

Friday Harbor Comprehensive Plan Economic Development Element

September 2008



Table of Contents

I. Introduction	3
Purpose of Economic Development Element	3
Relationship to Other Comprehensive Plan Elements	3
Organization of Element.....	4
II. Economic Profile.....	5
Historical Economic Context.....	5
Current Economic Context	6
Economic Drivers	7
Retail Sales Demand, Supply and Leakage.....	8
Income Information	9
Observations About Income	9
Demographics Information.....	10
Population	10
US Census 2000 Highlights.....	10
Work Force.....	12
Related / Supporting Factors	13
Transportation	13
Infrastructure.....	14
Housing	14
Friday Harbor Revenue and Expenditures	15
III. Key Strengths and Challenges	17
Introduction	17
Key Strengths	17
Key Challenges.....	18
IV. Economic Development Vision, Strategies and Actions	20
Economic Development Vision	20
Economic Development Framework.....	20
Strategies and Actions	21
Planning for the Future - General	21
Recommendations.....	21
Other Considerations	21
Other Factors	22
Work Force Training	22
Recommendations	22
Housing	22
Recommendations	22

Transportation	23
Recommendations	23
Infrastructure.....	23
Recommendations	23
Business Support Policies	24
Recommendations	24
Tourism.....	25
Other Considerations	25
V. Appendix – Supporting Information	26
Building Permit Activity	26
Tourism Statistics	27
Entities and Organizations.....	29

Revision History:

Updated September 2008	by the San Juan County Economic Development Council
Original February 2007	by Barney & Worth Inc. in association with Non- Profits Unlimited

Introduction

From the Friday Harbor Comprehensive Plan – The Vision:

“The Comprehensive Plan’s economic development goals and policies will guide Friday Harbor’s investment in services and infrastructure necessary to support various types of businesses. These policies can also influence public processes such as land use permitting that greatly affects a communities ability to attract business.”
January 1994

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 Town of Friday Harbor 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. 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 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” Friday Harbor and San Juan County.

Organization of Element

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. 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 area known now as Friday Harbor, Washington was first occupied by Coastal Salish people who harvested shellfish and managed the native grasslands and oak woodlands with fire in order to exploit edible camas bulbs. Traveling to the island by cedar canoes, they also harvested salmon, deer, waterfowl and berries to take back to mainland winter camps.

Friday Harbor was first recognized on maps in 1847, named after the Hudson Bay Company Hawaiian shepherd who tended sheep in this location. The deep harbor and sheltered bay also provided anchorage for a saltery to process and export salmon. With the peaceful settlement of the International Boundary Dispute with Great Britain (The Pig War) and the establishment of San Juan County, Friday Harbor was named the county seat in 1873. It took several years of effort by Town founder Edward D. Warbass to attract American settlers to the bay, but eventually they came.

By the time the Town incorporated in 1909, a population of about 350 supported a significant array of services including a weekly newspaper, bank, general stores, U.S. Customs, drugstore, theatre, livery stable and blacksmith, barber, three hotels, three saloons, a school, several fraternal organizations and churches, a sawmill, a cooperative creamery and large salmon cannery. Agricultural products from the island such as pears, cherries, apples, peas, cream, eggs, poultry and grain were shipped from Friday Harbor's waterfront, accommodated by the many steamships of the "Mosquito Fleet." In 1910, Albert Jenson added a boatyard on the south side of Town.

By 1912, the Town realized the need to invest in water and sewer and an ambitious public works project was launched to bring water through a gravity fed wooden pipe from Trout Lake, across the island. During the next 30 years, the economy struggled as transportation improved on the mainland, and new water systems (Columbia River dams) helped Eastern Washington corner the State's agricultural market.

The Black Ball Line brought a car ferry to Friday Harbor in 1930, and the ferry system continued in private hands until 1951 when the terminal and boats were acquired by the State of Washington. The Port of Friday Harbor, established in 1950, developed a formal marina for the fishing fleet and visitors, and purchased adjacent shoreline properties including a fuel pier, restaurant, passenger ferry landing and a commercial building. Today, the Port hosts an international seaplane base, commercial freight and passenger ferries, pocket cruise ships, and tour boats. Adjacent to the southwestern boundary of Friday Harbor, the Port acquired a privately developed airport in 1979 and completely rebuilt the facility to open with a new terminal and runway in 1986.

By the 1960's the San Juans had been discovered and the economy became driven as it is today by construction of new residences and commercial properties, and trade and services, especially for seasonal visitors. Friday Harbor remains the only incorporated town in San Juan County, supporting its infrastructure through five enterprise funds, property taxes, a 7.7% retail sales tax, a 2% hotel/motel tax for tourist related facilities, and another 2% hotel/motel tax for tourism promotion.



Current Economic Context

(In the table below, the figures in the column marked "Units" are the number of reporting entities.)

