages, market characteristics and community values – because those are the foundations of long-range success. Smart economic development recognizes that prosperity both depends on, and drives quality of life. Sustaining the structure, nature, and diversity of our community as we now know it is dependent on maintaining and growing a successful economy.

Relationship to Other Comprehensive Plan Elements

The Economic Development Element (EDE) is just one part of the San Juan County Comprehensive Plan. It does not supersede any other element or policy direction set therein. Rather, the EDE incorporates and builds on or works within policies and planning frameworks established in the other Plan areas.

The EDE is structured to provide the same level of general goal and policy direction as the other Comprehensive Plan elements, but also includes a more detailed “action plan.” Generally speaking, a Comprehensive Plan serves as a vehicle for characterizing and forecasting conditions and levels of demand within a specific jurisdiction, then developing *jurisdiction-specific* policies and goals for responding to anticipated conditions and meeting defined levels of service. The EDE does this as well, but also offers a stand-alone action plan that assumes economic development is regional, and that implementation responsibilities will be shared among the Town of Friday Harbor, San Juan County and many other quasi- (e.g. Ports, OPALCO) and non-governmental (e.g. private sector, non-profit) partners.

Most importantly, strategies, actions and policies presented within the EDE are presented within the context of the overall Comprehensive Plan, cognizant of community values and priorities related to land use, population growth, transportation constraints, natural hazard response readiness and many other factors. In short, the EDE is presented as a plan to bring “economic vitality that fits” San Juan County.

Organization of Document

This component of the comprehensive plan is presented as an economic development plan. It includes the various components required and desired for an official “economic development element” of the Comprehensive Plan, but also lays out a number of specific recommendations for future action. Suggested actions and policy proposals have been prioritized, with near term, high priority actions listed under “Recommendations”. Actions under “Other Considerations” are either lower priority, mid to long term time frames, or kept simply to document for re-consideration at some future date. Report contents are outlined below. Combined, the bold items constitute the official “Element.”

- **I. Introduction**
 - Purpose of Economic Development
 - Relationship of the Economic Development Element to Other Comprehensive Plan Elements
 - Organization of Document
- **II. Economic Profile**
 - Historical Economic Context
 - Current Economic Context
 - Economic Drivers
 - Demographic Information
 - Related/Supportive Factors
- **III. Key Strengths and Challenges**
- **IV. Vision, Strategies and Actions**
- **V. Appendix**

The document, in its entirety, should serve as an updatable information resource not just for municipal entities, but for the many non-profit and other community organizations working to maintain a high level of socio-economic vitality within the islands. Copies of this document will be made available at County and Town offices, as well as the various island libraries.



II. Economic Profile

Historical Economic Context

The San Juan Islands were seasonally occupied by Coastal Salish people for approximately 5000 years. Small groups left their winter mainland villages and migrated here to harvest salmon and shellfish and plants. They managed native grasslands and oak woodlands through the use of fire, often setting prairies afire before leaving for their winter quarters. The population of native peoples of the San Juan islands declined by over 80 percent within 100 years of the arrival of Europeans, due to the introduction of disease and by the removal of all land rights under the Elliott Point Treaty in 1855. A number of Native-American properties and burial sites exist within the County and are protected by Federal laws

Permanent settlement in the islands generally began in 1850, when the Hudson's Bay Company established a saltery on the southern tip of San Juan Island. Bellevue Farm was established in 1853 as an agricultural station with over 4000 head of livestock tended mostly by Hawaiian Islanders. The San Juan Islands were claimed both by the United States and Great Britain and military forces from both countries jointly occupied the islands until 1872. Within 20 years settlers had spread to Lopez, Shaw, Orcas, Waldron, Decatur, and Blakely islands, raising sheep, cattle, and poultry on small subsistence farms.

Fishing continued to be a major activity in the Islands, with small sailing vessels fishing the waters with ever-developing technology from early hand-seines and reef-nets to power seiners, fish traps and fish wheels. Early salmon salteries and later canneries were established at Friday Harbor on San Juan, at Deer Harbor on Orcas, and at Richardson on Lopez. The strategic location of the Islands relative to Canada also proved attractive to smugglers transporting illegal laborers, drugs, wool, liquor, and other commodities. Up to the 1940s, agriculture was a staple industry on the islands. Before the irrigation of eastern Washington the San Juans were the number one apple producing region in the state; plums, cherries and peas were also major crops. Many farms reverted to second growth forest after the Great Depression and the Second World War. Some still continue, mainly as pastureland which contributes to the overall ecosystem diversity and sense of open space.

Extensive logging at the beginning of the 20th century removed all old growth and valuable timber on most of the Islands. Establishment of the local lime industry also consumed huge amounts of wood to run the lime kilns, as well as young trees to make barrels for the lime. The lime company at Roche Harbor continued to operate until 1956. Quarrying activities for sandstone were extensive on Waldron, Sucia, and Stuart islands, and aggregate extraction continued on San Juan until 2001.

The Black Ball Line replaced passenger steamers of the "Mosquito Fleet" with car ferries in the 1930's and the ferry system continued in private hands until 1951 when the terminals and boats were acquired by the State of Washington. The Port of Friday Harbor was established in 1950, developing a marina for the fishing fleet and visitors, and purchasing adjacent shoreline properties including a fuel pier, restaurant, passenger ferry landing and a commercial building. The Port acquired a privately developed airport in 1979 and completely rebuilt the facility to open with a new terminal and runway in 1986. The Port of Orcas was established in 1959 with the acquisition of a rough private airport at "Clam Flats". The other inhabited islands have un-staffed airports which are served by regularly scheduled and charter flights. Major recreational marinas, complete with fuel, repair facilities and permanent moorage are located on Orcas, Lopez and San Juan Island.

By the 1960's the San Juans had been discovered by outsiders and the economy began to be driven by construction of new residences, particularly summer homes, and commercial properties. Trade and services, especially for seasonal visitors developed to the extent that the Islands host the highest number of businesses per capita of any county in the state. Marine biology, resorts, and nature camps have historically contributed to the economy, attracting students, vacationers, and campers from around the world. The University of Washington Friday Harbor Laboratories was established in 1904 and seasonally hosts over 450 researchers and students.



Current Economic Context

To determine the current shape and structure of the County economy, we rely upon the State's retail sales report. According to this report, the following is the rank order of financial activity in San Juan County for **2006**:

Construction of Buildings	\$89,431,000 (190)
Special Trade Contractors	\$35,681,000 (273)
Heavy Construction & Highways	\$ 7,374,000 (23)
Building Materials, Garden Equip & Supplies (Retail)	\$19,099,000 (33)
Accommodations	\$30,405,000 (100)
Restaurant/Food Services	\$23,263,000 (68)
Other Retail	\$37,433,000 (620)
RV, <u>Boat</u> , Motorcycle (Retail)	\$11,380,000 (7)
Food & Beverage Stores (Retail)	\$18,128,000 (32)
Gas Stations/Convenience Stores (Retail)	\$ 5,149,000 (6)
Management, Education, Health Services	\$11,956,000 (202)
Wholesale Trade	\$11,184,000 (313)
Information	\$ 9,117,000 (146)
Professional, Scientific & Technical Services	\$ 8,559,000 (124)
Real Estate, Rental/Leasing	\$ 7,757,000 (95)
Other Services(Repair & Maintenance, Personal)	\$ 7,744,000 (149)
Manufacturing	\$ 7,688,000 (123)
Arts, Entertainment & Recreation	\$ 5,476,000 (51)
Agriculture, Forestry, Fishing	\$ 3,218,000 (17)
Transportation & Warehousing	\$ 2,556,000 (25)
Finance & Insurance	\$ 1,915,000 (34)
All Other	\$ 647,000 (8)
TOTAL	\$355,162,000 (2639)

(In the table above, the figures in parenthesis are the number of reporting entities.)

Economic Drivers

If the first priority of an Economic Development Plan is to support the existing economy, then the above economic sectors are where this plan should focus. What are the issues facing these sectors.

Construction –

1. Large construction projects (i.e. Roche Harbor expansion, Misty Todd project, Senior Care Housing, Lopez Home Trust Senior Housing, San Juan County Administration Building Remodel) seem beyond the capability of local contractors.
2. Home building has declined since 2000 but appears to have leveled at 180 units a year.
3. Retail sales revenue related to construction continues to grow but may be the result of rising labor and materials costs, as well as the trend toward larger, expensive homes.
4. There has been an increasing trend toward construction firms bringing workers to the islands, housing them on-island Monday through Thursday, the result of a lack of local, skilled construction workers.
5. Personnel turnover among leadership and technical personnel in the County permitting department has led to a slow down in permitting construction projects, as well as increased legal challenges to approved permits.

Accommodations –

1. A love/hate relationship seems to exist between the community and the Tourist industry, many local citizens resenting the dislocations caused by summer tourism, as well as the stresses they place on infrastructure and community services.
2. According to Dean Runyan from 2000 to 2005 SJC tourist spending is basically flat when adjusted for the Cost of Living (as opposed to the State where tourist spending has increased approximately 8% when adjusted for the Cost of Living).
3. The success of the tourist sector is dependent on the health of the area's ecosystems. In particular, commercial and tribal fisheries, shellfish growers, agriculture, forestry, recreation and tourism-related industries, and real estate development benefit from, and even rely upon, the high quality natural environment to succeed.
4. The tourist spending during the shoulder seasons has increased slightly, in part because of Skagit Valley College's Elder Hostel Program and Visitor Bureau promotion programs (weddings, artist studio tours, etc..).
5. The visitor industry is one of the economic anchors of San Juan County. Tourism generates a little more than 20% of all county employment and tax receipts. While more vital to some islands, and portions of islands, than others, it nonetheless generates revenue that offsets the costs of services county-wide and provides income for residents.

Restaurants/Food Services –

1. Because of the seasonal nature of the tourist industry and the large proportion of part-time residents, restaurants have a difficult time achieving year-round profitability and increasing difficulty finding seasonal workers.
2. Restaurants are largely dependent on a successful tourist industry.
3. A new program (from the Agriculture Resources Committee) to advertise food establishments as offering "Locally Grown" items has been initiated and is receiving initial positive support from numerous establishments.

Motor Vehicles and Parts –

1. The size and success of this economic sector may be largely due to the lower sales tax charged by San Juan County and the Town of Friday Harbor (much of the revenue is generated through yacht and aircraft sales).

Management, Education, and Health Services –

1. All four school districts are experiencing declining enrollments which has significantly decreased educational spending in the County.
2. Health services organizations are having increasing difficulty finding skilled workers (nurses in particular).
3. The cost of housing is the major challenge for employers to attract and secure employees in these economic sectors (as well as most economic sectors).

The above categories reflect the leading generators of Retail Sales within San Juan County. The contributions from Tourism is directly reflected within the Accommodations and “Restaurants / Food Services” categories. However it should be noted, the source of retirees and part time residents typically are introduced to the community as tourists, where they decide to then retire or build their second home in San Juan County. Thus Real Estate and Construction reflect a second tier impact of Tourism.

Retail Sales Demand, Supply and Leakage

In **2005**, Food and Beverage-related stores, services and places account for about one third of non-construction retail sales. These same industry categories experience the lowest sales leakage percentages among major categories examined. Sales leakage is simply an estimate of the difference between known sales (supply) and anticipated demand based on a variety of factors including income and amount of money generally spent on a specific category.

Due to the island geography, some sales leakage information may be more telling than others. To take an obvious example, sales leakage for “motor vehicles and parts dealers” would be more useful to someone interested in vending the “parts” than the “vehicles” themselves. Similarly, while sales leakage appears to be high in “gasoline” and “electronics” categories, that does not necessarily mean someone should rush in and start-up a business in either one. With regard to “gasoline,” many islanders may prefer to buy gas off-island due to lower costs. With “electronics,” national trends show more and more people buying these products on-line and having them shipped from centralized distribution centers.

On the other hand, sales leakage information can suggest direct or even indirect opportunities. For example, two out of three islanders are getting their “general merchandise” items off island. What are the most common general merchandise items, and how can an entrepreneur convince his or her island mate to buy them locally? The table below provides a summary of demand, supply and leakage across a number of major industry categories in San Juan County for **2005**.

San Juan County Retail Sales & Leakage (2005)

NAICS	Retail Categories	Demand (Retail Potential)	Supply (Retail Sales)	Leakage (Demand-Supply)	Leakage %
441	Motor Vehicle & Parts Dealers	\$65,623,345	\$7,790,193	\$57,833,152	88%
442	Furniture & Home Furnishings Stores	\$4,773,798	\$1,986,897	\$2,786,901	58%
443	Electronics & Appliance Stores	\$6,531,240	\$2,204,819	\$4,326,421	66%
444	Bldg Materials, Garden & Supply Stores	\$12,682,864	\$5,288,663	\$7,394,201	58%
445	Food & Beverage Stores	\$57,434,170	\$33,475,547	\$23,958,623	42%
446	Health & Personal Care Stores	\$10,070,583	\$5,763,953	\$4,306,630	43%
447	Gasoline Stations	\$20,127,250	\$6,430,379	\$13,696,871	68%
448	Clothing and Clothing Accessories Stores	\$12,318,092	\$6,266,858	\$6,051,234	49%
451	Sporting Goods, Hobby, Book, & Music Stores	\$3,933,746	\$1,930,823	\$2,002,923	51%
452	General Merchandise Stores	\$407,324	\$151,446	\$255,878	63%
453	Miscellaneous Store Retailers	\$13,423,834	\$6,643,925	\$6,779,909	51%
454	Non-store Retailers	\$5,227,879	\$1,813,155	\$3,414,724	65%
722	Food Services & Drinking Places	\$34,301,008	\$19,269,055	\$15,031,953	44%
44-45, 72	Total Retail Trade and Food & Drink	\$246,855,133	\$99,015,713	\$147,839,420	60%

Source: ESRI Business Information Solutions

San Juan County Income Information

Income by Jurisdiction (2000-2010)

	Median HH Income			Per Capita Income		
	2000	2005	2010	2000	2005	2010
San Juan Island*	\$45,000	\$50,261	\$57,371	\$30,824	\$36,366	\$48,401
Orcas Island*	\$43,771	\$48,706	\$55,897	\$32,531	\$40,875	\$54,823
Lopez Island*	\$38,755	\$43,826	\$49,362	\$26,596	\$31,054	\$39,198
Friday Harbor	\$35,160	\$40,000	\$46,570	\$19,792	\$31,070	\$42,351
San Juan County	\$43,440	\$48,732	\$55,558	\$30,603	\$36,802	\$48,680
State of Washington	\$45,770	\$51,537	\$58,309	\$22,973	\$26,412	\$31,511

Source: ESRI Business Information Solutions

*Note: San Juan, Orcas & Lopez Islands data is an aggregation labeled San Juan, Orcas & Lopez County Subdivisions which include surrounding islands in each delineated area. See "Demographic Information" section, "Selected Data Indicators" subsection below for a more detailed explanation of Subdivisions.

Sources of Income

The table on the following page provides a comprehensive overview of sources of income for both San Juan County and Washington State as a whole. Among the various data points, none stands out more than the percentage of personal income attributed to investment income in San Juan County. Essentially half (46% in 2004) of all personal income in San Juan County is investment income, compared to less than 20% for the state as a whole. Equally striking, "Wage & Salary" and "Supplements to wages and salaries" income accounts for a mere 33% of all personal income in San Juan County, compared to 61% for the state overall. These disproportionate percentages of personal income have varied little over the past decade.

