1. Executive Summary

*Summary of findings, key points and recommendations*

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3. Community Overview

*Provide background data and information*

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4. Land Use Options

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*Beyond the Fidalgo Waterfront*

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Our Mission
To proactively lead and thoughtfully serve and represent our members.

Our Vision
To be the most livable and economically vibrant waterfront community in the Pacific Northwest.

To foster an environment in which commerce and community thrive through:

• Quality leadership
• Member services and benefits
• Ethical business practices
• Economic Development
• Government Relations

The Anacortes Chambers of Commerce is a member-driven, non-profit organization of businesses, professional persons and community-spirited individuals that provides leadership to improve the quality of business and community life in Anacortes. We accomplish this by utilizing the talents of our volunteers and staff to provide business services to our members, develop partnerships and alliances with appropriate entities, provide legislative advocacy, engage in economic development activities, and initiate programs of action and value to our members and the community at large.

The Anacortes Futures Project is a special project managed through the Economic Development Division of the Anacortes Chamber of Commerce.

We are at an interesting turning point for the City of Anacortes. Through sound and planned economic development we can build Anacortes to ensure economic sustainability and improve the quality of life for our entire community for our generation and generations beyond.

Mike Trafton
Chairman of the Anacortes Futures Project and Anacortes Chamber of Commerce—President Elect

Anacortes Futures Project Members
Mike Trafton, Kirk Kennedy, Mark Bunzel, Pam Allen, Patti Anderson, Steve Wilhoit

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Economic Development Division
John Prosser—Chairman

Economic Development Division:
• Initiates strategies that encourage economic development.
• Seeks to recruit economically appropriate industries.
• Conducts focused economic reviews.
• Develops economic measures.
• Periodically assesses local infrastructure.
• Disseminates information to Chamber Board/membership.
Anacortes once again faces a point of transition in its history. The town has successfully evolved over 118 years from its roots in lumber, fishing, and manufacturing. Today tourism, shipbuilding, petroleum refining and support to recreational boating serve as the industrial underpinning to our economy. Further, the growing demand for services to support the pleasant living environment we have come to expect, and its associated affluence, are all pushing further evolution and change in our community. This carries an impact to our tax base, city services and the character of the community we would all like Anacortes to be in five, ten, or twenty years from now. We can stand by and let the community develop and evolve on its own, or as this report recommends, begin a Master Plan development process that will produce a comfortable and prosperous balance of revenue, services, healthy business environment and lifestyle that will serve our community for years to come.

Why is the need for a Master Plan so acute?

The first phase of the Berk Study commissioned by the City of Anacortes in 2006 indicated a potential shortfall in city revenue projections beginning in 2012. In short, there could be a real risk that revenues would not cover the cost of running the City. Since the study’s release three years ago, many of the surpluses projected in the Berk Study have not been realized. This makes the shortfall risks even greater.

To date, city officials have done a masterful job of managing budgets in the face of revenue restrictions. Unless new revenue sources are found or the revenue production of current sources improves however, in our opinion, it is likely that city services will have to be curtailed or taxes increased.

We have valuable open, productive land in several areas of Anacortes that could make significant contributions toward the city’s future revenue needs. In many of these areas the transition from our lumber and manufacturing roots has already begun. In other areas progress has been sluggish at best. Some development projects have occurred along our eastern waterfront area, but the majority of these valuable parcels have laid fallow for a generation while the community debates a direction.

We can’t decide the best use for our land along the Highway 20 corridor at March Point. The common sentiment seems to be we do not want retail that will threaten our downtown merchants, yet our citizens choose to travel 40 miles round trip to take their Taxable Retail Sales (TRS) dollars for clothing, general merchandise and large ticket items like appliances, electronics and cars to neighboring communities which have developed their retail areas and offer better selection.
We say we would like more tourism, but we are not sure we want our guests taking our parking spaces in town or clogging our intersections during the summertime. We say we would like to attract more living-wage jobs and more manufacturing, yet statistics show that our housing prices no longer allow the living-wage family the ability to live comfortably in our wonderful town. This reality creates the need for an extensive daily commute from more affordable living areas.