(Source: Town of Friday Harbor Treasurer)		2006		2007	
Year	NAICS	Total Taxable	Units	Total Taxable	Units
Friday Harbor					
Retail Trade 44-45					
Motor Vehicles & Parts 441	441	\$6,663,615	18	\$9,476,689	16
Furniture & Home Furnishing 442	442	\$723,157	28	\$1,378,382	20
Electronics & Appliances 443	443	\$1,372,388	51	\$1,408,108	66
Building Materials, Garden Equip & Supplies 444	444	\$10,538,720	25	\$11,306,518	31
Food & Beverage Stores 445	445	\$11,539,458	16	\$11,903,238	20
Drug/health Stores 446	446	\$1,388,901	17	\$1,441,614	26
Gas Stations & Convenience Stores W/pumps 447	447				
Apparel & Accessories 448	448	\$1,967,548	51	\$1,714,579	50
Sporting Goods, Toys, Book & Music Stores 451	451	\$1,167,770	37	\$1,001,634	42
General Merchandise Stores 452	452	\$257,553	4	\$194,648	4
Miscellaneous Store Retailers 453,454	453, 454	\$8,750,555	226	\$10,432,175	252
E-Commerce & Mail Order 4541	4541	\$1,261,443	56	\$1,570,776	62
Agriculture, Forestry, Fishing 11	11	\$511,848	6	\$353,528	4
Mining 21	21				
Utilities 22	22			\$109,715	3
Construction 23	23	\$15,050,052	237	\$23,382,083	263
Manufacturing 31-33	31-33	\$1,676,956	74	\$1,687,569	86
Wholesale Trade 42	42	\$6,318,380	382	\$6,308,363	422
Transportation & Warehousing 48-49	48-49	\$1,084,753	15	\$1,380,310	16
Information 51	51	\$2,760,917	132	\$2,694,288	123
Finance, Insurance 52	52	\$479,140	30	\$563,062	31
Real Estate, Rental/leasing 53	53	\$4,172,145	73	\$4,310,072	71
Professional, Scientific & Technical Services 54	54	\$1,973,257	88	\$2,062,049	115
Management, Education & Health Services 55-62	55-62	\$1,518,387	127	\$1,856,891	127
Arts, Entertainment & Recreation 71	71	\$1,297,915	21	\$1,313,419	20
Accommodations & Food Services 72	72	\$18,252,513	60	\$19,976,349	59
Other Services 81	81	\$2,775,075	79	\$2,318,298	74
Public Administration, Other 92,00	92,00				
Friday Harbor Total Taxable Sales		\$103,836,677	1858	\$120,188,321	2006
San Juan County Total Taxable Sales		\$355,162,000		\$378,828,249	

Economic Drivers

It is important to know that sales revenue in Friday Harbor is 30% of the total for the County. 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 slowly increased since 2000 while remaining around 80 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.

Accommodations / Restaurants / Food Services –

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. 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.
3. 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..).
4. The visitor industry is one of the economic anchors of the Town of Friday Harbor. Tourism generates a little more than 20% of all employment and tax receipts. It generates revenue that offsets the costs of services and provides income for residents.
5. 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.

Motor Vehicles and Parts –

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

Management, Education, and Health Services –

1. The school district is experiencing declining enrollment which has significantly decreased educational spending. While students frequent food suppliers (restaurants and stores) 10 months a year, it is questionable whether school spending has much impact on the Town.
2. Health services organizations, which are a growing segment of the economy, are having increasing difficulty finding skilled workers (nurses in particular).

- 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 the Town of Friday Harbor. The contributions from Tourism is directly reflected within the Accommodations and “Restaurants / Food Services” categories. However, there are two notes to keep in mind. First, sales in general (merchandise, retailers, wholesale, or real estate) incorporate and reflect visitor spending. Second, the source of residents typically is people who came here as tourists, where they decide to then retire or build their second home. 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 new business 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

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
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 Island data is an aggregation labeled San Juan County Subdivisions which include surrounding islands.

Clearly, average income in the town is below that of the County and State generally. That is a significant fact for land use planning, particularly when considering zoning for affordable housing and affordable housing construction incentives. It is also very important when the Town Council considers cost of infrastructure services (water, sewer, trash, fire and police protection).

Observations about San Juan County 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. This may also distort the actual unemployment rate since discouraged job-seekers can not afford to travel to the mainland to engage services.

Demographic Information

As of 2007, the town of Friday Harbor was home to approximately 2,220.

Population

	Population			Households (HH)		
	2000	2005	2010	2000	2005	2010
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

US Census 2000 Highlights

Census 2000 figures also provide a few insights into the Town of Friday Harbor:

- While Friday Harbor has about the same percentage of population under age 18 as the County (23.1% to 24%), it has an even higher percentage of population over age 65 (17.6% to 11.3%).
- Friday Harbor has a slightly higher percentage of residents with high school degrees (91.2%) than the County, and a slightly lower percentage with a bachelor's degree or higher (26.9%).
- Over 71% of Friday Harbor labor force participants work in management, professional, service or sales and office occupations.
- More than 25% of owners and about 33% of renters spend more than 35% of their household income on home costs (above affordability threshold).