Sources of Personal Income for San Juan County and Washington State

Income Type (%)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<i>San Juan County</i>											
Wage & salary income	23%	24%	23%	23%	24%	25%	25%	26%	26%	27%	27%
Supplements to wages & salaries	6%	6%	5%	5%	5%	5%	5%	5%	6%	6%	6%
Proprietors income	11%	11%	10%	11%	10%	11%	10%	10%	9%	9%	9%
Investment income	50%	48%	50%	50%	51%	48%	49%	47%	48%	46%	46%
Transfer payments	10%	11%	11%	11%	10%	10%	10%	11%	12%	12%	12%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Per Capita Personal Income	\$30,000	\$29,259	\$30,907	\$33,319	\$35,738	\$36,977	\$37,620	\$38,267	\$38,377	\$38,663	\$40,457
<i>State of Washington</i>											
Wage & salary income	48%	49%	49%	50%	51%	53%	52%	51%	50%	50%	49%
Supplements to wages & salaries	12%	12%	11%	11%	11%	11%	11%	11%	11%	12%	12%
Proprietors income	8%	7%	7%	7%	7%	7%	7%	7%	8%	8%	8%
Investment income	19%	19%	19%	19%	19%	18%	18%	18%	17%	16%	18%
Transfer payments	13%	13%	13%	13%	12%	12%	12%	13%	13%	14%	13%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Per Capita Personal Income	\$20,848	\$21,559	\$22,548	\$23,716	\$24,923	\$25,697	\$27,241	\$27,813	\$28,719	\$29,464	\$35,041
Income Type (Amt.)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<i>San Juan County</i>											
Wage and salary disbursements	82,151	87,185	88,295	94,757	108,672	123,732	131,036	138,131	139,604	147,797	158,069
Supplements to wages and salaries	19,932	20,415	19,726	19,919	22,699	25,114	27,060	27,910	30,008	33,287	37,087
Proprietors' income 6/	37,570	37,571	37,690	47,673	47,971	56,479	52,683	53,658	47,091	49,500	55,579
plus: Dividends, interest, and rent 5/	176,574	173,255	194,471	214,441	242,913	246,682	258,375	261,065	268,794	264,411	279,108
plus: Personal current transfer receipts	36,826	40,512	43,428	45,141	47,542	51,086	55,843	62,504	67,124	70,380	74,398
equals: Net earnings by place of residence	140,125	146,264	149,150	166,995	184,176	211,104	218,446	226,327	224,966	238,580	259,099
Earnings by place of work	139,653	145,171	145,711	162,349	179,342	205,325	210,779	219,699	216,703	230,584	250,735
Ratio net:gross	100%	101%	102%	103%	103%	103%	104%	103%	104%	103%	103%
Adjust wage & salary	82,429	87,841	90,379	97,469	111,601	127,215	135,802	142,298	144,927	152,922	163,342
Adjust supplements	19,999	20,569	20,192	20,489	23,311	25,821	28,044	28,752	31,152	34,441	38,324
Adjust proprietors income	37,697	37,854	38,580	49,037	49,264	58,069	54,599	55,277	48,887	51,217	57,433
Personal income	353,525	360,031	387,049	426,577	474,631	508,872	532,664	549,896	560,884	573,371	612,605
Check	353,525	360,031	387,049	426,577	474,631	508,872	532,664	549,896	560,884	573,371	612,605
<i>State of Washington</i>											
Wage and salary disbursements	67,532,042	71,564,141	77,209,913	85,195,433	94,196,078	103,759,686	110,001,468	110,615,625	111,356,693	114,149,779	119,202,055
Supplements to wages and salaries	16,771,553	17,296,930	17,776,527	18,479,715	20,136,180	21,271,699	22,875,079	23,244,938	25,400,395	27,209,212	29,753,877
Proprietors' income	11,197,527	10,896,196	11,724,943	11,387,994	12,377,318	13,144,005	14,149,382	16,162,619	16,990,659	17,933,810	18,390,739
plus: Dividends, interest, and rent 5/	22,888,415	24,488,403	26,840,568	28,874,670	31,527,857	31,362,522	34,520,824	33,905,539	34,081,336	33,452,302	39,034,939
plus: Personal current transfer receipts	16,329,279	17,464,288	18,359,410	19,050,367	19,759,830	20,965,595	22,313,636	25,078,195	26,595,380	27,843,684	28,509,156
Net earnings by place of residence 1/	84,076,162	87,891,907	94,450,515	102,193,489	112,473,859	123,163,207	131,018,944	134,514,570	137,694,541	142,593,695	149,959,102
Earnings by place of work (\$000)	95,501,122	99,757,267	106,711,383	115,063,142	126,709,576	138,175,390	147,025,929	150,023,182	153,747,747	159,292,801	167,346,671
Ratio net:gross	88%	88%	89%	89%	89%	89%	89%	90%	90%	90%	90%
Adjust wage & salary	59,453,070	63,052,137	68,338,689	75,666,442	83,613,226	92,486,626	98,025,405	99,180,760	99,729,648	102,183,141	106,816,783
Adjust supplements	14,765,144	15,239,593	15,734,049	16,412,784	17,873,897	18,960,617	20,384,627	20,841,998	22,748,273	24,356,795	26,662,405
Adjust proprietors income	9,857,948	9,600,177	10,377,777	10,114,263	10,986,736	11,715,963	12,608,913	14,491,812	15,216,620	16,053,759	16,479,914
Personal income	123,293,856	129,844,598	139,650,493	150,118,526	163,761,546	175,491,324	187,853,404	193,498,304	198,371,257	203,889,681	217,503,197
Check	123,293,856	129,844,598	139,650,493	150,118,526	163,761,546	175,491,324	187,853,404	193,498,304	198,371,257	203,889,681	217,503,197

Source: *Regional Accounts Data*, U.S. Department of Commerce, Bureau of Economic Analysis.

Observations about Income

- Sources of Personal Income – investment income is #1 at 46% of the total; wage and salary is only 27% (lowest in any county for which we have compiled data).
- Covered Employment – accommodation/food services, government, construction and retail account for almost two-thirds (65%) of all jobs. Average pay in all the top sectors (except government) is quite low. Wages increased by only 3% between 2002 and 2004, well below inflation.
- In the table above, median household and per capita incomes are projected to grow faster than the overall state average between 2005 and 2010. However, household incomes will be merely closing the gap between a higher state average, while island per capita incomes will widen their lead, with the greatest growth in income expected to occur on Orcas.
- San Juan County differs significantly from the rest of the state in many respects. Demographically speaking, the islands amount to one large resort. By and large, the resort dwellers (including retired seniors) do not depend on the economy of the islands for their sustenance. Those who work for a living do so for low to moderate wages with no ability of employers to pay wage premiums for working in what is clearly a high cost-of-living county.
- Unemployment is relatively low and the average personal income ranks close to the highest in the state. Not having Employment Security Department services available within the county adds an additional burden on the unemployed.

Demographic Information

As of 2005, San Juan County was home to 15,500 residents, with 2,150 residing in Friday Harbor, the only incorporated town. Roughly 5,341 wage earners worked for 985 employers earning \$135.2 M in 2004. One in five county residents is over the age of sixty-five and the median age is 49.2. Six percent of county residents receive medical assistance, but the county is lowest in the state for assistance overall.

Selected Data Indicators

This section offers an overview of the population trends in San Juan County and the Town of Friday Harbor. Demographic information is presented by island “cluster” because both primary data sources, the US Census and ESRI Business Information Solutions, present population and income data for San Juan County by “county subdivision.” In other words, people living *nearby*, but not necessarily *on* San Juan Island, for example, are assigned to the San Juan Island Subdivision. The same principle applies for Orcas and Lopez Islands. In this way, the entire population of the San Juan Islands is assigned to one of the three county subdivisions shown below:

Subdivision Name	Partial List of Member Islands
San Juan Island	San Juan Island, Henry Island, Pearl Island, Stuart Island etc.
Orcas Island	Orcas Island, Waldron Island, Sucia and other northern islands, etc.
Lopez Island	Lopez Island, Shaw Island, Blakley Island, Decatur Island, etc.

As an example, the following graphic is of the Orcas Island Subdivision in “red”:



Population

As shown below, county-wide population is expected to grow by about 1,200 between 2005 and 2010, with half of this growth occurring on San Juan island outside of Friday Harbor, and the rest equally distributed between Orcas, Lopez and Friday Harbor proper. Household size is projected to remain in the 2.1 to 2.2 range.

Population by Jurisdiction (2000-2010) [Reported Home Residence – does not differentiate between full and part time residents.]

	Population			Households (HH)		
	2000	2005	2010	2000	2005	2010
San Juan Island subdivision	6,894	7,701	8,381	3,059	3,443	3,770
Orcas Island subdivision	4,593	4,855	5,163	2,170	2,341	2,516
Lopez Island subdivision	2,590	2,857	3,097	1,237	1,392	1,526
Friday Harbor	1,989	2,213	2,398	896	1,003	1,096
San Juan County	14,077	15,413	16,641	6,466	7,176	7,812
State of Washington	5,894,121	6,319,255	6,756,845	2,271,398	2,436,150	2,608,833

Source: ESRI Business Information Solutions

Looking further out, county-wide population is forecast to reach somewhere between 18,788 (low) and 26,686 (high) by the year 2025. Of course, at times, the summer population, based on ferry counts and OFM estimates may be as much as double the winter time population when counting visitors and second or vacation home residents.

San Juan County Population Trends & Forecast (2000-2025)

Census Estimate Population Forecast

Year	Low	Intermediate	High	Year	Low	Intermediate	High
2000	14,077	14,077	14,077	2017	17,364	19,842	22,553
2005	15,500	15,500	15,500	2018	17,564	20,190	23,069
2010	15,801	17,316	18,987	2019	17,761	20,535	23,589
2011	16,026	17,667	19,472	2020	17,954	20,877	24,113
2012	16,269	18,040	19,988	2021	18,118	21,210	24,607
2013	16,511	18,416	20,512	2022	18,283	21,542	25,111
2014	16,751	18,792	21,042	2023	18,450	21,873	25,625
2015	16,988	19,168	21,578	2024	18,618	22,203	26,150
2016	17,161	19,493	22,043	2025	18,788	22,534	26,686

Source: Washington Office of Financial Management

Looking at population change figures supplied by OFM, it is clear that growth in San Juan County is fueled by “in-migration”, and would be decreasing if counting only natural increase (births minus deaths).

Components of Population Change: 2000 - 2005

Estimated Births	477
Estimated Deaths	607
Natural Increase	-130
Net Migration	1,553
Total Change	1,423

Source: Office of Financial Management

US Census 2000 Highlights

A review of US Census 2000 reveals some distinct discrepancies between San Juan County and the rest of Washington State in selected demographic and economic conditions. For example, San Juan County:

- Grew 40.3% from 1990-2000, while the state as a whole grew 21.1%.
- Has a population that is 16.8% under age 18 and 20.4% over 65, compared to the state average of 24% and 11.3% respectively.
- Is very educated, with 94.4% of residents age 25+ owning a high school degree and 40.2% with a bachelors degree or higher, compared to the state average of 87.1% and 11.3% respectively.
- Has a higher rate of home ownership than the state as a whole (73.5% to 64.6%), but much fewer multi-unit structures (7.5% of all housing stock in multi-unit structures, versus 25.6% for the state).
- Home ownership is beyond the reach of most median income earners, with a median house price of more than \$290,000 as of 2000. Home prices have escalated faster than income in the ensuing years.
- The population is growing slowly, due to continued migration
- The trend in the demographic composition of the population is a reduction in 25 – 45 year olds.
- Has a non-farm employment growth rate of 0.5% compared to 1.1% for the state
- Has about 80% of the state average for retail sales per capita.

US Census QuickFacts 2000 – San Juan County

People QuickFacts

Population, 2005 estimate
 Population, percent change, April 1, 2000 to July 1, 2005
 Population, 2000
 Population, percent change, 1990 to 2000
 Persons under 5 years old, percent, 2004
 Persons under 18 years old, percent, 2004
 Persons 65 years old and over, percent, 2004
 Female persons, percent, 2004
 Living in same house in 1995 and 2000, pct age 5+, 2000
 High school graduates, percent of persons age 25+, 2000
 Bachelor's degree or higher, pct of persons age 25+, 2000
 Persons with a disability, age 5+, 2000
 Mean travel time to work (minutes), workers age 16+, 2000
 Housing units, 2004
 Homeownership rate, 2000
 Housing units in multi-unit structures, percent, 2000
 Median value of owner-occupied housing units, 2000
 Households, 2000
 Persons per household, 2000
 Per capita money income, 1999
 Median household income, 2003
 Persons below poverty, percent, 2003

San Juan County Washington

15,274 6,287,759
 8.5% 6.7%
 14,077 5,894,121
 40.3% 21.1%
 3.2% 6.2%
 16.8% 24.0%
 20.4% 11.3%
 51.0% 50.1%
 50.1% 48.6%
 94.4% 87.1%
 40.2% 27.7%
 2,306 981,007
 15.8 25.5
 10,695 2,606,623
 73.5% 64.6%
 7.5% 25.6%
 \$291,800 \$168,300
 6,466 2,271,398
 2.16 2.53
 \$30,603 \$22,973
 \$43,950 \$48,185
 8.5% 11.0%

Business QuickFacts

Private nonfarm establishments, 2003
 Private nonfarm employment, 2003
 Private nonfarm employment, percent change 2000-2003
 Nonemployer establishments, 2003
 Manufacturers shipments, 2002 (\$1000)
 Retail sales, 2002 (\$1000)
 Retail sales per capita, 2002

San Juan County Washington

932 167,272
 3,790 2,293,222
 0.5% 1.1%
 2,290 353,240
 NA 79,313,884
 122,673 65,262,333
 \$8,391 \$10,757

Source: US Census Bureau State & County QuickFacts

Covered Employment

More than 65% of San Juan County's 5,300 jobs (reported covered employment) in 2004 were housed in the Accommodation and Food Services, Government, Construction and Retail Trade sectors. Each of these sectors showed modest growth in both employment and wages between 2002 and 2004. The highest average wages in San Juan County appear to be in Utilities, Finance and Insurance and Management. Manufacturing, Information, Educational Services, Administrative and Waste Services, and State Government show strong growth in employment and total wages.