We must come to realize that the decisions we make to shape our land-use policies affect the balance of our community and could dramatically alter the town’s future ability to meet its revenue needs. As an example, zoning or conditional use practices that favor commercial marine industries on the waterfront may be conducive to attracting a new boat or yacht builder, but will probably contribute little to increasing revenues to the City. On the other hand, policies, regulations and ordinances that would support attracting a mixed-use development of a 100-room hotel, conference center, commercial space and residentail units which would directly improve city revenues through increases in taxable retail sales and property taxes. But the current regulations define requirements of questionable economic viability and must be accomplished through conditional use approval from the Planning Commission and the City Council. This presents a risk to a developer, as they face preparing a design for a project that will be subject to rejection, since the requirements are not spelled out under conditional use. Of course, each of these scenarios has other implications, including affordable housing and increased traffic impacts throughout the downtown core.

While Anacortes has always had a retirement population, there is a new demographic we call Coastal Retirees. This identifies a group of residents who desire and can afford a coastal style of living. These new residents bring an energy and enthusiasm to Anacortes. They are young by retirement standards, active, ready to be involved in the community, and attracted by the natural beauty around us. They are consumers who are looking for good restaurants, a breadth of shopping experiences, cultural variety, and interesting activities. They have driven median home values up by relocating from affluent areas. This shift in the population demographic is evidenced by declining school enrollments and at some point may increase our need for even more medical support than we have now. Developing a Master Plan allows for scenarios that anticipate such shifts.

Like most coastal communities, Anacortes has a limited amount of developable land. As such, it is critical that wherever possible, our elected officials make decisions through zoning and development that will positively impact the economic viability, stability and sustainability of our community. In a Master Plan development process, all aspects of strategic direction are reviewed. For example, a decision made to apply policies to support more space for retail or tourism may drive the need for increased density in residential development, yielding more affordable housing options. If the community elects to attract industry such as R&D, biotech or software development it might attract a new, younger workforce with families in tow. In this scenario we may need to consider that our school enrollments might increase, requiring us to consider more enrollments and improve or increase our school facilities for the future. Or, if we wish to further embrace the growing demographic we have defined as “Coastal Retirees” we might choose to ignite the development of new recreational and cultural facilities that are known draws for these lifestyle seekers.

Our point: we plan for growth or contraction of current or new industries and demographics rather than having to react only as opportunities present themselves. A coordinated plan based upon a strategy has the potential to be stronger than a single project-by-project approach. Effective planning for a community goes beyond just zoning requirements. It requires looking at and working with all aspects of the community for coordinated planning, management and economic development.
Master Plan Builds Upon Comprehensive Plans

Both the City and Port recently completed a major update to their respective comprehensive plans. These updates form a baseline that is reviewed and updated on a routine basis via a specified process. They do a good job of establishing short to medium term objectives and policies and defining parameters for allowable development. They do not, however, portend to specify an optimal development vision for the city, nor identify a path to discovering and implementing best use options to ensure a vital and sustainable future.

This is the job of a Master Development Plan, which would develop strategies and implementation plans that would bring the community’s vision and objectives to fruition. The Master Plan adds value to the Comprehensive Plan baseline (including City, Port, Hospital, School District, etc.) by synthesizing public input and economic data with potential development scenarios. This activity, if done properly, will identify, consider and assess individual and collective development concepts, associated land use strategies and opportunities, and estimate the resultant financial impacts to the city. This activity provides a very real alternative to continually reacting to isolated development proposals by establishing a viable opportunity to lead community and economic development in Anacortes.

The Master Plan called for by the Anacortes Futures Project (AFP) adds to the Comp Plans by incorporating information on economic impacts and associated alternative land uses. The Master Plan takes the Comp Plan the next step by identifying necessary investments (public & private), business income, taxes paid, new jobs, wages generated, traffic impacts, population change, etc. for proposed development. Development proposals are supported through market assessments and competitive analysis; building upon our strengths and taking advantage of known opportunities, while mitigating our weaknesses and building defenses against potential threats. Our objective is to guide the build-out of Anacortes’ remaining commercial segments to ensure a viable economy for generations.

Steps to Develop and Implement a Master Plan

1. Economic Analysis

The AFP took the first step to develop a Master Plan by examining the economic foundation, the demographic trends, and all of the business segments that make up the fabric of Anacortes. TRS revenue generates 30% of the city’s general fund. We developed a matrix of the businesses in Anacortes and found that 42% of our TRS revenue is coming from three business segments: construction, boat and auto sales. This imbalance raises concern about our future. We need to look closely at the TRS contribution as one measure of how a new business development fits in Anacortes.