US Census QuickFacts 2000 – Town of Friday Harbor

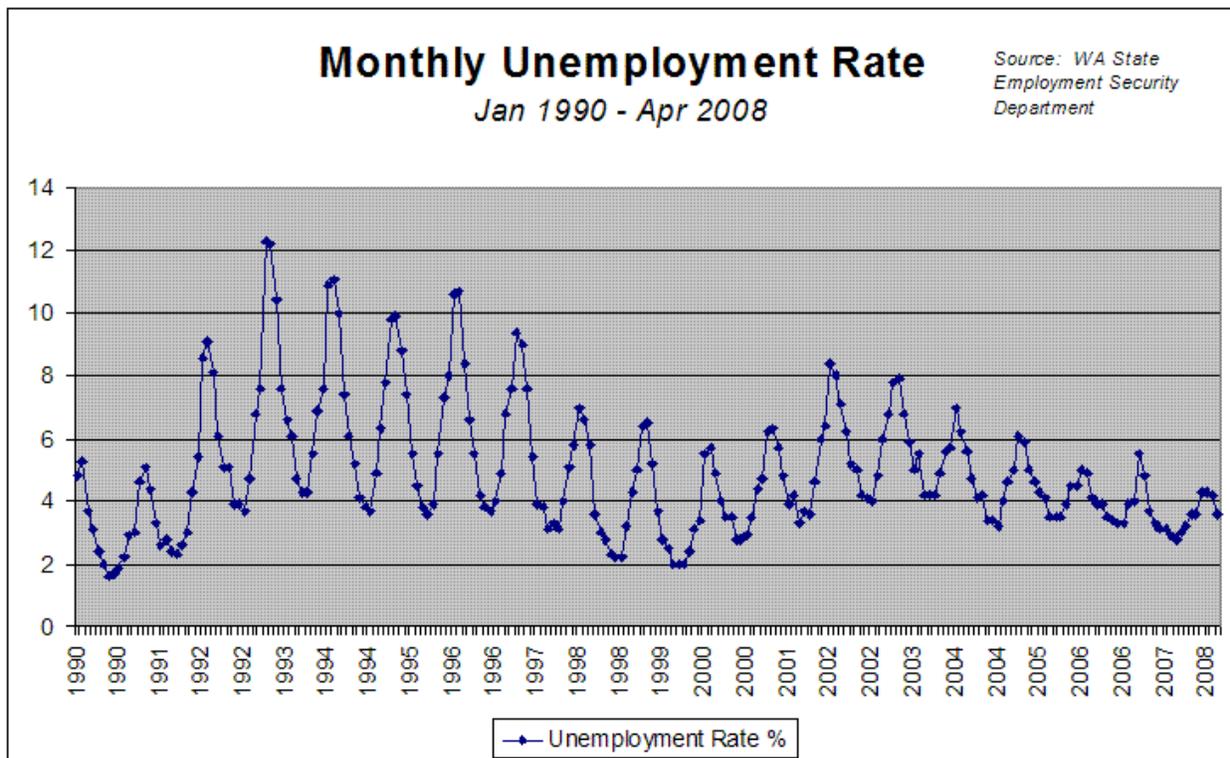
	No.	%
Sex and Age		
Under 18 years and over	460	23.1
65 years and over	351	17.6
Educational Attainment		
Percent high school graduate or higher		91.2
Percent bachelor's degree or higher		26.9
Employment Status		
Population 16 years and over	1,589	100.0
In labor force	1,094	68.8
Civilian labor force	1,094	68.8
Employed	1,039	65.4
Unemployed	55	3.5
Not in labor force	495	31.2
Occupation		
16 years and over	1,039	100.0
Management, professional, and related occupations	220	21.2
Service occupations	208	20.0
Sales and office occupations	316	30.4
Farming, fishing, and forestry occupations	10	1.0
Construction, extraction, and maintenance occupations	148	14.2
Production, transportation, and material moving occupations	137	13.2
Selected Monthly Owner Costs as % of Household Income in 1999		
Less than 15.0 percent	73	28.1
15.0 to 19.9 percent	25	9.6
20.0 to 24.9 percent	44	16.9
25.0 to 29.9 percent	20	7.7
30.0 to 34.9 percent	25	9.6
35.0 percent or more	67	25.8
Not computed	6	2.3
Specified renter-occupied units	476	100.0
Gross Rent		
Less than \$200	27	5.7
\$200 to \$299	16	3.4
\$300 to \$499	136	28.6
\$500 to \$749	147	30.9
\$750 to \$999	87	18.3
\$1,000 to \$1,499	21	4.4
\$1,500 or more	7	1.5
No cash rent	35	7.4
Median (dollars)	601	(X)
Gross Rent as % of Household Income in 1999		
Less than 15.0 percent	83	17.4
15.0 to 19.9 percent.....	36	7.6
20.0 to 24.9 percent.....	42	8.8
25.0 to 29.9 percent.....	57	12.0
30.0 to 34.9 percent.....	67	14.1
35.0 percent or more	156	32.8
Not computed	35	7.4

Workforce

The Town's unemployment rate has a regular annual fluctuation resulting primarily from the seasonal workforce needs of the tourism industry segment. Construction contributes as well to this seasonal cycle. The Town has some "commuter" element to its workforce, primarily provided by selective employers who fly/ferry workers for specific project related work or those commuting by interisland ferry. This includes selective skills workers as well as commercial construction projects. A final source of seasonal workers is high school students (300+ 9th through 12th graders) and returning college students working during their summer breaks.