San Juan County Covered Employment Classified By Industry (2002-2004)

NAICS Code	Industry	2002				2004				Avg. Annual % Chg 2002-2004			
		Average Firms	Avg. Emp.	Total Wages	Avg. Wages	Average Firms	Avg. Emp.	Total Wages	Avg. Wages	Average Firms	Avg. Emp.	Total Wages	Avg. Wages
11	Agriculture, forestry, fishing and hunting	24	68	\$2,126,976	\$31,279	18	55	\$1,527,245	\$27,768	-13%	-10%	-15%	-6%
21	Mining	*	*	*	*	*	*	*	*	*	*	*	*
22	Utilities	*	*	*	*	7	70	\$3,507,565	\$50,108	*	*	*	*
23	Construction	223	700	\$20,070,129	\$28,672	207	717	\$21,361,325	\$29,793	-4%	1%	3%	2%
31-33	Manufacturing	40	196	\$6,243,080	\$31,852	43	260	\$8,681,052	\$33,389	4%	15%	18%	2%
42	Wholesale trade	18	56	\$1,456,957	\$26,017	18	59	\$1,791,253	\$30,360	0%	3%	11%	8%
44-45	Retail trade	96	636	\$13,393,815	\$21,059	95	678	\$15,501,530	\$22,864	-1%	3%	8%	4%
48-49	Transportation and warehousing	18	85	\$1,509,870	\$17,763	18	87	\$1,701,100	\$19,553	0%	1%	6%	5%
51	Information	10	43	\$1,402,298	\$32,612	10	79	\$2,393,421	\$30,296	0%	36%	31%	-4%
52	Finance and insurance	14	91	\$3,634,784	\$39,943	15	93	\$3,974,814	\$42,740	4%	1%	5%	3%
53	Real estate and rental and leasing	*	*	*	*	45	133	\$2,984,021	\$22,436	*	*	*	*
54	Professional and technical services	53	124	\$4,108,650	\$33,134	58	140	\$4,429,716	\$31,641	5%	6%	4%	-2%
55	Management of companies and enterprises	4	24	\$1,315,613	\$54,817	*	*	*	*	*	*	*	*
56	Administrative and waste services	53	132	\$2,409,048	\$18,250	51	161	\$3,160,278	\$19,629	-2%	10%	15%	4%
61	Educational services	10	31	\$736,966	\$23,773	11	43	\$993,465	\$23,104	5%	18%	16%	-1%
62	Health care and social assistance	47	227	\$4,661,065	\$20,533	47	243	\$5,635,227	\$23,190	0%	3%	10%	6%
71	Arts, entertainment, and recreation	26	152	\$2,163,615	\$14,234	27	173	\$2,639,216	\$15,256	2%	7%	10%	4%
72	Accommodation and food services	105	1,048	\$16,201,918	\$15,460	105	1,109	\$17,852,874	\$16,098	0%	3%	5%	2%
81	Other services, except public administration	88	205	\$3,878,322	\$18,919	86	216	\$5,215,667	\$24,147	-1%	3%	16%	13%
	GOVERNMENT	45	919	\$28,580,103	\$31,099	39	967	\$30,752,320	\$31,802	-7%	3%	4%	1%
	Federal Government	7	66	\$2,251,047	\$34,107	4	63	\$2,505,768	\$39,774	-24%	-2%	6%	8%
	State Government	15	101	\$2,409,800	\$23,859	11	130	\$3,003,452	\$23,103	-14%	13%	12%	-2%
	Local Government	23	753	\$23,919,256	\$31,765	24	774	\$25,243,100	\$32,614	2%	1%	3%	1%
	NOT ELSEWHERE CLASSIFIED	55	218	\$6,092,233	\$27,946	4	26	\$1,169,394	\$44,977	-73%	-65%	-56%	27%
	TOTAL	928	4,956	\$119,985,442	\$24,210	901	5,309	\$135,271,483	\$25,480	-1%	4%	6%	3%

* Employment and wages not shown to avoid disclosure of data for individual employer. Source: Washington State Employment Security Department.

The following two tables, drawn from the 2000 US Census, provide an overview of San Juan county labor force characteristics and highlight a few stark contrasts with the overall Washington State labor force. Compared to the state, San Juan County experiences: Lower labor force participation overall; A higher proportion of part time workers (working less than 35 hours per week); and, of those working part time, a higher proportion working less than 52 weeks per year.

Labor Force Participation by Full & Part-time Status (1999)

	San Juan County	Washington
Population 16+ Years	11,611	4,553,591
Worked in 1999	7,753	3,282,000
% of Population Worked in 1999	67%	72%
Full-time (Worked 35+ hours/week)	5,312	2,528,816
% of Employed Population Working Full-time	69%	77%
Part-time (Worked 1-34 hours/week)	2,441	753,184
% of Employed Population Working Part-time	31%	23%

Usual Hours Worked Per Week for the Population Age 16 and Over (1999)

	San Juan County	Washington	San Juan County	% of Total Washington
Worked in 1999:	7,753	3,282,000	100%	100%
Usually worked 35 or more hours per week:	5,312	2,528,816	69%	77%
50 to 52 weeks	3,549	1,794,122	46%	55%
48 and 49 weeks	366	138,461	5%	4%
40 to 47 weeks	467	194,021	6%	6%
27 to 39 weeks	366	151,709	5%	5%
14 to 26 weeks	329	139,391	4%	4%
1 to 13 weeks	235	111,112	3%	3%
Usually worked 1 to 34 hours per week:	2,441	753,184	31%	23%
50 to 52 weeks	824	271,418	11%	8%
48 and 49 weeks	127	37,738	2%	1%
40 to 47 weeks	376	96,806	5%	3%
27 to 39 weeks	319	98,863	4%	3%
14 to 26 weeks	448	124,830	6%	4%
1 to 13 weeks	347	123,529	4%	4%
Usually worked 15 to 34 hours per week:	2,007	603,460	26%	18%
50 to 52 weeks	728	232,378	9%	7%
48 and 49 weeks	115	31,783	1%	1%
40 to 47 weeks	308	80,671	4%	2%
27 to 39 weeks	286	79,894	4%	2%
14 to 26 weeks	359	94,182	5%	3%
1 to 13 weeks	211	84,552	3%	3%
Usually worked 1 to 14 hours per week:	434	149,724	6%	5%
50 to 52 weeks	96	39,040	1%	1%
48 and 49 weeks	12	5,955	0%	0%
40 to 47 weeks	68	16,135	1%	0%
27 to 39 weeks	33	18,969	0%	1%
14 to 26 weeks	89	30,648	1%	1%
1 to 13 weeks	136	38,977	2%	1%
Did not work in 1999	3,858	1,271,591	50%	39%

U.S. Census Bureau: Census 2000

Workforce

San Juan County's unemployment rate has a regular annual fluctuation resulting primarily from the seasonal workforce needs of the tourism industry segment. Agriculture and construction both, however, contribute as well to this seasonal cycle. San Juan County has some "commuter" element to its workforce, primarily provided by selective employers who fly/ferry workers into the county for specific project related work. This includes selective skills workers as well as commercial construction projects. Finally, some companies (like the major resorts) import seasonal workers from international sources, such as South America and Eastern Europe. A final source of seasonal workers is high school students (600+ 9th through 12th graders) and returning college students working during their summer breaks.

Chart 1: Unemployment Trend

Source: www.workforceexplorer.com

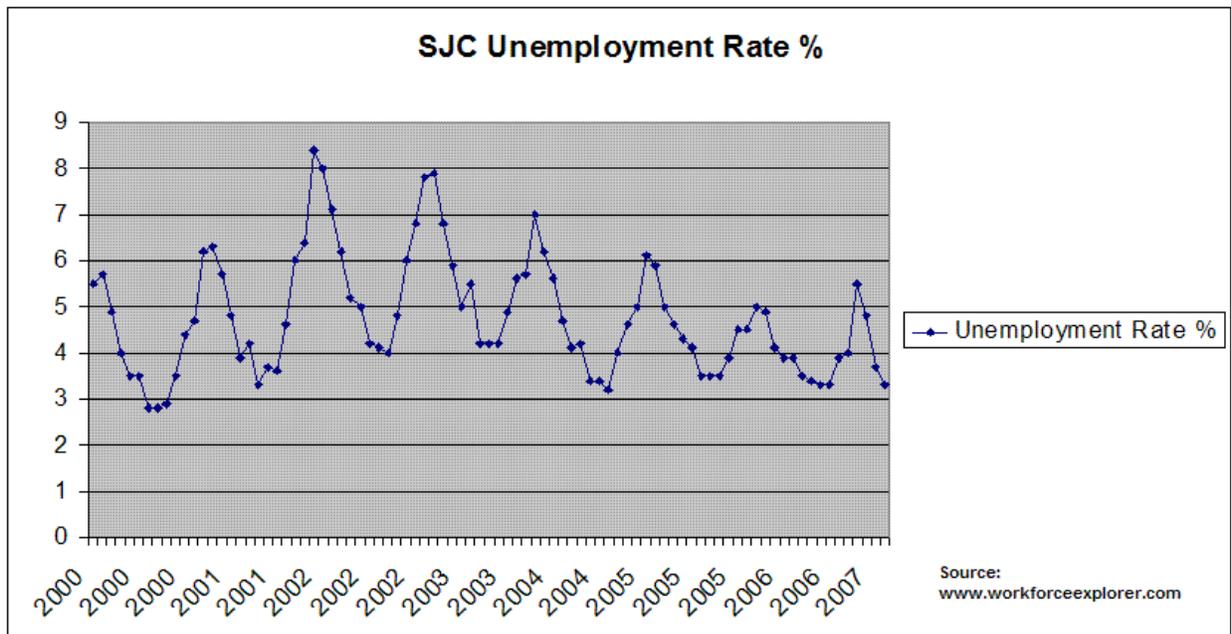
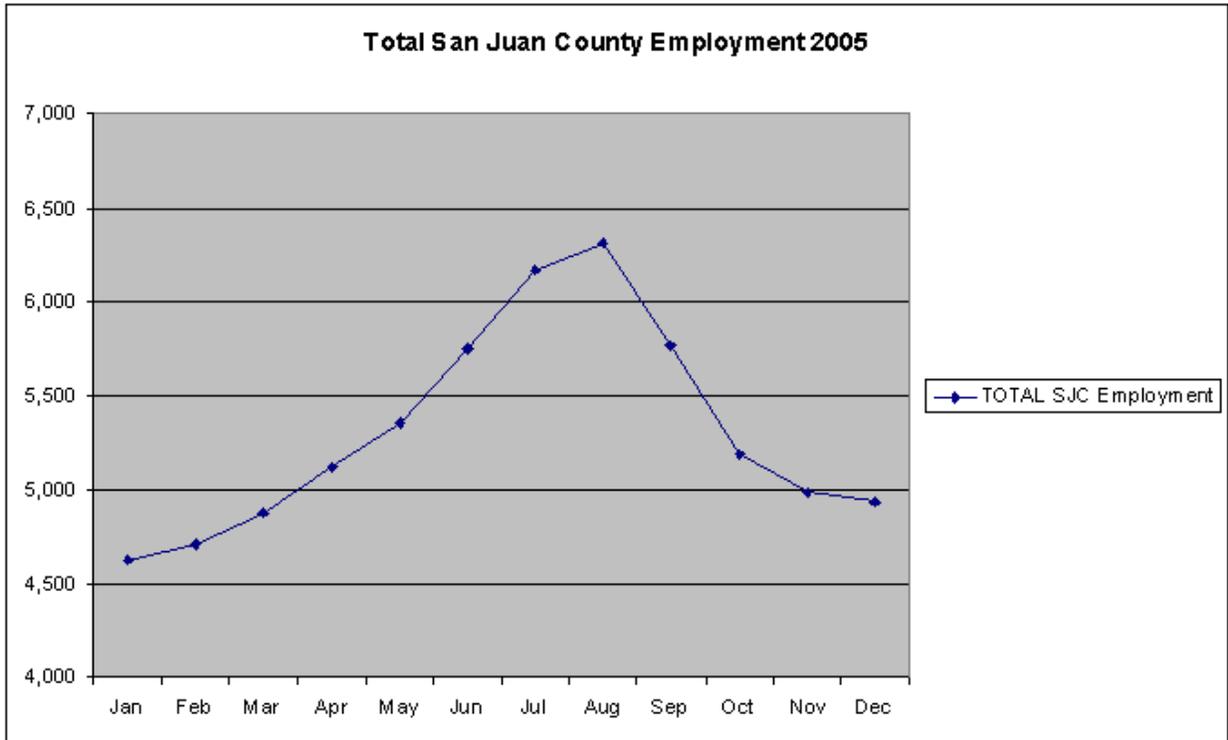


Chart 2: Workforce Demographics 2005 by selective NAICS Code

Source: www.workforceexplorer.com

	Firms	Employed	Peak Employment
San Juan County	924	5314	6310 - Aug
Accommodation and food services	104	1088	1778 - Aug
Construction	200	747	797 - Aug
Retail Trade	95	661	743 - Aug
Local Gvnmt	24	764	781 - Apr

Chart 3: San Juan County Total Employment 2005
Source: www.workforceexplorer.com



Related / Supporting Factors

Transportation

Transportation is addressed in a separate element of the Comprehensive Plan. However, with the fact that there is still no sustainable funding source for the Washington State Ferry system, the continued implementation of WSF Fare increases, the remote/isolated nature of San Juan County, and rising fuel costs, the importance of transportation to the San Juan Islands economic vitality must be addressed.

At this time, there is no participation by the County in regional transportation planning.

Some of the following narrative is excerpted from the San Juan County Hazard Mitigation Plan, per permission of Brendan Cowan, Director, San Juan County-Town of Friday Harbor Department of Emergency Management.

San Juan County is unique in that it is the only Washington county entirely surrounded by water and without a bridge connecting it to the mainland. San Juan, Orcas, Lopez, and Shaw Islands are all served by the Washington State Ferry System, which is the primary transportation link between the county and mainland U.S. and Canada. Ferry service from Friday Harbor to Anacortes is approximately 65 minutes, nonstop, with six to seven different departure times possible, depending on the day of the week.

The Washington State Ferry System is also the primary delivery system for commercial products and materials destined for island businesses or sold directly to residents. A small number of commercial passenger ferries serve San Juan Island with limited schedules, mostly during the tourist season; and a handful of private vessels regularly barge commodities such as fuel, water, and gravel onto the islands, weather permitting. Also, there are currently at least two freight companies operating from island airports.



Between 2002 and 2005, Washington State Ferries data indicates vehicle and passenger ridership declined across the board, regardless of travel type or destination. This decline began in 2000 with the Ferry System's five year plan to increase fare rates to reduce the State's share of the System's costs (the direct result of the successful Eyman initiative to reduce car licensing fees). It is noteworthy that both travel spending and sales tax revenues are "flat" when adjusted for the cost of living and considering the increase in the county population. It is clear that local residents, particularly year-round residents, are carrying a larger burden in paying for the increases in ferry rates, as well as yet to be undetermined increases in cost of living which result from increased costs to commercial suppliers and transporters.

San Juan Ferry Traffic Counts - Vehicle & Passenger Fares (2002 & 2005)

<u>Route</u>	<u>Vehicle Passenger</u>		<u>Total Riders</u>	<u>Vehicle Passenger</u>		<u>Foot Passenger</u>
Anacortes-Lopez						
2002	146,736	152,844	299,580	109,304		43,540
2005	146,910	145,236	292,146	105,316		39,920
% Chg	0.12%	-4.98%	-2.48%	-3.65%		-8.31%
Anacortes-Shaw						
2002	16,086	18,304	34,390	12,086		6,218
2005	13,828	14,552	28,380	10,846		3,706
% Chg	-14.04%	-20.50%	-17.48%	-10.26%		-40.40%
Anacortes-Orcas						
2002	288,558	319,974	608,532	250,840		69,134
2005	276,274	300,922	577,196	238,362		62,560

% Chg	-4.26%	-5.95%	-5.15%	-4.97%	-9.51%
Anacortes-Friday Harbor					
2002	319,118	458,832	777,950	268,522	190,310
2005	309,576	433,612	743,188	260,596	173,016
% Chg	-2.99%	-5.50%	-4.47%	-2.95%	-9.09%
Inter Island					
2002	105,268	0	105,268	0	0
2005	97,274	0	97,274	0	0
% Chg	-7.59%	0.00%	-7.59%	0.00%	0.00%
Total					
2002	875,766	949,954	1,825,720	640,752	309,202
2005	843,862	894,322	1,738,184	615,120	279,202
% Chg	-3.64%	-5.86%	-4.79%	-4.00%	-9.70%

Source: Washington State Ferries.