Chart 1: San Juan County Unemployment Trend

Source: WA State Employment Security Department



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 the Town of Friday Harbor, and rising fuel costs, the importance of transportation to the San Juan Islands economic vitality must be addressed.

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 the island's airports.



Between 2002 and 2007, 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 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 & 2007)

Route	Vehicle	Passenger	Total Riders	Vehicle Passenger	Foot Passenger
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 2002-2005	-2.99%	-5.50%	-4.47%	-2.95%	-9.09%
2007	310,644	408,524	719,168	219,854	188,670
% Chg 2002-2007	-2.66%	-10.96%	-7.56%	-18.12%	-0.86%
Inter Island					
2002	105,268		105,268		
2005	97,274		97,274		
% Chg 2002-2005	-7.59%		-7.59%		
2007	91310		91310		
% Chg 2002-2007	-13.26%		-13.26%		

Source: Washington State Ferries.

Public and private facilities for air travel are available. San Juan Island has a public airport located within the Friday Harbor Town Limits that is administered by the port district. Several commercial airlines serve the island with regularly scheduled flights to and from Anacortes, Bellingham, and Seattle. There is also a large number of residents who own and fly their own planes.

Boat ownership is practically a given in this environment, from kayaks and live-a-boards to working vessels and elite cabin cruisers. Live-a-boards are permitted, 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 San Juan Island. The scope of operations increases and decreases with the visitor seasons. Operators have profitability challenges as a result of the seasonality of their business as well as challenges in finding appropriate drivers and skilled mechanics. 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 Friday Harbor.

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. Recently, the libraries and schools 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. The Town of Friday Harbor is well covered with various internet service provider options.

Planning for water, wastewater and stormwater management is the responsibility of the Town of Friday Harbor under the provisions of the Growth Management Act. Currently, fresh water and waste water infrastructure is a significant burden on the town budget and consequentially, on the town residents. The need for these infrastructure improvements is key to the economic vitality of the Town community

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 Town or 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 and trade workers who travel to the Island 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.

Two Affordable housing organizations exist on San Juan Island. 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.

Friday Harbor Revenue and Expenditures

As in most communities, the majority of Friday Harbor revenue comes from tax sources. While tax revenue has been strong for most of this decade, a sudden drop in taxable spending could have a significant impact on overall revenue. Trends indicate increased license and permit revenue, and decreased revenue from fines and forfeits. Intergovernmental revenue has, and will likely continue to fluctuate.

Friday Harbor Revenue Sources and Amounts: 2000-2007

Current Fund	2000	2001	2002	2003	2004	2005	2006 YTD	2007 ESTIMATE
Taxes	1,236,772	1,304,694	1,273,950	1,322,579	1,416,666	1,433,810	1,099,952	1,352,664
Licenses & Permits	89,722	110,966	93,524	141,871	172,849	186,094	123,438	180,850
Intergovernmental	48,005	35,933	23,372	*160,942	29,466	43,410	26,661	32,500
Charges for Service	19,719	18,686	20,319	18,167	21,149	19,668	26,480	13,500
Fines & Forfeits	80,973	83,597	74,820	68,038	62,808	63,390	68,700	63,100
Miscellaneous	47,467	26,821	17,014	58,834	13,661	24,240	24,104	19,130
Total	1,552,656	1,580,697	1,502,998	1,770,369	1,716,599	1,770,612	1,369,355	1,661,744

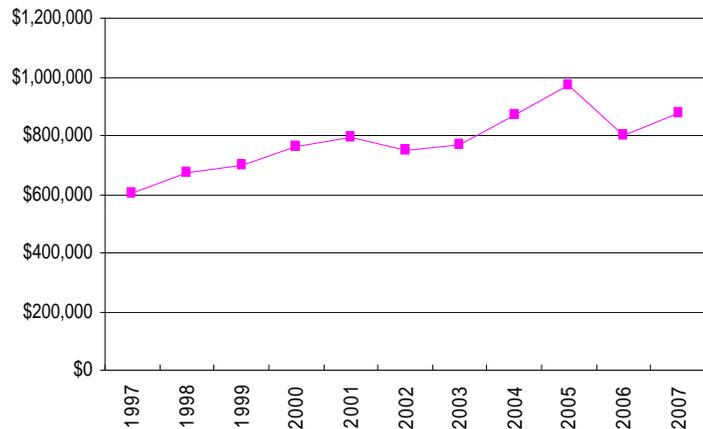
Source: Town of Friday Harbor. Notes: 2006 Revenue through October; * Includes FEMA Fire Grant of \$113,400.