Public and private facilities for air travel are available throughout the county. The three biggest islands (San Juan, Orcas and Lopez) each have public airports administered by port authorities. All the islands have private runways (typically grass strips) maintained for the take-off and landing of small planes. Several commercial airlines serve the islands with regularly scheduled flights to and from Anacortes, Bellingham, and Seattle. While the statistics on plane ownership are difficult to ascertain, it is safe to say that San Juan County has a high percentage of resident pilots and plane owners.

Besides the Washington State Ferry docks on San Juan, Orcas, Lopez, and Shaw, San Juan County has numerous public and private marinas, haul-out facilities, and community and private docks. Boat ownership is practically a given in this environment, from kayaks and live-aboards to working vessels and elite cabin cruisers. Live-aboards are permitted in most of the marinas, along with permanent and transient moorage (capped at 10% of slips). The Port of Friday Harbor is the largest marina in the San Juan Islands with 464 moorages.

Private companies provide van and taxi service on both Orcas and San Juan Islands. The scope of their operations increase and decrease with the visitor seasons. Both operators have profitability challenges as a result of the seasonality of their business as well as challenges in finding appropriate drivers and skilled mechanics. Both business owners have also expressed frustration with State regulations that are designed for the State's large urban environments and ignore the challenges of small, seasonal markets like San Juan County.

Infrastructure

Potential economic development is either encouraged or discouraged by the availability of public infrastructure – electricity, water, sewer services, transportation, and increasingly internet access. The issues are partially addressed in the Capital Facilities Element of the Comprehensive Plan. As with the Housing and Transportation Elements, this issue must be addressed in the Economic Development Element.

Electrical power is supplied by Bonneville Power Authority and distributed via submarine cable by the locally-owned Orcas Power and Light Cooperative.

Broadband internet services (fiber optics cable included) are provided by the local cable franchise, telephone franchise, and in a more limited role by Orcas Power and Light. There are also private companies providing internet services on the three main islands. Recently, the libraries and schools on all four main islands received fiber optic cable connections as a part of the K20 program. Most of the emergency services organizations are likewise connected to the same system.

Planning for water, wastewater and stormwater management is the responsibility of the Town of Friday Harbor and San Juan County under the provisions of the Growth Management Act. Inside the designated Urban Growth Areas and Hamlets the responsibility for planning rests with County appointed citizen committees and nonprofit entities and/or private developers., regulated by the County.

One of the gaps in infrastructure is the ability to conduct interactive video conferences between the islands which place great strains on the ability of county-wide organizations (particularly the County Council) to conduct business on county-wide issues.

Housing

Again, potential economic development and/or the sustainability of an economy are dependent on the availability of labor. In large urban areas possessing extensive road and rapid transit services, the work force may or may not live in the community in which it works. The only limitation is imposed by the amount of time a worker is willing to drive to work. San Juan County has the highest median housing cost in Washington and no connecting road system or rapid transit system. The economy is dependent on the workers who can afford to live in the County or are willing to commute via the ferries. While there are specific instances of workers commuting, the available evidence is that few workers are commuting by ferry. There appears to be increasing numbers of construction workers who travel to the Islands on Monday, live in provided housing until Thursday, and go home. The majority of the other commuting that is occurring is either via private plane or internet.

Affordable housing organizations exist on each of the three major islands. They have been moderately successful in building homes for low income families and have projects underway. The new challenge, however, is housing for moderate income families, teachers, county planners, nurses, etc.

The County Council has organized a County-wide Housing Commission to study the challenges of work force housing and make recommendations to them to resolve the challenges.

San Juan County Revenue and Expenditures

The State of Washington distributes a range of revenues to Washington Counties. The table below shows sources for San Juan County. Overall, revenue growth has been steady but moderate. Hotel/motel tax revenues have shown the strongest growth since 2002.

State Collected Revenues Distributed to San Juan County (\$)

State Fiscal Year	2002	2003	2004	2005
Criminal Justice	\$810,235.50	\$728,784.56	\$753,320.78	\$820,662.08
Forest Excise and Reclassified	11,565.89	7,767.48	5,621.37	9,913.03
Hotel/Motel Tax	337,098.99	424,719.62	664,452.56	711,207.15
Liquor Excise Tax	14,046.36	14,656.22	16,853.34	18,351.13
Liquor Profits	28,914.36	31,550.66	37,096.69	43,406.55
Local Sales & Use Tax/Interest	2,578,560.79	2,694,727.21	2,836,720.15	3,054,254.80
Miscellaneous	147,318.93	150,446.39	157,399.24	176,490.68
Motor Vehicle Fund	3,598,081.06	3,180,129.17	3,827,649.50	3,876,813.41
Total Revenue Distributed	\$7,525,821.88	\$7,232,781.31	\$8,299,113.63	\$8,711,098.83

Source: State Treasurer Note: These are monies collected by the State Treasurer and distributed to county, not city governments. Miscellaneous includes camper/travel trailer excise tax, local leasehold excise tax, boating safety/education, prosecuting attorneys' salaries, centennial documents, autopsy reimbursement, deferred property assessments, FHWA pass through reimbursements, state DOT grants and local real estate excise tax.

Another revenue collected at the county level is the 1% real estate excise tax to fund the Land Bank. In San Juan County, this revenue has experienced exceptional growth over the past several years.

San Juan County Real Estate Excise Tax Collections - 1% of Sales (to Land Bank)

State Fiscal Year	Tax Collections
2002	\$2,238,926.30
2003	\$2,990,447.03
2004	\$3,000,956.32
2005	\$4,644,967.39

A summary of San Juan County revenue and expenditures from 2004 indicates a healthy balance.

San Juan County Revenues and Expenditures - Calendar Year 2004

Revenues (\$)		Expenditures (\$)	
Property Taxes	\$5,675,090	General Government Services	\$5,587,121
Retail Sales & Use	4,282,180	Security of Persons & Property	3,326,619
All Other Taxes	4,705,662	Physical Environment	2,179,584
Licenses & Permits	826,634	Transportation	5,218,251
Intergovernmental Revenues	7,006,780	Economic Development	2,031,728
Charges for Services	3,780,198	Mental & Physical Health	2,284,529
Fines & Forfeits	160,852	Culture & Recreation	1,210,109
Miscellaneous Revenue	1,595,568	Debt Service	1,511,795
Other Financing Resources	5,415,336	Capital Outlays	5,235,967
Total Revenues	\$33,448,300	Total Expenditures	\$28,585,703

Source: State Auditor. Note: These are revenues and expenditures for county governments and do not include incorporated city/town revenues and expenditures. Reasons why total revenues and total expenditures do not match include (1) the listings do not take into account the fund balances, and (2) counties account for certain transactions such as bond issues by recording the "net" effect rather than each piece of the transaction.

Traditional Economic Sectors

The traditional industries of the San Juan Islands included Agriculture, Marine, Timber, and Mining. All have declined from their heights of years past. Between dwindling resources, over harvesting, environmental issues, and rising economic costs, what elements do remain of the traditional industries struggle today.

Agriculture Sector

Agriculture is a small but cherished part of the San Juan County economy. While agriculture does not generate as much direct revenue as some other types of economic activity, it plays a large part in the overall quality of life for people who live and visit the islands. For example, agricultural use precludes development and thereby maintains many of the signature open spaces on the islands. Island-based ag production also ensures a local supply of healthy, safe food products. Local products fuel the islands' farmers markets, a top destination for residents and visitors alike. The rise of farm tours is also helping to expand visitor industry offerings. Agricultural operations such as Pelindaba – with its country farm, value added product production, town retail and off-island retail – are helping to link rural and urban, and developing new "island-scale" product markets along the way.

In addition to crop production, the San Juans have become known for quality livestock production. Indeed, San Juan County is home to the first USDA-approved and inspected mobile processing unit in the US (est. 2002). The mobile unit has helped many livestock producers to overcome regulatory barriers that would have greatly impacted the economic viability of their businesses. As a result, many have been able to expand their product line and sales, providing a top quality product to island residents. This type of innovation and value added effort offers a model for future endeavors, and hope for increased agricultural viability in the future.

Census of Agriculture

The 2002 Census of Agriculture (most recent available) for San Juan County provides insight into the current status of agriculture on the islands, as well as a direct comparison with the state of agriculture during the last census (1997). In some cases, it is also possible to look back nearly 50 years to the 1954 Census of Agriculture to see large-scale shifts in island agriculture. A few facts and figures are highlighted below:

- In 1954, there were approximately 45,463 acres of land in farms. By 1997, the number of acres had shrunk to 18,843 and in 2002, 17,145 acres.
- In 1954, average farm size was around 154 acres. By 1997, average farm size was 81 acres, and in 2002, 76 acres.
- There were an estimated 295 farms in 1954, 232 in 1997 and 225 in 2002.
- Of the 225 farms identified as operating in San Juan County, 115 farm operators report farming as their primary occupation, and 110 say they rely on another occupation for their primary income.
- Of those same 225 farms, only 7 reported farm sales of \$50,000 or more in 2002.
- The average net income per farm in San Juan County: **-\$10,240**.
- On the bright side, total market value of ag production in San Juan County in 2002 was approximately \$3.1 million, up 10% from a value of \$2.8 million in 1997. Crop production accounted for approximately 37% of sales value in 2002, and livestock sales for about 43%.

Farm Surveys

For a “look inside the barn,” it is helpful to review comments supplied by farmers and consumers themselves. A series of surveys conducted or facilitated by WSU Extension provides further insight into the state of agriculture in San Juan County and future priorities and opportunities. Each is summarized below.

“Local Foods Consumer Survey (2000)”

According to a Consumer Food Survey conducted by Washington State Extension in 2000, Island residents already try to buy locally, but are interested in increasing the percentage of local purchases. Key findings include:

- Approximately 65% of survey respondents said that less than a quarter of their food purchased was locally produced.
- Three of four respondents say they shop at a farmers market; one of five buys direct from farms.
- Fruits and vegetables are the most commonly purchased local foods, with the highest number of respondents reporting weekly purchases of those items.



- Over 50% of respondents say they buy local food products if they know the producer's "production techniques are ethical/sustainable."
- The most important step to get people to make more frequent local purchases, according to the greatest number of respondents: sell food products where they already shop.
- The best way to promote availability of local foods: newspaper and word of mouth.

"San Juan Farmers Market (2004)"

Findings from a Rapid Market Assessment (farmers market survey) conducted in summer 2004 suggest at least moderate, if not greater, demand for a permanent San Juan Island/Friday Harbor Farmers Market. Among the most interesting findings:

- Over 800 visitors attended the market between 10 AM and 1 PM on a Saturday in June, resulting in one-day vendor sales of more than \$8,000; about half of these visitors did their shopping in the first hour suggesting supplies of at least some goods are limited.
- 60% of customers were San Juan Islands residents (predominantly from San Juan Island), and about 40% visitors, primarily from the Puget Sound area.
- Over 90% of survey respondents expressed moderate or strong (two-thirds) support for a covered market, much higher than in other jurisdictions.

"Food Producer Survey (2006)"

A Food Producer Survey conducted by Washington State Extension in 2006, on behalf of the San Juan County Agricultural Resource Committee (ARC), reveals general characteristics, key issues and priorities for some of the 200 or so individuals known to be involved in local agriculture:

- "Farms" range in size from a quarter acre to more than 700 acres, with a median size of approximately 46 acres and a mode of 20 acres.
- Only one in five individuals report supporting themselves (and family) exclusively through their farm operations, and 46% say their farm operation is not economically viable.
- Farm labor is identified as a major problem due to scarcity and cost. The \$10/hr going rate is nowhere near the labor rate anywhere else in the state.
- However, labor is ranked only fifth in a list of farming barriers, preceded by: regulatory issues; access to resources; access to water; and information on farm support and grants.
- The top three priorities for respondents: Preservation of agricultural lands; increased levels of technical support and training; and elimination of regulatory barriers.



Agriculture may not be as "heavy" an economic driver as other industries on the islands, but it nonetheless is one of the more important. Beyond the obvious cultural and traditional aspects, agricultural viability promises to achieve by proxy two primary community goals: First, it prevents land from being developed for "higher" but not necessarily "better" uses. Second, it ensures a fresh, healthy local supply of food – which is a valuable community asset in and of itself, but absolutely critical in times of emergency (i.e. islands are cut off from mainland due to some kind of natural or man-made catastrophe). Farmers markets are also extremely popular on the islands, for residents and visitors alike, and are completely dependent on local supply. Agriculture also offers growth potential through value added capacity enhancements.

One relatively recent example of this is the mobile food processing unit which helped livestock producers overcome certification and inspection challenges and offer a higher end product to their customers. Farm data also reveals that agricultural activities provide “second incomes” for hundreds of island residents – and given the escalating cost of housing, the second income may become more a rule than an exception.

Marine Resources Sector

It is extremely difficult to assess the scope and depth of marine industry trades for San Juan County and Friday Harbor. While some efforts are underway to better understand and quantify the value of marine-related industries to the San Juan and surrounding regional economy, little data is currently available. A few reports and information sources do shed at least a little light on what marine industry activities are occurring here. Each is described below.

Employment Security Labor Market and Economic Analysis

Working with staff at the Washington State Department of Employment Security, the consultant team was able to identify a known range of marine-related “industry codes” to be operating in Friday Harbor/San Juan County. Together, there are between 39 to 47 known marine-related firms operating in San Juan County at any given time. Industry types include:

NAICS Code	Industry Title
▪ 11251	Animal Aquaculture
▪ 11411	Fishing
▪ 31491	Textile Bags and Canvas Mills (Sails)
▪ 33331	Commercial and Service Industry Machinery Manufacturing
▪ 42446	Fish and Seafood Wholesalers
▪ 44122	Motorcycle, Boat and Other Motor Vehicle Dealers
▪ 48721	Scenic and Sightseeing Transportation, Water
▪ 48833	Navigational Services to Shipping
▪ 61162	Sports and Recreation Instruction (Boat Charters)
▪ 71219	Nature Parks and Other Similar Institutions
▪ 71393	Marinas
▪ 71399	All Other Amusement and Recreation Industries (sea tours)
▪ 81149	Other Personal Goods and Household Repairs and Maintenance (marine engine repairs)
▪ 81331	Social Advocacy Organizations (animal rights organizations)

As shown in the tables in the Appendix, collectively these marine industries have employed between 250 and 325 individuals, depending on the time of year, from 2001 through 2006. They have also generated approximately \$1.5 to over \$3 million in wages per quarter. It appears both marine related employment and wages are trending upward.