Sales tax receipts have accounted for half or more of Friday Harbor revenue over the past 10 years. As shown in the table and accompanying graph below, sales tax receipts have shown fairly consistent growth.

Friday Harbor Sales Tax Receipts: 1997-2007

1997	600,889
1998	671,344
1999	699,054
2000	761,111
2001	790,762
2002	749,378
2003	768,254
2004	868,190
2005	973,504
2006	799,392
2007	875,000

Source: Town of Friday Harbor.



A closer look at the sources of tax receipts in Friday Harbor reveals a somewhat notable dependence on “un-guaranteed” sources including “big ticket” items such as the ferry terminal and wastewater treatment plan construction and installation of Adelpia Cable.

Friday Harbor Sales Tax Receipt Fluctuations: Key Sources 2004-2006

	2004	2005	2006
Big Ticket Items	21,912.74	86,270.00	65,963.04
One Time Collection	64,938.84	42,903.24	4,240.46
Dept of Licensing	38,342.64	33,822.10	28,997.44
Construction	165,377.81	141,770.23	108,973.01

Source: Town of Friday Harbor.

Total assessed valuation of properties in Friday Harbor have climbed steadily from 1999 to present. Preliminary data for 2007 have not been confirmed, but suggest a significant jump during this most recent revaluation. Higher property values will have a mild impact on property tax revenue due to restrictions on the amount property tax rates can increase.

On the other hand, if property continues to *sell* at current values, excise tax revenues could grow substantially. For San Juan County as a whole, real estate excise tax collections doubled between 2002 and 2005, growing from \$2.2 to \$4.6 million, peaking in 2006 at \$5.6M and then in 2007 falling slightly below the 2005 level.. If the cost of an average-priced – or even median-priced – home continues to increase in value at the historical clip, it will become beyond the capability of the average wage earner to purchase or rent a home within the town limits. Between 2000 and 2005, assessed valuation in Friday Harbor increased approximately 35%, while median household income increased by just 12%.

Friday Harbor Assessed Valuation: Key Sources 1999-2006				SJC Real Estate Excise Tax Collected: 1999-2007	
	ASSESSED VALUATION	TAX RATE PER/\$1,000	PROPERTY TAX LEVY		Excise Tax Collected
1999	218,509,448	1.1688	255,392	1999	\$2,999,547
2000	219,982,411	1.2451	273,904	2000	\$3,130,248
2001	261,205,332	1.1515	301,562	2001	\$2,415,244
2002	267,478,838	1.1622	310,885	2002	\$2,311,669
2003	275,089,113	1.1612	319,454	2003	\$2,984,873
2004	335,041,116	0.9847	329,905	2004	\$3,270,826
2005	336,854,972	1.0099	340,000	2005	\$4,788,678
2006	351,792,564	1.023	359,908	2006	\$5,552,968
2007	515,946,493*	0.7416	382,664	2007	\$4,774,322

Source: Town of Friday Harbor and WA State Department of Revenue

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 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, 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, 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 the 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 others 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.

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.**

Tourism remains strong in **Friday Harbor**. In 2006 alone, visitors are estimated to have spent over \$121 million in San Juan County, supporting over 1,780 jobs and generating more than \$8.5 million in tax receipts.

Key Challenges

The key challenge is that the present economy is heavily dependent upon Construction and Tourism which makes the health of the economy vulnerable to external factors.

The Town of Friday Harbor is the only incorporated Urban Growth Area on San Juan Island. As such, it is required by GMA to be the center for commercial development and affordable housing and the main bearer of the infrastructure development burden (fresh water and wastewater treatment). It is the transportation hub for the island with the only ferry loading/unloading facility, the airport and the largest marina, and the hub of the existing road network. It is the center for education and most medical, cultural and social activities. Finally, it is the seat for County government and the location for the vast majority of County offices. **Constrained from growing (i.e., urban sprawl) by GMA, the Town has become the focus for competing land uses.** Whenever demand is high for a resource, the price of that resource rises. Cost of land is escalating and has become the target of speculation, further artificially increasing land costs.

Land development has not been a socially or politically acceptable strategy upon which to build a Town economy (i.e. manufacturing centers, large housing developments, or large hotel resorts).

Recruiting major employment entities, outside of those providing government- or resort-related activities, will likely remain a challenge for Friday Harbor 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 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 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.**

Tourism has historically and currently plays an important role within the economy. The community conversation should turn from “do we want tourism or not” to “what role do we want tourism to play in our economy and what benefits and impacts do we need to plan for?” 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.

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 Town 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
 - Physical growth should be directed to identified commercial areas 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
 - Proposed economic development strategies must be based on island realities, and be designed holistically, with an eye toward keeping an island-scale economy.
2. The purpose of an economic development element is to guide municipal policy, decision-making and investment. Therefore, proposed strategies should be designed with the Town of Friday Harbor as the principal audience. Implementation, however, will require participation by many entities and private sector partners in addition to the various jurisdictions.
3. Resources are far too limited to “try everything all at once;” policies should focus on the most promising and Town 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 Town. Additionally there are a number of proposals to stimulate specific, significant economic sectors.

Planning for the Future - General

First, since the Comprehensive Plan was adopted in 2002, very little island-wide, cooperative (Town, County, and Port) planning or review of existing plans has taken place. The causes for this lack of planning has been the result, in part, of several reorganizations of the Community Planning Department and turnover of department staff and directors, Town staff frustration with other agencies inability or reluctance to follow-through, and little appreciation of the burdens being imposed on the Town to provide services for housing, transportation improvements, planning goals.

The Town, on the other hand, must accept the fact that it is the economic, educational, cultural, and social center of the island and, as such, everyone on San Juan Island has an interest in the development of the Town. The Town Council and staff must insist on joint planning participation with the County and Port. The Town must also insist that the Port and County find ways to fairly share the costs of improved and expanded services, infrastructure, and improved transportation. Without joint cooperation among all three agencies, the long-term sustainability of the Town's economy is in question.

Second, the residents of the Town made very clear in their Visioning Report that they want Friday Harbor to retain the structure and "feel" of a village. The definition of village, however, remains somewhat ambiguous in relationship to development, particularly economic development opportunities. Moreover, the economic situation has changed with the escalation of land values and the growing importance of visitor spending. With urban boundary growth limits, high land and lease costs, limited commercial building space, and building and historical district restrictions, it is increasingly difficult for a business looking for space to overcome the start-up financial costs. More and more businesses are building farther from the village center (sprawl). It is time for the village design to be re-examined, with the focus for how business, affordable housing and the village can coexist to the financial and social benefit of each.

Recommendations:

1. The Town must aggressively promote the creation of a joint planning process with the County and Port to build a single comprehensive plan (specifically including economic development, transportation, affordable housing, utility services, and other infrastructure) which meets the needs of the entire island community as well as including financial support commitments which does not leave the Town with an inequitable burden for development costs and infrastructure support and development.
2. The Town Planning Commission, Town Council, and Historic Preservation Board must develop a clear, unambiguous "village plan" which incorporates economic development opportunities, affordable housing, and transportation improvements, which clearly defines design standards and parameters, and provides for the realities of land and building costs. One possible example would be to adjust the Town zoning regulations to support and encourage denser mixed-use commercial, professional services and residential development in a combined footprint.
3. The Town Council needs to work with its citizens to define a "Tourism Plan" which recognizes the financial importance of visitors and directs the expenditure of hotel/motel tax funds to accomplish the Plan.

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.

- 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.
- Agriculture, as a segment of the economy, is presently undergoing growth. The Town of Friday Harbor is the obvious center for agricultural product sales, to both visitors and residents. A year-round farmers market in Friday Harbor has been an on-going topic of conversation. The Town Council should consider joining with the New Agriculture Guild to discuss such an economic initiative in the Town.
- Most of the Port of Friday Harbor’s major facilities exists inside the Town boundary at this time. Planning for economic development should be an on-going topic of conversation with the Port Commissioners.

Other Factors

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. The Town of Friday Harbor 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. Then its use of Town Policies can influence the demographic makeup of the community. 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

A leading 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 Town 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:

1. Under GMA requirements, the Town is responsible for planning for affordable housing. Two such projects exist in Friday Harbor; a third has been proposed. There are several associated problems. First, land costs are at a level that either a land donation must be made or the Town must expand its boundary. Either solution leaves the cost of infrastructure to be born by Town residents. The cost of water and sewer services continue to escalate to the point that the

rate payers are facing prohibitive utility bills. The cost of affordable housing must be shared by a larger entity if it is to be practical or more affordable housing must be located in the County.

2. While the Town has done a good job of encouraging high density, single family residences, the stock of multi-family rental residences is at 7%, far below the State average (24%). The Planning staff needs to re-examine Town zoning to determine whether sufficient land has been zoned for this purpose or whether incentives exist to encourage this kind of development.
3. Additionally, the Council must take steps to change the definition of affordable housing to include a provision for “moderate income families”.

Transportation

Another solution to work force availability is to develop a modern, high speed transportation system that would allow workers to commute to the Town 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 Town should immediately vote to join the existing Skagit and Island County Regional Transportation Planning Organization.
2. The Town of Friday Harbor, County and Port must find a “vehicle” to maintain a constant and forceful dialogue with Washington State Ferries bureaucracy as it plans its operations and future.
3. The Town should participate in the Port of Friday Harbor and the Port of Bellingham Passenger-Only Ferry study. High speed “Passenger-Only” ferry service between Friday Harbor and Bellingham could have a significant impact on the Friday Harbor workforce issue, housing issue and overall economy.

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, regular access to State and Federal legislators.
- San Juan County needs a “place” to do holistic, long range transportation planning for our County.
- The Town needs access to state and Federal funds that participation in an RTPO would provide.

Infrastructure

Local government has a traditional role of 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 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. See other sections for related items.

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.