Due to privacy issues, it is not possible to say exactly how many firms are operating under any given category. In many instances, the limited number of firms operating in a specific NAICS code make it impossible to reveal any financial information for that particular code without revealing it for a specific firm. However, it is safe to say there is considerably more service-related marine employment than production- or product-based marine employment.

Marine resource-related employment and revenue have long been a core piece of island social and economic fabric. Yet, little data is available to quantify just how important these marine related jobs and

entities are. We know Friday Harbor Labs is a major employer and that their employees and others they invite in for conferences or special research assignments contribute to the local economy. There are also other research (SeaDoc) and non-profit (San Juan Nature Institute) that work in these areas. We know that numerous small firms create marine-related products and that yacht sales generate significant sales tax revenue. But we don't know which specific marine industries are thriving, hurting or otherwise offer opportunity of expansion. Traditional marine harvest is not likely viable, but are new sustainable, niche products – such as kelp, an option? Additional research in this and other marine-related industry opportunities will be required to determine overall viability and best prospects.

NOAA Friday Harbor Community Profile

Another source of information on marine-related industry comes from an October, 2005 Friday Harbor Community Profile document assembled by the National Oceanic and Atmospheric Administration (NOAA). According to statistics collected by NOAA (primarily from the Washington Department of Revenue), Friday Harbor residents are involved with both West Coast and Pacific Northwest Fisheries.

West Coast Fisheries: Commercial Fishing

- Of the 36 unique vessels that delivered non-confidential landings to Friday Harbor in 2000, 18 were commercial vessels, 16 were tribal commercial vessels, and two were for personal use. Friday Harbor residents owned 37 commercial vessels in 2000. In that year, community members owned 13 vessels that participated in the Federally Managed Groundfish fishery. According to recorded data, the number of vessels owned by Friday Harbor residents participating in each fishery was: crab (4), groundfish (4), salmon (12), other species (19).
- No Friday Harbor residents owned Federally Managed Groundfish fishery permits during the course of 2000.
- According to data, 52 state permits were registered to Friday Harbor residents in 2000.
- There were no seafood processors operating Friday Harbor in 2000.

West Coast Fisheries: Sportfishing

- In 2000 there were at least 5 salmonid charter fishing operators in Friday Harbor.
- As of May 2005, 3 licensed agents sold fishing permits in Friday Harbor.
- In 2003 there were 6,014 sportfishing license transactions valuing \$77,915 in Friday Harbor.
- In Area 7 (San Juan Islands), the 2000 sport salmon catch, based on catch record cards, was 7,178, including: 4,495 Chinook, 2,644 coho, 21 chum, and 18 sockeye.
- In 2000 there were approximately 30,627 marine angler trips in the sport salmon fishery. In the same year a total of 5,897 bottomfish were caught by boat anglers in Area 7.
- The recreational harvest of clams and oysters for the same area in 2000 was estimated to be 115,273 and 0 respectively; harvest occurred over an estimated 19,752 user trips.

North Pacific Fisheries: Commercial Fishing

- In 2000, Friday Harbor residents owned 25 vessels that were involved in North Pacific fisheries. In the same year community members landed fish in the following North Pacific fisheries: crab, Bering Sea and Aleutian Islands (BSAI) groundfish, other finfish, Gulf of Alaska (GOA) groundfish, halibut, herring, salmon and shellfish.
- In 2000, 31 Friday Harbor residents served as crewmembers in North Pacific fisheries. In the same year, 24 community residents held registered state permits and 13 held registered federal permits.

- A total of 39 state and federal permits were registered to individuals in Friday Harbor in 2000. In the same year, residents of Friday Harbor held 3 groundfish License Limitation Program permits.
- In 2000 Friday Harbor residents held 2 BSAI groundfish, 2 halibut, 6 herring, 18 salmon, and 6 shellfish Commercial Fisheries Entry Commission permits.
- The halibut and sablefish individual fishing quota shares for people residing in the community were 703,178 and 2,968,988, respectively.

North Pacific Fisheries: Sportfishing

- A total of 78 Alaska sportfishing licenses were sold to Friday Harbor community members in 2000. That year no local sportfishing businesses participated in Alaskan fisheries.

San Juan County Marine Enterprise Cluster: Historical Legacies, New Opportunities

This report, assembled in 2005 by local professionals under the auspices of the San Juan County Economic Development Council (EDC), was intended to:

- Describe marine enterprise in San Juan County using primary and secondary sources
- Contribute to the on-going process of County long range economic development planning
- Suggest a range of strategies, policy options, cooperative ventures and services that leadership might consider in crafting a Cluster Activation Plan to grow the marine enterprise cluster

Northwest Washington Marine Industry Cluster Study: June 20, 2007

As a follow on to the 2005 local study, San Juan County participated in the Northwest Washington Marine Industry Cluster study 2007. In 2006 Governor Gregoire unveiled a new economic development strategy – The Next Washington – to take the State to another level of economic growth and global competitiveness. The Next Washington Economic Development Plan provides a vision for an integrated mix of initiatives to support economic expansion, environmental quality and cultural diversity. In conjunction with this strategy and the State’s interest in facilitating job creation, economic development and regional clusters of growth and innovation, the Washington State Department of Community, Trade and Economic Development (CTED) awarded six regional grants in late 2006 to analyze industry clusters across the State. A partnership of public and nonprofit agencies in four counties – Skagit, Whatcom, Island and San Juan – applied for and received CTED grant funding to analyze the strengths and job-creation opportunities within the region’s marine sector.



The study recommended the following general actions with more details provided under each:

- Develop an industry brand and strategic marketing program
- Provide group safety and technical training through business-friendly scheduling and delivery
- Convene and facilitate best practices information sharing forums on environmental health and safety practices
- Develop and promote new facility space for marine businesses and expand moorage slips to house larger boats

III. Key Strengths and Challenges

Introduction

The following description of economic strengths and challenges is derived, in part, from a review of available data, but more importantly and to a larger degree, from contacts made with over 100 community stakeholders. Organizations, businesses, elected officials, community groups and other community opinion leaders contributed their thoughts and ideas related to past, current and future economic development efforts in the Town of Friday Harbor and San Juan County in general. The items listed below reflect topics most often discussed by those individuals.

Key Strengths

Without a doubt, the primary strength of San Juan County and the Town of Friday Harbor is the fact that the San Juan Islands' environment is what brought most people here and why they stay. Whether fourth-generation resident or first-time visitor, the Islands have a way of capturing the imagination and inspiring people to somehow, some way, stay a little longer. In spite of, and probably because there are limited employment opportunities, a strong and long-standing culture of **entrepreneurship** has evolved in the islands. Many of those who contributed their observations and suggestions during development of this plan report holding multiple jobs, some just to make ends meet, others to supplement income during the "off-season." To be sure, island **residents are quite resourceful** in finding ways "to make a buck."

In recent years, as infrastructure has improved, San Juan County and, in particular Friday Harbor, has become a comfortable place for many non resource-dependent businesses to set up shop. Industry classification data shows **growth in information services, finance and insurance, professional and technical services, educational services and health care and social services**. A few of the characteristics of these businesses that have contributed to recent success: they have few employees, require little space, operate year-round, have little environmental impact and, in large part, do not have insurmountable cost-of-business incongruities when compared to off-island competitors.

Moderate growth has also occurred in construction, retail trade, arts and entertainment and accommodations, and food services, although growth is primarily in number of employees rather than employers. Like the small businesses identified above, these industry classifications show continued prospects for employee and wage growth.

Manufacturing and utilities industries have also grown. However, continued growth prospects are less certain here given multiple challenges such as cost of land, lack of space, shipping expenses, and labor cost disadvantages compared to off-island competitors, to name a few.

Real estate sales and related businesses continue to flourish and have generated a considerable amount of tax revenue for both the County and Town. Real Estate sales is also the reason that the Land Bank has been able to acquire the funds to acquire and preserve several hundred acres of undeveloped land, much of it irreplaceable shoreline property. The volume of sales may slow in the near future, though prices likely will not. The real estate boom has also spawned sub-industry success for the service trades, specialty contractors and other who serve to build, remodel, stock or otherwise service a growing number of second-home estates. However, it is not clear what percentage of these beneficiaries are locally-based versus off-island contractors that commute to the job site. Retail leakage figures and anecdotal observations suggest there is potential for a larger on-island share of this booming business.

Government employment has grown, adding 48 employees when combining local, state and federal hires from 2002-2004. On average, government wages are among the most solid on the islands.

The **most recent agriculture census for San Juan County indicates a “farm gate” of approximately \$3 million**, though this number may be even higher since it is notoriously difficult to account for all farm-related transactions. This is nearly a three-fold increase from just five years ago. The average size of farms is decreasing, but number of active farms is on the rise. San Juan County has the second highest percentage of land designated Agricultural in the State.

Agriculture, while not a major economic driver on the island or in many locations west of the Cascades, is still a significant industry and shows signs of renewed life. More importantly, agriculture provides a critical link to the islands’ social and cultural heritage, and helps ensure quality of life – if nothing else by way of preserving open space. The Northwest Agriculture Business Center, based in Mt Vernon and serving a five-county area including San Juan County, is actively working to identify new opportunities for agricultural expansion. **Agricultural innovation has become a higher priority at the state level and funding for further study and development should be allocated accordingly. Region-wide consumers are becoming more aware of the value of, and increasingly demanding access to, organic and locally-grown products.** San Juan County farmers are well-positioned to take advantage of this trend. Local activity centers also stand to benefit from further development of farmers markets which draw from both the “captive” island market and, at times, from the tourist market.

Tourism remains strong, with **San Juan County and its seat, Friday Harbor, continuing to rank in the top 3 counties statewide for many indicators of visitor spending.** In 2005 alone, visitors are estimated to have spent over \$118 million in San Juan County, supporting over 1,800 jobs and generating more than \$8.3 million in tax receipts county-wide.

Key Challenges

Recruiting major employment entities, outside of those providing government- or resort-related activities, will likely remain a challenge for Friday Harbor and San Juan County due to inherent location, transportation and other general cost-of-business disadvantages when compared to the mainland. Designated (zoned) **“activity centers” are few and limited in size, rendering even in-fill somewhat challenging.** Large-scale employment (single or several-employer operations on condensed land) can only occur in a few select locations.

Fortunately, or unfortunately, **an increasingly smaller proportion of island residents depend on island-based wages for their income.** Logically speaking, not many year-round jobs will be needed to meet existing employment demand. Seasonal employment to support tourist dependent businesses will continue to challenge the ability of local residents to fill and local housing to accommodate. However, employment related revenue is an essential ingredient to funding infrastructure and services. Trends suggest this gap is going to widen without proactive changes.

The future economy of Friday Harbor and the San Juan Islands in general will rely heavily on the small business entrepreneur and sole-proprietor. Some reports indicate increased competition within selected business categories (e.g. restaurants) is bringing overall category performance (revenue) down. Others say there are many “fledgling” businesses that could grow, prosper and take on employees with a little help. **In the end, island employment and income is heavily dependent on a diverse range of niche service and product providers. Currently, there is an insufficient range of support and planning resources dedicated to fostering a small business development scenario.**

For agriculture, several challenges must be addressed to move toward greater economic viability. First, there are **no permanent, covered, multi-purpose farmers market locations** in which to sell products year-round. Second, there is **no formal educational mechanism in place to emphasize the importance of**

local food production and purchase. The islands are extremely vulnerable to food security issues, given their dependence on the ferry system, remote location and relatively rural population. The shortage of locally-grown production and storage capacity could become problematic after just a few days of being cut-off from the mainland during an emergency. Finally, there is a **lack of institutional support for ag-related issues**, including marketing coordination, “barrier-busting” related to permitting and regulatory complexities, and training for both expanded/diversified crop production and product promotion.

The value of tourism is still under debate. **Community conversation must turn from “do we want tourism” to “how can we make tourism an even more valuable component of our economy.”** This is true for two reasons in particular. First, quality of life without tourism will be worse than with. Visitor spending supports a vast number of jobs for “regular people” and contributes significantly to municipal revenues. Tourism drives and enables diversification of business types, attracts new investors and residents and creates the need for ferry transport and other essential services enjoyed by visitors and residents alike. Second, visitors are going to come whether people want them to or not. Discussions surrounding ecologically-friendly tourism, circulation management and other visitor-generated challenges are healthy and essential.

Labor force, particularly in terms of quantity, is a major challenge for all industries. Even food and accommodation-based businesses have recently reported difficulty finding labor to provide core services. They attribute the challenge primarily to increasing housing costs.

Fewer average wage families are able to afford living on the islands. Some affordable housing efforts have been very successful, but overall, they are not keeping pace with the challenge. This has an impact on schools, future jobs and seasonal workforce.

The future of the Friday Harbor/San Juan County economy looks like it will be evermore dependent on powerful communications networks. **To compete with or in the mainland economy, businesses must be able to communicate in real time.** Continued investment in broadband or wireless communications is a must.

The regulatory environment around land use (Comprehensive Plan) offers an on-going challenge, with some people calling for more stringent regulations and others calling for less interference and red tape. At a minimum, local jurisdictions will need to review and refine the permitting process and potentially create “development models” that facilitate and incentivize desired development types.

Getting to and from the mainland and between one island and another remains a challenge. Increased ferry fares and reduced trip volume/frequency makes travel to and from the mainland even more difficult and has a negative impact on the local cost of living.

IV. Economic Development Vision, Strategies and Actions

Economic Development Vision

Strategic economic development provides a crucial mechanism for maintaining and enhancing community vitality and prosperity for the long-term. Initiatives to strengthen transportation and communications networks benefit both business *and* resident populations. Efforts to secure more family-wage employment are not just about creating “jobs” but also about creating a rich social network of healthy families and active community members. Increasing business sales generates more tax revenue, which in turn reduces the amount residents must pay to maintain high-quality public services. By re-investing in our mainstay industries, we are not merely helping a select few to remain prosperous, but indeed protecting our landscape and preserving our cultural heritage. By identifying, recruiting and facilitating development of new target businesses, we can shape our own growth and foster prosperity that fits with our community goals. By working to close the gap between housing and wages, we help to ensure those that live here can stay, and those that we need to fill positions in our schools, health care facilities and other essential trades can afford to come and/or stay.

Economic Development Framework

The strategies and actions proposed below are founded in a core set of assumptions, as follows:

1. The majority of island residents do not want economic growth for the sake of growth, but rather as a controlled means for maintaining economic vitality and a high quality of life. Sub-assumptions:
 - Emphasis should be placed on strengthening existing business before bringing in new ones
 - Land development is not a socially or politically acceptable strategy upon which to build a county-wide economy (i.e. manufacturing centers, large housing developments, or large hotel resorts).
 - Physical growth should be directed to identified commercial areas / urban villages, and even then, only if consistent with existing community character
 - While some residents don’t want or need economic development of any kind, many others believe it has become increasingly difficult to successfully operate a business based on a range of issues, including housing affordability and the wages required to support employees
2. The purpose of an economic development element is to guide municipal policy, decision-making and investment. Therefore, proposed strategies should be designed with San Juan County, the Town of Friday Harbor, proposed Urban Growth Areas and Hamlets as the principal audience. Implementation, however, will require participation by many entities and private sector partners in addition to the various jurisdictions.
3. San Juan County is not comparable to many locations in many ways. Proposed economic development strategies must be based on island realities; and be designed holistically, with an eye toward keeping an island-scale economy.
4. Resources are far too limited to “try everything all at once;” policies should focus on the most promising and San Juan Islands-appropriate economic emphasis areas. Moreover, some business sectors will continue to thrive on their own for the foreseeable future, and won’t require as much proactive support (e.g. real estate, construction, etc.).