Recommendations:

1. **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:
 - a. Produce and maintain annually a community and economic conditions profile, with specific content to be determined through targeted outreach with likely users
 - b. Offer guidance and resources related to macro- and micro-financing, technical training (e.g. starting a business, marketing, internet presence, customer service, etc.)
 - c. Establish a revolving loan fund to support new and emerging small businesses that would have difficulty securing financing through traditional banking institutions
 - d. Provide timely information regarding grant opportunities, industry and cluster-specific data and/or opportunities and other business-related news
 - e. Serve as a business advocate at the municipal and state level
 - f. Conduct outreach and deliver important programs and information to ferry-served islands
 - g. Serve as a connection point for various business interests by hosting topical forums
 - h. Recommend and execute updates to this / other economic development plans and programs
 - i. 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.
2. 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:
 - a. In-person assistance related to the EDC responsibilities described above
 - b. Office space for SCORE and other business counseling service providers
 - c. Office location for a county-wide Small Business Development Center consultant. Having a locally available, locally knowledgeable SBDC consultant that island business owners know and are comfortable with might elevate the "sustainability" of local businesses.
 - d. An information library, both print and on-line

- e. 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
- f. Conference room, internet search and teleconference services for small and home-based businesses based on a nominal fee-for-use payment structure (or membership)

Tourism

Other Considerations:

1. 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.
2. 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.
3. 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.
4. 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.

V. Appendix – Supporting Information

Building Permit Activity

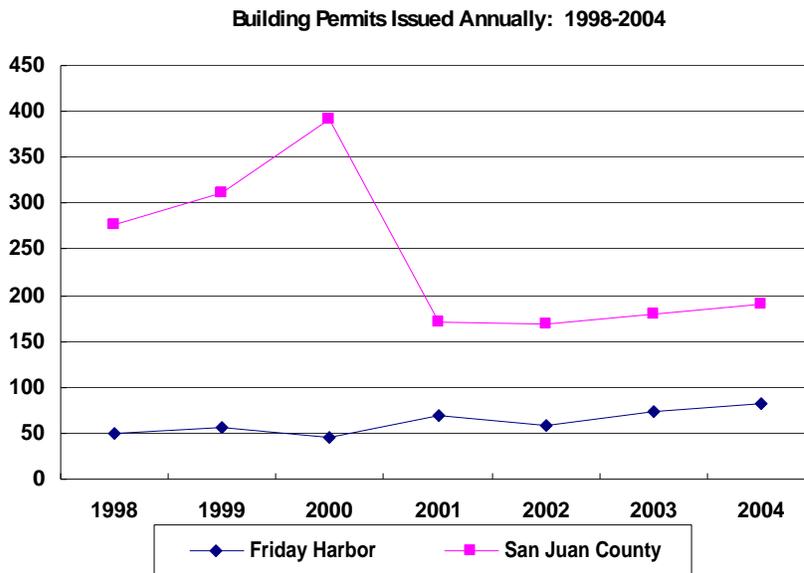
Building permit revenues have become an increasingly important source of Town revenue since 1998, but are unpredictable at best, and undependable at best given urban growth constraints. Permit figures are probably more valuable as an indicator of development intensity.

Friday Harbor Building Permit Activity: 1998-2007

	# PERMITS	VALUATION	REVENUE
1998	49	3,089,250	56,759
1999	56	5,479,000	71,838
2000	46	5,642,754	62,739
2001	69	5,012,908	82,871
2002	59	4,086,590	65,856
2003	74	8,666,723	103,641
2004	82	9,018,793	133,183
2005	82	9,652,333	143,648
2006	64	6,883,193	83,068
2007	?	?	140,000

Source: Town of Friday Harbor.

As the County seat and primary “activity center,” the Town of Friday Harbor might be expected to issue a high proportion of county-wide permits. This was certainly not the case in the late 1990’s through 2000, as shown in the graph below, but has become the case since.



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, 1991-2006 (Not adjusted for inflation)