Strategies and Actions

With the above economic development framework in mind, we propose a number of policy changes designed to improve the business prospects for the County. Additionally there are a number of proposals to stimulate specific, significant economic sectors.

Planning for the Future - General

Since the Comprehensive Plan was adopted in 2002, very little planning or review of existing plans has taken place. What planning has occurred has been around Urban Growth Areas on Lopez and Orcas or for Hamlets in Deer Harbor and Olga. Lack of planning has been the result, in part, of several reorganizations of the Community Planning Department and turnover of department staff and directors. The process of adopting a Charter government, rising housing costs, and lack of consistent political vision and leadership have also contributed. The County's Planning Commission has been occupied by requests for zoning and forest-land re-designations and has had little time to consider long-term planning issues. Much of the community planning has been assumed by citizen committees responsible for Urban Growth Areas (including the Town of Friday Harbor), and Hamlets, the Agriculture Resources Committee, the Housing Commission, and the Economic Development Council. The only difficulty with this specialized planning has been that the community vision has been neglected or lost in the complexity of the Comprehensive Plan. In other words, what is the overall vision that guides the efforts of these groups? What kind of community should we be planning for?

It has also become apparent that the needs and desires of the residents of the four major islands differ greatly and make planning from a county perspective difficult if not impossible. It is equally obvious, that planning for a UGA or Hamlet has impacts on the entire community of an island, not simply the citizens of the UGA or Hamlet (i.e., the debate over a second ferry slip in Friday Harbor, or planning for ferry service with WSF).

Recommendations:

1. The County Council and Administrator should seriously consider redesigning the Comprehensive Plan planning process, possibly creating Island planning commissions (with responsibility for UGA's, Hamlets, water and sewer services, transportation, housing, storm water, economy) who appoint representatives to the County Planning Commission which acts as the Policy Board.
2. The work and responsibilities of the County Planning Commission needs to be redefined and clarified to allow the Commission to accomplish its priority tasks (i.e., the annual Docket).
3. The Community Development and Planning Department needs to refine, simplify and standardize the permitting process with the goal of speeding the process, better coordinating county efforts, and eliminating the contradictions which lead to legal challenges.
4. The County Council should form a citizen's committee to determine the best uses of existing county property (including Land Bank) to support county long term strategies including affordable housing, infrastructure development, and business retention, expansion and development.
5. The County should produce an "Essential Public Services Plan".
6. The County must take the lead to ensure there is an alignment of policy with the Town, Ports, UGA's, and hamlets about business development (i.e. the types of businesses to "recruit", zoning to allow development and expansion of businesses, and infrastructure development to support business). The County must establish a means by which it provides support to the Town, Ports, UGA's and hamlets to provide infrastructure and services required for business development.

Other Considerations:

- Establish a separate blue ribbon panel assigned to **review and assess all sources of island water** and match those supplies with appropriate use destinations, regardless of location.

- Determine **feasibility of adding multi-purpose paths** to key roadways county-wide. Consider using a tiered structure where priority transportation routes are updated first, so that performance can be measured before adding bike lanes to second tier roadways. Consider value proposition from both a tourism revenue-generating and alternative transportation perspective.
- Move toward greater **sustainability** by exploring the potential of producing bio-fuel (diesel), and/or taking advantage of other emerging technologies such as desalinization. At a minimum, determine the feasibility of converting county and town public works fleets to energy efficient vehicles.
- Convene a **Health Care Providers Summit** to identify key trends, pressing needs and appropriate courses of action to meet demands in health and hospice care, emergency and out-patient services and long-term housing and special need facilities for the aging population. Include existing and prospective providers, investors, developers and local officials to ensure a collaborative, efficient framework for action.

Work Force Issues

The size, shape and success of any economy are determined by the availability of and access to a work force. Access may be through transportation (public or private) or because the workers live in the community. In turn, the nature and structure of the general community is shaped by the economy, e.g., a bedroom, commuting community, a retirement community with commuting workers, a diverse community with all elements of population. San Juan County must decide which kind of community it wants for the future – a demographically diverse community or a community where the “market place” determines the demographics. The type of work force that is available to business owners will be shaped by needed skills and training, Housing and Transportation.

Work Force Training

The final component in ensuring availability of a work force is to ensure that people looking for jobs have a means to gain the training to qualify them for the types of jobs being created. This is as necessary for jobs being created in the tourist or retail sales sectors as it is for new manufacturing or technical jobs.

Recommendations:

1. Many seasonal workers typically come from local high schools, populations which are declining with the decline in the 25-44 year old population. The Council should continue to encourage a strengthened relationship between local school districts, Skagit Valley Community College, and the Northwest Work Force Development Council to ensure that appropriate job training is available to high school students.
2. Employers should be surveyed regularly to determine gaps and needs for employee training with the intent that educational systems can provide the necessary training.

Housing

Providing affordable housing within the community is one solution to the work force availability issue. This solution allows the community to retain its existing demographics and nature.

Recommendations:

The following **recommendations** were excerpted from the Housing Bank Commissions' report to the County Council.

1. The County Council prioritizes “permanently” affordable housing as one of its top 10 action items.
2. The County Council direct the Planning Commission to update the Housing Element of the Comprehensive Plan as required by RCW 36.70A-134(4)(b)

3. The County Council direct staff to work with the Town of Friday Harbor and other Urban Growth and Hamlet Planning Groups to bring them into compliance with GMA, particularly RCW 36.70A 070(2)(d) which requires “Make(ing) adequate (housing) provisions for existing and projected needs of all economic segments of the community”.
4. The County Council retains existing provisions for rural residential clusters in the Comprehensive Plan and considers such clusters in other zoned areas.
5. The County Council together with private investors, the business community, and governmental entities (e.g., school districts) develop joint public-private housing projects.
6. The County Council promote public debate over potential new funding sources for housing, e.g., amending the existing Housing Bank REET ordinance to share the proceeds with the Housing Bank and/or adopting an additional REET for housing.
7. The County Council activates the San Juan County Housing Authority per RCW 35.82.030.
8. The availability of rental housing is one of the lowest in the State (7% versus 24% for the State). In considering housing issues, the Council should specifically consider strategies to encourage the building and long-term continuance of affordable rental space.

Additionally, the Council must take steps to change the definition of affordable housing to include provision for “moderate income families”.

Finally, planning for moderate and low-income housing would best be accomplished on a “regional” (Island) basis rather than being left to the sole province (and burden) of UGA and Hamlet planning groups.

Transportation

Another solution to work force availability is to develop a modern, high speed transportation system that would allow workers to commute to the County daily. This solution allows the economy to function (and grow?) but accepts the fact that the demographic makeup of the community will change in response to “market place” forces.

Recommendations:

1. The County Council should immediately vote to join the existing Skagit and Island County Regional Transportation Planning Organization.
2. The County and Town of Friday Harbor must find a “vehicle” to maintain a constant and forceful dialogue with Washington State Ferries as it plans its operations and future.

The advantages of joining the existing RTPO (Regional Transportation Planning Organization) are:

- San Juan County needs a larger “voice” in dealing with the State Legislature and Washington State Ferry System.
- San Juan County needs permanent, larger access to State and Federal legislators.
- San Juan County needs a “place” to do holistic, long range transportation planning for our County.
- San Juan County needs access to state and Federal funds that participation in an RTPO/MPO would provide. San Juan County is the only county in the state that has not received a grant that supports community transportation needs under the state’s consolidated grant program.

Infrastructure

Local government has a traditional role supplying, overseeing or facilitating the provision of essential public services and ensuring a sound infrastructure. In good measure, these topics are covered in greater

detail in the capital facilities, housing and other elements of the comprehensive plan. However, there are a few “key” infrastructure-related considerations worth stressing in the economic development element.

A third solution to the worker availability issue is “telecommuting”. This solution accepts the fact that the nature of our economic growth is changing from a construction/tourism/etc. basis to one of a technical cottage industry in response to “market forces”.

Recommendations:

1. Broadband, fiber optic or “WiFi” connections must be available in all neighborhoods and to all business locations.
2. The County Council must amend its’ cell phone ordinance to permit cell phone coverage in all areas of the county.
3. County Staff, the EDC, and other governmental agencies immediately find funding sources to acquire, establish, and maintain video conferencing equipment and facilities on each of the four major islands (and to eventually include Waldron, Stuart, and Decatur).
4. The County Council must find ways to assist existing water and sewer districts to provide and pay for improvements and expansion of services in the existing and proposed UGAs and Hamlets. The cost of such improvements and expansion must not be “foisted” onto the residents of these entities so that we can solve our County’s needs for a work force.

Business Support Policies

Small business is the mainstay of the island economy. Most residents are employed by small businesses or are themselves sole-proprietors. There’s good reason for this, as large tracts of developable land are a rarity, and perhaps more importantly, very few large employers find operating in the islands economically viable when compared to mainland opportunities. On the islands, home prices are considerably higher as are wage demands. Transportation costs are unpalatable. Labor is difficult to come by.

On the positive side, there will forever be a stream of dreamers looking for ways to make a living here. There’s also what’s called varyingly the “innovation,” “entrepreneur,” and “creative” economy foundation. Many island residents have invented their craft, business or venture from the ground up. Still others are accustomed to “working this job, then that, or this one and that one” from season to season and year to year. Small Business Support is geared toward creating more and better opportunities for the existing and emerging small-scale entrepreneur.

Recommendation:

- **Institutionalize the Economic Development Council** with vested partnership from the Town of Friday Harbor, San Juan County, utility providers and other community and non-profit organizations. Narrowly define the EDC scope and hire a staff team that fits that description. At a minimum, the EDC should:
 - Produce and maintain annually a community and economic conditions profile, with specific content to be determined through targeted outreach with likely users
 - Offer guidance and resources related to macro- and micro-financing, technical training (e.g. starting a business, marketing, internet presence, customer service, etc.)
 - Establish a revolving loan fund to support new and emerging small businesses that would have difficulty securing financing through traditional banking institutions
 - Provide timely information regarding grant opportunities, industry and cluster-specific data and/or opportunities and other business-related news
 - Serve as a business advocate at the municipal and state level
 - Conduct outreach and deliver important programs and information to ferry-served islands
 - Serve as a connection point for various business interests by hosting topical forums
 - Recommend and execute updates to this / other economic development plans and programs

- Educate the citizens of the county about the importance and role of business in the community, as well as “business growth” which is compatible with community values.
- Develop a physical and electronic **Business Resource Center (BRC)** in Friday Harbor. The BRC should be housed in a permanent physical location in the county seat, and provide direct, full-time services to business constituents throughout the county. The BRC could house both the San Juan Chamber and EDC, or the EDC alone, but should be staffed collaboratively. It is possible that Skagit Valley College and/or San Juan Island Library could serve as a major partner in this effort as well. At a minimum, the BRC should offer:
 - In-person assistance related to the EDC responsibilities described above
 - Office space for SCORE and other business counseling service providers
 - An information library, both print and on-line
 - An expanded web library selection, offering web links to news and information beyond what is available locally, and bringing a “world” of information to San Juan County businesses’ fingertips
 - Conference room, internet search and teleconference services for small and home-based businesses based on a nominal fee-for-use payment structure (or membership)
 - Color copier, printer, fax and other business-equipment services using the same fee-for-use structure or membership
 - Periodic training classes, perhaps through a partnership with Skagit Valley College, to eliminate the need for business owners and staff to travel to Anacortes, Bellingham or further to improve their capacity

Other Considerations:

- Consider a **Business Incubator** on Port-owned land. The Incubator should be built for new, emerging or other appropriate small businesses that manifest strong potential for growth if primary capital costs can be defrayed for a specified period of time. Incubator tenants should benefit from subsidized space, shared administrative/secretarial services, cooperative marketing (where feasible), reduced utility fees and other price breaks based on a shared-cost model. Specific industry tenant types, size of facility and tenant cost will need to be established through further study. However, priority should be given to prospective tenants in the information technology /communication, high-end manufacturing (perhaps air logistics-related to access FAA dollars and secure land use approval on Port property) and/or research industries given their potential for providing future employment compatible with the local work force, higher than average wages and (generally) environmentally-friendly nature.
- Create and fund an **“Incubator to Hatching” Program** to facilitate the transition of incubator businesses into permanent locations. The hatching program’s core mission is to ensure businesses can remain in the island when they “graduate” from the incubator, while also continually freeing-up new space at the incubator for the next generation of island businesses. Core “hatching” functions should include:
 - Developing and maintaining a current list of available commercial land and buildings
 - Proactively identifying priority sites to accommodate transitioning businesses and working with the appropriate jurisdictional authority to “pre-permit” those parcels (see site readiness team under “Planning for the Future” recommendations above).
 - Identifying, in conjunction with EDC and Business Resource Center, funding and other resources (e.g. CEO Mentors, Marketing Specialists, others) needed to help transitioning business take root

Tourism Sector

While feelings may be mixed about the overall idea of tourism, the fact remains that the visitor industry is one of the primary economic drivers of San Juan County as a whole. Visitors spend well over \$100 million in the county annually. That money is said to typically circulate through local economies 4 or more times (San Juan County data is suspected to be less than this due to leakage). It also helps to reduce locals' share of taxes to provide public services. While the natural charm of the region is perhaps its best promoter, data shows that tourism expenditures do drop off without adequate promotion. The San Juan Islands Visitors Bureau, whose mission is to promote the San Juan, Orcas and Lopez Islands as visitor destinations, along with the various Chambers of Commerce have made great gains, improving visitor understanding and behavior related to interactions with the local environment, and growing the spring and fall visitor market. Additional efforts are underway to market niche opportunities (e.g. destination weddings) and build the shoulder seasons. Still, considerable opportunity remains for both.

Recommendations:

- Lead or direct an agency (i.e. Visitor's Bureau) to work with the community to define a vision and strategic plan for "the kind" of tourism the community wants and will support and how it fits within the overall local economy.
- Follow state law and the existing county ordinance and allow LTAC to recommend the best use of the 2nd 2% tax revenue to promote tourism in San Juan County.
- Pursue development of a **conference center with performance and display space** that can serve as an anchor for fall, spring and winter visitor recruitment and also provide a special location for large-scale local events. Consider partnering with Friday Harbor Labs, Rosario Resort, island community centers, and theaters.
- Conduct further study to identify, brand and market **winter-based tourism themes** such as "romance packages," "spa-massage specials" and "Taste of the Islands" (focused primarily on winter season fine dining / arts tours).
- Invite writers who have visited the San Juans to help **identify new themes and packages** through a virtual brainstorming process. People who include the San Juans in articles such as "1,000 Places to See Before You Die," "Top 10 Romantic Places" and others must have some helpful advice. Consider a targeted marketing initiative to attract women to the "cozy, culture-filled, safe" islands.
- Build the winter and shoulder season visitor markets by creating **season specific packages** targeted at the growing eco- and geo-tourism markets from California, Portland and Puget Sound.
- Place a premium on **partnerships with "people-transporters"** whether ferry, air or private transportation providers. Work with these entities to develop cooperative marketing ads and include their services as an essential component of off-season packages.
- Develop **separate seasonal San Juan brands** that emphasize appropriate highlights from each.
- Consider adding a **destination event** in June or early September to help stretch the primary visitor season, without getting to far away from it.