	1991	2000	2001	2002	2003	2004	2005	2006
Total Direct Travel Spending (\$Million)								
Visitor Spending at Destination	52.3	105.5	113.8	110.5	106.0	116.0	118.7	121.1
Other Travel*	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2
Total Direct Spending	52.4	105.6	113.9	110.6	106.2	116.1	118.8	121.3
Visitor Spending by Type of Traveler Accommodation (\$Million)								
Hotel, Motel	32.9	68.7	71.1	72.1	67.7	75.4	76.7	78.0
Private Campground	1.6	2.7	5.4	2.4	2.5	2.6	2.7	2.8
Public Campground	1.8	2.7	3.0	2.9	2.9	3.0	3.2	3.3
Private Home	2.2	3.6	3.8	3.9	4.1	4.3	4.5	4.6
Vacation Home	2.6	6.5	7.2	7.3	7.5	7.9	8.2	8.5
Day Travel	11.2	21.2	23.4	21.9	21.3	22.9	23.4	23.9
Spending at Destination	52.3	105.5	113.8	110.5	106.0	116.0	118.7	121.1
Visitor Spending by Commodity Purchased (\$Million)								
Accommodations	11.8	26.4	28.6	28.2	26.6	29.6	30.4	31.6
Food & Beverage Services	15.7	32.1	34.6	34.4	33.0	36.4	37.3	37.7
Food Stores	3.0	6.4	7.5	6.9	6.8	7.4	7.5	7.5
Ground Tran. & Motor Fuel	2.3	3.8	3.8	3.5	4.3	5.1	6.2	7.2
Arts, Entertainment & Recreation	9.7	18.5	19.7	19.1	18.2	19.6	19.5	19.4
Retail Sales	9.8	18.2	19.6	18.3	17.1	17.9	17.8	17.8
Spending at Destination	53.3	105.5	113.8	110.5	106.0	116.0	118.7	121.1
Industry Earnings Generated by Travel Spending (\$Million)								
Accommodations & Food Service	10.2	22.2	24.2	24.5	23.7	25.4	26.1	26.2
Arts, Entertainment & Recreation	4.7	9.7	10.3	9.5	9.2	9.7	9.9	9.9
Retail**	1.9	3.9	4.3	4.2	4.1	4.3	4.3	4.3
Auto Rental & Ground Tran.	a	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	0.0
Other Travel*	0.1	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	40.5
Industry Employment Generated by Travel Spending (Jobs)								
Accommodations & Food Service	800	1,110	1,190	1,170	1,050	1,130	1,120	1,080
Arts, Entertainment & Recreation	250	710	570	600	580	570	550	530
Retail**	150	210	210	190	180	180	170	160
Auto Rental & Ground Tran.	b	b	b	b	b	b	b	b
Other Travel*	10	10	b	b	b	b	b	b
Total Direct Employment	1,210	2,040	1,970	1,970	1,820	1,890	1,840	1,780
Tax Receipts Generated by Travel Spending (\$Million)								
Local Tax Receipts	0.6	1.5	1.6	1.7	1.6	2.1	2.1	2.2
State Tax Receipts	2.8	5.6	6	5.8	5.6	6.1	6.2	6.3
Total Direct Tax Receipts	3.5	7.1	7.6	7.5	7.2	8.2	8.3	8.5

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, 2007.

Entities and Organizations

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

Port of Friday Harbor

The Port of Friday Harbor was established in 1950 with the development of a marina. Currently the Port hosts an international seaplane base, U.S. Customs, commercial freight and passenger vessels, several marine-related businesses, a fuel dock, and slips for 500 vessels. The Friday Harbor Airport began in the early 1950s and the Port acquired the airport in 1979 and completely rebuilt the facility. The new, 3,400-foot-runway opened in 1985 and the new passenger terminal opened in 1986. The airport became a primary airport facility in 1988, allowing it to receive FAA funding for safety and capacity improvements. In 1985 the Port acquired a recreational beach and boat launch and a facility was developed to support the high school sailing team and other sail and kayak aficionados.

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 Island Chamber of Commerce

The San Juan Island Chamber of Commerce represents the entire Island's business community, although three-fourths of the 300 member businesses are located in Friday Harbor. The Chamber works in conjunction with the Town, Visitors Bureau, and Port to support economic development, especially through visitor promotion and by housing a year-round visitor's center. It also sponsors a standing committee which focuses on the downtown Friday Harbor core, coordinating initiatives and facilitating communication with the Town. In addition, the Chamber hosts numerous annual events – such as holiday lights, a summer arts fair, the 4th of July parade and fireworks, and multiple networking opportunities through classes and monthly membership meetings.

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.

San Juan Island School District

Major employer, 45 employees. San Juan Island School District serves 1,000 students, K-12, on San Juan Island and Stuart Island.

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.

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

- Annie Albritton
- Jack Becker
- Michael Bertrand
- Sandy Bishop
- Carrie Brooks
- Alan Brown
- Cathy Cavanagh
- Brent Charnley
- Richard Civile
- Larry Clark
- Peter Corning
- Bruce Cory
- Cristina Dahl-Sesby
- Earl Diller
- Bruce Dunlop
- Jeff Dyer
- Bill Evans
- King Fitch
- Stephen A. Garrison
- Dan George
- Todd Goldsmith
- Bruce Gregory
- Ralph Hahn
- Linda Hersey
- Ron Henrickson
- Robert Hermann
- Daren Holscher
- Deborah Hopkins
- Liz Illg
- Paul Kamin
- Kathy Keller
- Denise King
- Brian Kvistad
- Jim Lett
- Dale Linnes
- Paul Losleben
- Celia Marquis
- Patty Miller
- Rhea Miller
- David Moody
- Bob Myhr
- Jim Nelson
- Mary O'Bryant
- Marilyn O'Connor
- Ann Palmer
- Christopher Peacock
- Wendy Picinich
- Debbie Pigman
- Kathryn Quakenbush
- Nancy Rankin
- Stephen Robbins
- Laura Saccio
- Tom Schultz
- Bob Schwartzberg
- Jim Skoog
- Carl Silvernail
- Becky Smith
- Brent Snow
- Jamie Stephens
- Mike Stollmeyer
- Sandy Strehlou
- Ed Sutton
- Cathryn Thomas
- Rip VanCamp
- Bea VonTobel
- Ron Zee