Other Considerations:

- Support continued growth in **cultural-heritage tourism** by building on the successful Elderhostel model developed by Skagit Valley College, and offering similar and expanded services to a larger market. Numerous historic structures and features exist throughout the islands, but are largely uncategorized. A minimal effort would be needed to develop an official inventory of historic places and buildings. An expanded effort could promote use of the historic use tax credit to facilitate preservation and marketing of additional historic structures.



- Establish formal collaboration between the Visitors Bureau, Chambers, Agricultural Resources Committee (ARC) and individual agricultural operators to define, brand and market **agri-tourism** (e.g. lavender farm, “dude ranch,” sheep farms, oyster growers, etc.). Agri-tourism could be expanded to include “culinary tourism” where visitors get a “taste of the San Juans” during off-season or other “experiential tourism” opportunities that teach people how certain home-grown products are created, grown or processed before eventually ending up at market, on the table or otherwise available for use, consumption or appreciation.
- Investigate and support best opportunities for additional **tourism “product” development** that contribute to both revenue generation and job creation. Examples include an Artisans’ Village that offers interactive experiences such as wooden boat building, high-end art and art education.
- Support creation of a federal **Scenic Byway Designation** for San Juan County, to attract a broader cross-section of the visitor market and expand visitor amenities within the islands.

Agriculture Sector

Agriculture is a critical part of the San Juan County economy. While agriculture does not generate as much direct revenue as some other types of economic activity, it plays a significant role in the overall quality of life enjoyed by people who live and visit the islands.

Recommendations:

- Develop appropriate and **consistent measures for evaluating the value of agriculture** to the island economy and agricultural land status (rate of disappearing farmland) to be better aware of trends and better able to respond in time.
- Adopt a provision in the Comprehensive Plan which requires that there will be no “net” loss of agricultural designated land in the County.
- Fund a full-time **ARC coordinator position** to be housed either at the WSU Extension Office, San Juan Islands Conservation District or San Juan County Community Development and Planning Department to facilitate farm support as directed by the ARC, specifically related to:
 - Farmland Preservation
 - Farm Marketing
 - Farm Regulation
- Purchase and support a new home for a **year-round covered farmers market** on all islands. Consider a public-private partnership model to offset initial capital costs for vendors and recoup municipal investment by ensuring a desired “net present value” threshold is met.
- Develop a **cooperative processing, storage and shipping center** on Port properties (all three Ports have property), or at least one of these capacities initially and the others later. A central storage (frozen) and distribution center will enable local farmers to offer products in the winter, enhanced food security, improve off-island export opportunities and provide a greater year-round base of offerings for the farmers market. Preliminary indications suggest this can be done in one building on a half-acre parcel. If successful in Friday Harbor, smaller satellite facilities could be developed on other interested islands.
- Enhance **technical support**, specifically as relates to integrated pest management and other cultural practices by supplementing the assistance currently provided through WSU Extension.
- Facilitate the **transition onto and off of farmland** to prevent development of agricultural lands, limit financial impacts to retiring farmers and reduce barriers for entering farmers. Key initiatives to consider include:
 - Maintaining a database of farmland, including status (occupied, vacant, for sale/lease, etc.)



- Maintaining a database of farmers seeking farmland, including detailed characteristics of each farmer (e.g. experience, type of crop(s) to be grown, amount of land needed, desired location, interest in buying or leasing, price range sought, etc.)
- Create a demonstration “Farmhold”: Working with existing land banks, preservation trust, conservation groups and others to establish a plan for securing farmland, developing farm infrastructure and on-site cooperative housing, and re-letting for farm use at viable farm rates. (Concept paper available through the ARC.)
- Establishing a viable transfer or purchase of development rights (TDR/PDR) program that limits the development of farmland in exchange for higher density development in designated activity centers. Consider linking to affordable housing effort.
- Simplify and normalize **inter-island food transport**. As an assignment for the ARC, investigate the possibility of establishing regular food transport routes and times, and lobby Washington State Ferries to reduce fees for inter- and off-island transport. Ensure transportation routes included non ferry-served islands such as Waldron, and others that have significant agricultural production.

Other Considerations:

- Develop a **“Farm to Cafeteria” program** that increases the percentage of local food delivered directly to local institutions (e.g. schools, large employers, etc.) and restaurants. Consider establishing a multi-certified commercial kitchen for each interested island if more feasible than direct-delivery to individual restaurants.
- Strengthen **“right to farm” laws** and other public education efforts that explain the true value of local agriculture, help to preserve support for local farming and increase the overall drive to “shop local.” Also stress the importance of “food security” given the geographic location of the islands. This effort should be coordinated with the initiative to build a cold storage facility.
- Help promote participation in **Community Supported Agriculture (CSA) programs** on all islands.
- Produce one comprehensive, high-quality, semi-annual **“farm product guide”** for distribution on all islands. One publication (as opposed to three) will facilitate development, caliber and effectiveness. Highlight farms offering agri-tourism opportunities.
- Develop a **market brand for San Juan County agricultural products** and aggressively market sales on- and off-island, with an emphasis on organic and high-end items (e.g. “salmon-friendly product”). Sub-brands could also be included for individual islands (e.g. “Orcas Organics”).
- Support and supplement WSU Extension efforts focused on **diversified product lines and expanded winter-time market products**.
- Working with the San Juan Islands Visitor Bureau, continue to **develop and market agri-tourism offerings** on multiple islands and link to comprehensive visitor itineraries and packages.
- Coordinate with regional partners to bring the **highest-caliber farmer training** to the islands. Farm management, marketing, and value-added opportunities should be high on the list. The Northwest Agriculture Business Center, Skagit County, CTED and others offer programs and funding that could help seed future innovations.
- Facilitate the **transition to organic farming** for interested operators through a coordinated evaluation and certification program. Coordinate this action with the San Juan ag product branding effort.
- Investigate the feasibility of establishing a **“mobile poultry processing unit”** based on the successful livestock processing unit model. An existing example can be evaluated in Stevens County. The mobile processor would allow for processing in excess of 1,000 birds, some of which (e.g. pasteurized broilers) can sell for as much as \$4 per pound.

Marine Resources Sector

It is extremely difficult to assess the scope and depth of marine industry trades for San Juan County and Friday Harbor. Some efforts have occurred to better understand and quantify the value of marine-related industries to the San Juan and surrounding regional economy and their recommendations are included below.

Recommendations:

- Collaborate with regional partners and consultants involved in the **Northwest Washington Marine Industry Cluster Analysis** and subsequent implementation initiatives. San Juan County is one of several jurisdictions who may benefit from a regional marine cluster strategy, assuming it can serve as one of the geographic “cogs.” Prospects for San Juan County and Friday Harbor might include:
 - Enhanced role as regional marine education and research seat
 - Possible workforce development satellite if programming established through Skagit Valley College in Friday Harbor
 - Specialty marine vessel/instrument producer (e.g. targeted business development/recruitment at proposed incubator; wood ship building; etc.)
- Consider strategies and means to establish a vibrant marine economy in San Juan County by **promoting opportunities at the State Legislature**, State Department of Community, Trade and Economic Development and among the various educational institutions already working in the area.
- Establish a comprehensive **inventory of known marine-related businesses and associated productivity and performance measures** to identify opportunities and areas for additional support. Begin with the already-identified list of marine industry types (per state revenue records), including:
 - Fishing
 - Textile Bags and Canvas Mills (Sails)
 - Commercial and Service Industry Machinery Manufacturing
 - Fish and Seafood Wholesalers
 - Motorcycle, Boat and Other Motor Vehicle Dealers
 - Scenic and Sightseeing Transportation, Water
 - Navigational Services to Shipping
 - Sports and Recreation Instruction (Boat Charters)
 - Nature Parks and Other Similar Institutions
 - Marinas
 - All Other Amusement and Recreation Industries (sea tours)
 - Other Personal Goods and Household Repairs and Maintenance (marine engine repairs)
 - Social Advocacy Organizations (animal rights organizations)
 - Animal Aquaculture

Other Considerations:

Additional salient findings and recommendations included in the documents are:

- There may be opportunity for an expanded marine science/research and education base in the San Juan Islands, though the educational component appears more plausible in the near future (with a focus on curriculum development).
- While additional study regarding cost feasibility would be required, a marine trade-related business incubator could be established to help jump start businesses in that cluster.
- With some effort, marine trades – and in particular marine carpentry – could take hold in San Juan County. Several examples of successful “wood boat building schools” are provided.
- Promote Environstars Business practices to protect the marine environment and create a competitive edge for local enterprises.

V. Appendix – Supporting Information

Building Permit Activity

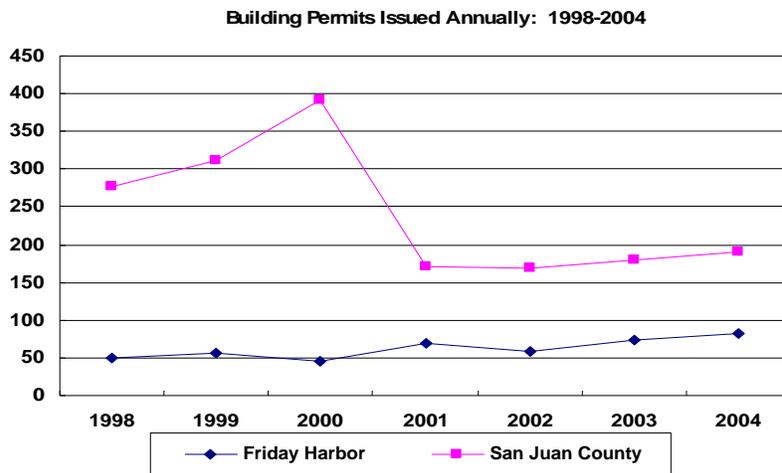
A review of building permit activity, county-wide, during the ten-year period from 1994 through 2004 suggests building activity has actually slowed in recent years, and particularly since 2001. Fewer than half the single-family permits were issued in the four-year period from 2001-2004 (682) as were issued between the previous four-year period between 1997-2000 (1,479).

San Juan County Residential Building Permits 1994-2004 (Units)

Permits	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Single-family	201	261	332	425	275	311	368	171	161	178	172
Multi-family	0	26	52	18	2	0	24	0	7	2	18
Total	201	287	384	443	277	311	392	171	168	180	190

Source: Washington Center for Real Estate Research, WSU.

As the county seat and primary “activity center,” one might expect the number of Friday Harbor building permits to be a high percentage of the county-wide total. This was not the case in the late 1990’s through 2000, but has become the case since.



Retail Sales Report - 2006

Industry and NAICS Number	# of Qtrs	Taxable Retail Sales	# of Qtrs	Taxable Retail Sales	Percent Increase	Percent Decrease
	2006	YTD Dec 31 2006	2005	YTD Dec 31 2005		
Retail Trade 44-45						
Motor Vehicles & Parts 441	4	13,395,833	4	16,579,114		-19.20%
New & Used Auto Dealers 4411	3	503,903	2	344,388	D	
Rv, Boat, Motorcycle Dealers 4412	4	11,380,614	4	14,568,781		-21.88%

Automotive Parts & Tire 4413	4	1,511,316	4	1,665,945	-9.28%
Furniture & Home Furnishing 442	4	1,524,680	4	1,762,074	-13.47%
Electronics & Appliances 443	4	3,281,262	4	3,174,486	3.36%
Appliances, Tv & Other Electronics 44311	4	2,253,459	4	2,239,669	0.62%
Computers & Software 44312	4	1,027,803	4	934,817	9.95%
Camera & Photo Supplies 44313	4	D	4	D	D
Building Materials, Garden Equip & Supplies 444	4	19,099,229	4	17,702,738	7.89%
Building Materials 4441	4	18,315,715	4	16,592,470	10.39%
Lawn & Garden Supplies & Equip 4442	4	783,514	4	1,110,268	-29.43%
Food & Beverage Stores 445	4	18,127,650	4	16,547,893	9.55%
Grocery & Convenience Stores 4451	4	16,289,276	4	14,927,657	9.12%
Other Food & Beverage Stores 4452, 4453	4	1,838,374	4	1,620,236	13.46%
Drug/health Stores 446	4	2,248,387	4	2,386,356	-5.78%
Gas Stations & Convenience Stores W/pumps 447	4	5,149,285	4	5,988,635	-14.02%
Apparel & Accessories 448	4	3,497,856	4	3,422,821	2.19%
Clothing & Shoe Stores 4481, 4482	4	3,249,243	4	3,175,529	2.32%
Jewelry & Luggage Stores 4483	4	248,613	4	247,292	0.53%
Sporting Goods, Toys, Book & Music Stores 451	4	3,460,882	4	3,407,114	1.58%
Sporting Goods, Toys, Hobby/craft Stores 4511	4	2,113,746	4	2,001,600	5.60%
Book/periodical/music Store 4512	4	1,347,136	4	1,405,514	-4.15%
General Merchandise Stores 452	4	446,061	2	192,644	D
Department Stores 4521	4	D	4	D	D
General Merchandise Stores 4529	4	446,061	2	192,644	D
Ecommerce & Mail Order 4541	4	2,557,604	4	2,375,966	7.64%
Miscellaneous Retailers 453, 4542, 4543	4	18,400,821	4	16,585,328	10.95%
TOTAL RETAIL:	4	91,189,550	4	90,125,169	1.18%
Agriculture, Forestry, Fishing 11					
Total:	4	3,217,912	4	2,632,392	22.24%
Mining 21					

Total:	Q4	33,147	Q2	108,557	D	
Utilities 22						
Total:	4	405,913	4	121,651	233.67%	
Construction 23						
Construction Of Buildings 236	4	89,431,078	4	84,925,253	5.31%	
Heavy Construction & Highways 237	4	7,374,079	4	14,157,322		-47.91%
Special Trade Contractors 238	4	35,680,601	4	29,933,654	19.20%	
Total:	4	132,485,758	4	129,016,229	2.69%	
Manufacturing 31-33						
Total:	4	7,688,062	4	7,546,312	1.88%	
Wholesale Trade 42						
Durable Goods 423	4	5,570,300	4	5,727,115		-2.74%
Nondurable Goods 424	4	5,361,895	4	4,783,267	12.10%	
Electronic Markets, Agents & Brokers 425	4	251,957	3	9,689	D	
Total:	4	11,184,152	4	10,520,071	6.31%	
Transportation & Warehousing 48-49						
Total:	4	2,556,078	4	2,146,544	19.08%	
Information 51						
Total:	4	9,117,457	4	8,743,156	4.28%	
Finance, Insurance 52						
Total:	4	1,915,521	4	1,687,208	13.53%	
Real Estate, Rental/leasing 53						
Total:	4	7,756,901	4	7,205,926	7.65%	
Professional, Scientific & Technical Services 54						
Total:	4	8,558,618	4	6,708,763	27.57%	
Management, Education & Health Services 55-62						
Total:	4	11,956,393	4	12,232,805	-2.26%	
Arts, Entertainment & Recreation 71						
Total:	4	5,476,015	4	6,548,598	-16.38%	
Accommodations & Food Services 72						
Accommodations 721	4	30,405,198	4	28,687,008	5.99%	
Restaurants, Food Services & Drinking Places 722	4	23,262,714	4	22,599,129	2.94%	
Total:	4	53,667,912	4	51,286,137	4.64%	
Other Services 81						
Repair & Maintenance 811	4	5,690,344	4	5,322,151	6.92%	
Personal Service 812	4	1,938,915	4	1,992,900		-2.71%
Religious, Civic & Other Organization 813, 814	Q4	115,215	Q4	107,593	7.08%	
Total:	4	7,744,474	4	7,422,644	4.34%	
Public Administration,						

Other 92,00					
Total:	Q2 & Q3	207,667	Q1&Q4	87,272	D
TOTAL OTHER THAN RETAIL	4	263,971,980	4	254,014,265	3.92%
Total "D": see note below	4	0	4	181,392	D
GRAND TOTAL:	4	355,161,530	4	344,320,826	3.15%

Tourism Statistics

Data presented by Dean Runyan and Associates in a report prepared for Washington State Community Trade and Economic Development, of Washington's 39 counties, San Juan County:

- Ranks 2nd in the state in terms of the percentage of overall employment earnings that are travel-generated (15.7% of county-wide earnings are travel-generated).
- Ranks 3rd in the state for the percentage of total employment that is travel-generated (17.7% of county-wide employment is travel-generated).
- Ranks 3rd in the state when evaluating the percentage of total tax collections relative to visitor-generated collections (28.1% of tax collections in San Juan County are visitor-generated when including lodging and sales, or 23.6 if including lodging alone).



Other travel impacts include:

- Travelers spent about \$118.8 million in San Juan County, in 2005 alone.
- Overall travel-related earnings (net income) in 2005 were more than \$40 million.
- More than 1,800 jobs were supported by travel spending.
- Over \$8.3 million in tax receipts were generated in 2005.
- At 6%, San Juan County has the second fastest travel spending growth rate in the state from 1999 through 2005. The statewide annual change average is 4.5%. *(Not adjusted for inflation.)*
- Travel spending in the County increased from \$52 million in 1991 to nearly \$119 million in 2005.
- Between 1997 and 2005, distributions of state-shared hotel motel taxes remained stagnant in Friday Harbor (\$118,000), but grew considerably county-wide (from \$201,000 to \$351,000).



The table below provides data on overall visitor spending and additional detail on spending by type of accommodation, commodity purchased, earnings, employment and tax receipts. Notable findings include:

- A significant growth in vacation home lodging-related spending, compared to growth in other accommodations.
- A stagnant or slightly declining trend in visitor-related retail spending.
- An overall decline in employment, with retail, arts, entertainment and culture suffering the brunt of job elimination.
- Strong growth in earnings, particularly in the food and accommodations sectors.



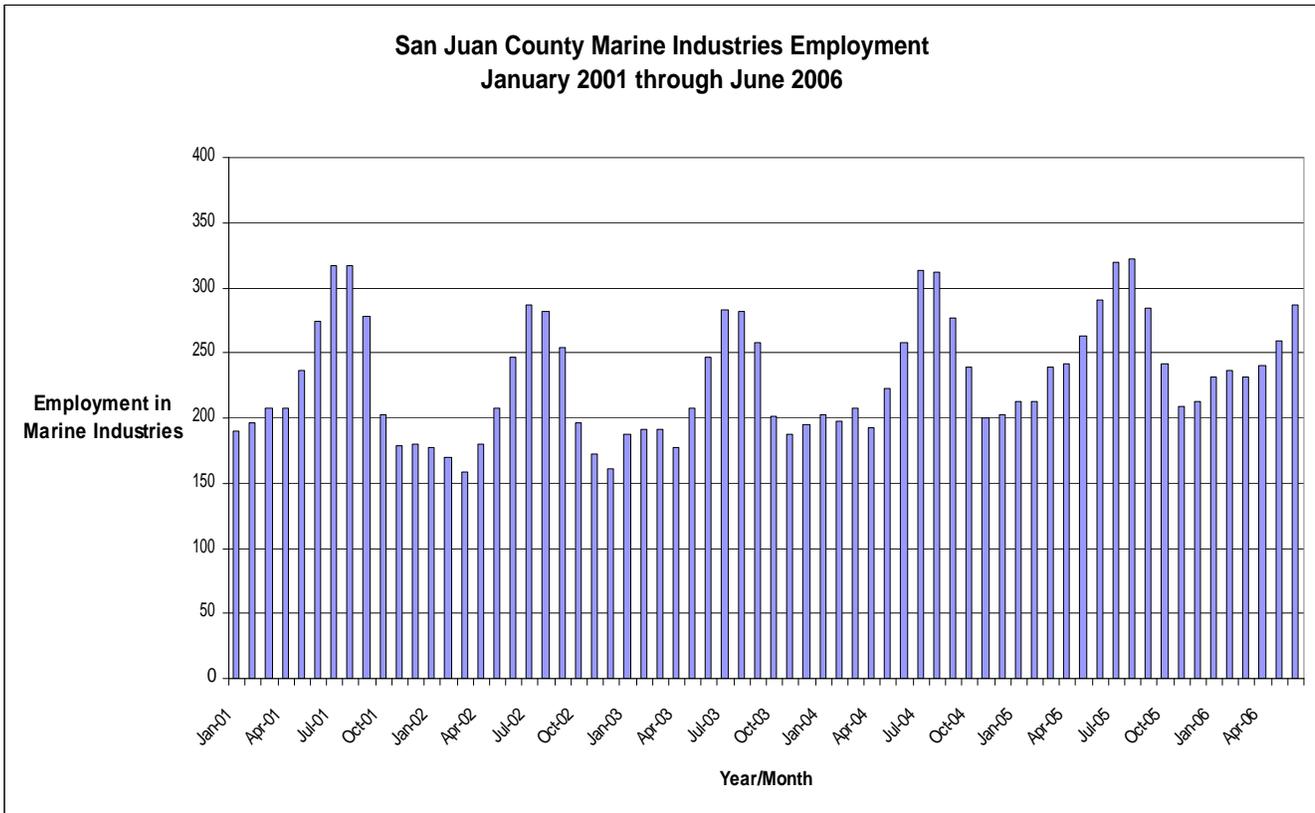
San Juan County Travel Impacts, 1991-2005 (Not adjusted for inflation)

	1991	2000	2001	2002	2003	2004	2005
Total Direct Travel Spending (\$Million)							
Visitor Spending at Destination	52.3	105.5	113.8	110.5	106.0	116.0	118.7
Other Travel*	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Total Direct Spending	52.4	105.6	113.9	110.6	106.2	116.1	118.8
Visitor Spending by Type of Traveler Accommodation (\$Million)							
Hotel, Motel	32.9	68.7	71.1	72.1	67.7	75.4	76.7
Private Campground	1.6	2.7	5.4	2.4	2.5	2.6	2.7
Public Campground	1.8	2.7	3.0	2.9	2.9	3.0	3.2
Private Home	2.2	3.6	3.8	3.9	4.1	4.3	4.5
Vacation Home	2.6	6.5	7.2	7.3	7.5	7.9	8.2
Day Travel	11.2	21.2	23.4	21.9	21.3	22.9	23.4
Spending at Destination	52.3	105.5	113.8	110.5	106.0	116.0	118.7
Visitor Spending by Commodity Purchased (\$Million)							
Accommodations	11.8	26.4	28.6	28.2	26.6	29.6	30.4
Food & Beverage Services	15.7	32.1	34.6	34.4	33.0	36.4	37.3
Food Stores	3.0	6.4	7.5	6.9	6.8	7.4	7.5
Ground Tran. & Motor Fuel	2.3	3.8	3.8	3.5	4.3	5.1	6.2
Arts, Entertainment & Recreation	9.7	18.5	19.7	19.1	18.2	19.6	19.5
Retail Sales	9.8	18.2	19.6	18.3	17.1	17.9	17.8
Spending at Destination	53.3	105.5	113.8	110.5	106.0	116.0	118.7
Industry Earnings Generated by Travel Spending (\$Million)							
Accommodations & Food Service	10.2	22.2	24.2	24.5	23.7	25.4	26.1
Arts, Entertainment & Recreation	4.7	9.7	10.3	9.5	9.2	9.7	9.9
Retail**	1.9	3.9	4.3	4.2	4.1	4.3	4.3
Auto Rental & Ground Tran.	a	a	a	a	a	a	a
Air Transportation (visitor only)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Travel*	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Direct Earnings	16.9	35.9	38.9	38.2	37.0	39.5	40.4
Industry Employment Generated by Travel Spending (Jobs)							
Accommodations & Food Service	800	1,110	1,190	1,170	1,050	1,130	1,120
Arts, Entertainment & Recreation	250	710	570	600	580	570	550
Retail**	150	210	210	190	180	180	170
Auto Rental & Ground Tran.	b	b	b	b	b	b	b
Other Travel*	10	10	b	b	b	b	b
Total Direct Employment	1,210	2,040	1,970	1,970	1,820	1,890	1,840
Tax Receipts Generated by Travel Spending (\$Million)							
Local Tax Receipts	0.6	1.5	1.6	1.7	1.6	2.1	2.1
State Tax Receipts	2.8	5.6	6	5.8	5.6	6.1	6.2
Total Direct Tax Receipts	3.5	7.1	7.6	7.5	7.2	8.2	8.3

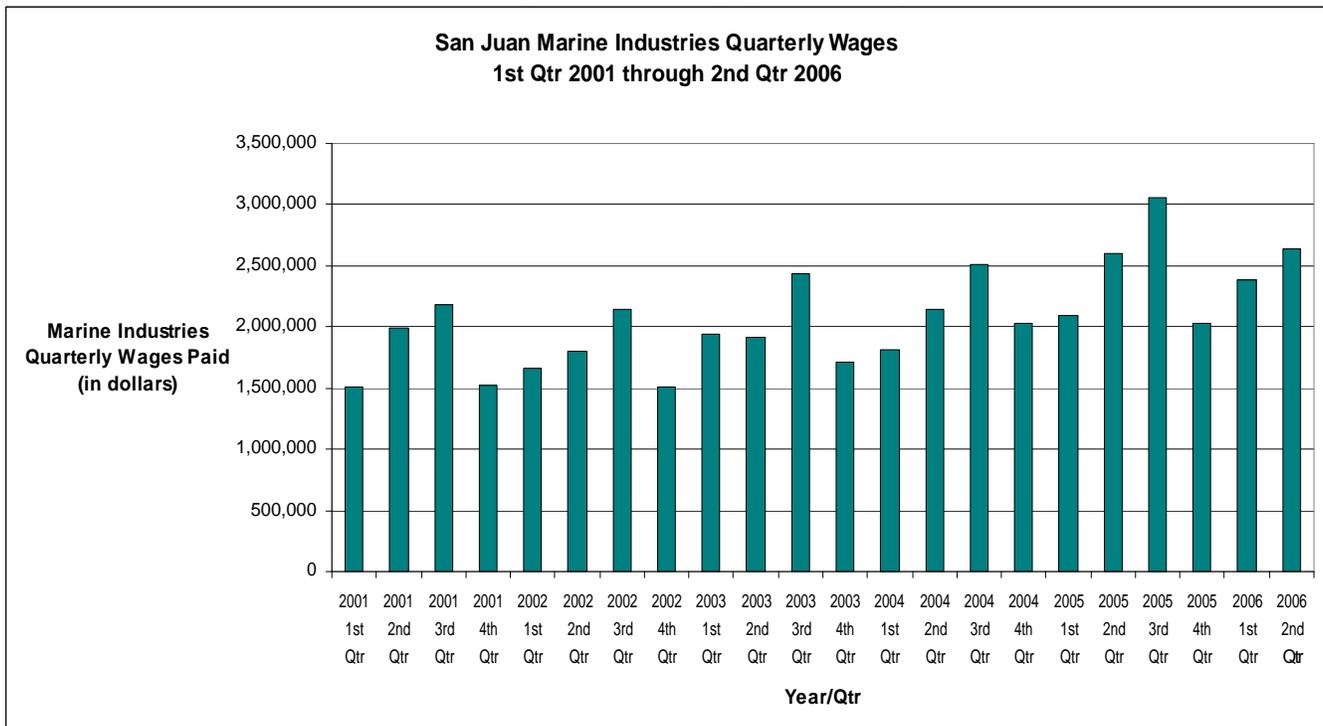
Details may not add to totals due to rounding. *Other Travel includes resident air travel and travel agencies. Less than \$50,000 in earnings denoted by 'a'. Less than 5 employees denoted by 'b'.

Source: Dean Runyan and Associates, 2005.

Marine Resources Sector Data



Source: Labor Market & Economic Analysis Branch of Employment Security.



Source: Labor Market & Economic Analysis Branch of Employment Security.

Entities and Organizations

The following presents an overview of major economic development organizations in San Juan County.

Orcas Island Chamber of Commerce
Lopez Island Chamber of Commerce
San Juan Island Chamber of Commerce
San Juan Island Chamber of Commerce

San Juan County Economic Development Council (SJCEDC)

The Economic Development Council seeks to diversify and strengthen the economy of San Juan County and to promote and preserve the overall quality of life of islanders. SJCEDC has sponsored business roundtables on economic development, telecommunications, marine enterprise and agriculture in the islands. Other activities include hosting Leadership San Juan Islands, offering a public website with business-related links, and co-sponsoring conferences and events that enhance economic development.

San Juan Islands Visitor's Bureau

The 304 member Visitor's Bureau, located in Friday Harbor and supported by lodging tax funds, serves both the Town and the entire County. The Visitor's Bureau promotes the Islands as a year-round destination and works with member businesses to refine their product and marketing. The Visitor's Bureau provided leadership in submitting an application for a Scenic Byways destination for the San Juan Islands' ferry route. It has also led the discussions on the possible impact of the 2010 Olympics on the area.

Orcas Power and Light Cooperative

Provides electricity to 20 islands in San Juan County; fiber optic to all ferry terminals, San Juan and Orcas.

Community Land Trust Alliance of the San Juan Islands

Includes Lopez Community Land Trust, OPAL, San Juan Community Home Trust, and Waldron Community Land Trust. Involved in affordable housing, alternative energy, farm to school food production and more.

Career Center - Northwest Workforce Development Council

Recruits and prepares labor force that meets the needs of local businesses.

Island Grown Farmer's Cooperative

Hosts the mobile processing unit that serves the County.

Orcas Research Group (ORG)

Supports and encourages creation of new businesses and expansion of existing business on Orcas Island.

Port of Friday Harbor

Overnight and long-term moorage, ferry terminal facilities, and marine business space. Airport provides commuter service to the mainland and island airports, hangars, tie downs and land lease space.

Port of Orcas

Airport provides commuter service to mainland and island airports, hangars, tie downs and lease space.

Skagit Valley College

The SVC San Juan Center offers academic, technical and life long learning classes including the largest Elderhostel program in Washington State.

WSU San Juan County Cooperative Extension

Promotes agriculture through sponsorship of 4-H, publication of island maps for local farms and their products, Master Gardener program, and by supporting Farmers Markets.

Economic Development Element Citizen Contributor List

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