Through this project we learned a lot about Anacortes and what makes it tick. We learned to look for businesses that can contribute to the local economy by examining some of our existing businesses. For example, while we are proud of the major yachts that are built in our town, after study, we realized that this product contributes relative-
Anacortes Futures Project 2009

Taxable retail sales (TRS) make up 30% of the city’s general fund revenue. 42% of the TRS is generated through construction, auto sales, and boat sales.

ly little to the TRS, and hence to city revenue. Boats that are mostly sold elsewhere, or where delivery is taken offshore for our larger vessels, generate no TRS. Moreover, due to the cost of local housing many of their employees commute to work and do not raise their families here or spend their paychecks in town.

This is not to say that we don’t want to be a center for yacht building—we are and we do—but the next steps in a long term Master Plan may conclude we should recruit a high-tech marine R&D facility that can take advantage of our community links to nearby resources such as Janicki Industries in Sedro-Woolley. Instead of just boat building, we could extend these skills into design, testing and fabrication of products including, for example, high quality carbon fiber components for the aircraft and marine industry. While this would not significantly raise our TRS, it would bring in higher level jobs with increased salaries and special skills that could broaden our economy beyond commodity businesses.

We looked at large areas of available land south of 17th St. and projected what could happen under current zoning which requires commercial on the first floor and residential above. We realized that, it could create a substantial increase in the available commercial and retail property in Anacortes. This amount might be difficult to absorb unless we develop it with a balance in mind between industry, jobs and residential homes. To realize this balance for planned commercial opportunities, current barriers such as zoning that discourages a more creative and flexible commercial/retail/housing mix and existing parking ordinances will have to be re-examined.

Through engagement with community and business-related leaders we found that first and foremost, Anacortes lacks a future strategy and Master Plan to direct our economic growth. We have Comprehensive Plans that communicate the goals and policies to manage the City and the Port but we do not have an agreed-upon and coordinated economic strategy.

We have a solid foundation of services to support the community with water, sewer, power and public services, but we heard consistently from business leaders that the future of Anacortes lacks clarity, injecting elements of risk and related costs into potential development. The result of this is that beneficial projects have not been pursued or have been taken elsewhere.

2. Perform Opportunity Assessment

We need to identify development and redevelopment alternatives for Anacortes and assess their potential impact on our economy, quality of life and strategic importance. Using the baseline economic analysis data along with community input, an opportunity assessment provides both a qualitative and quantitative view of alternatives and possibilities for commercial, industrial and residential development. The following exemplifies a range of potential actions that might be investigated in order to uncover those with the highest potential areas of economic opportunity.
• Leveraging strengths and competitive advantages of current industries.
• Attracting new industries or sub-industries with similar, core competencies.
• Recruiting higher-wage business, in areas such as technology or health care.
• Aggressive development of tourism and related businesses attracted to our coastal setting.
• Developing our local and destination retail base to keep more tax dollars at home.
• Build on our community’s identity as a unique environment for coastal retirees.

3. Develop Strategy
   The next phase builds upon the output from the opportunity assessment and develops a coordinated strategy that ensures a viable economy for Anacortes’ future. The strategy is developed within the context of the comprehensive plans, but also must reflect the realities of the market, economic environment and incorporate fact-based decision making. Input must be received from a wide-range of stakeholders and interested parties, incorporating a charrette and/or other public processes as needed.

4. Develop the Master Plan
   Once an economic development strategy is defined and agreed upon, the Master Plan will make specific recommendations for land use including the amount and type of space desired for development or redevelopment, building heights, lot coverage, parking requirements, etc. to achieve the strategy. The Master Plan will also estimate associated details for investment requirements, revenue generation, employment and wages, as well as impacts on infrastructure and quality of life elements. Existing comprehensive plans and development regulations are to be followed, except where they pose potential risk. In those instances where existing regulations appear to be in conflict with implementation of the desired strategy, consideration should be given to revise regulations accordingly.

Examples of potential opportunities:
• Develop a tourism based economy to make Anacortes a key travel destination by fostering the development of a major attraction along with an expanded hotel and a meeting facility.
• Embrace the trend of Anacortes being a wonderful retirement area with additional medical care, a CBD with businesses focused on serving our own, cultural facilities and more senior amenities. We could recruit one or more developers to build a new village area with a walkable neighborhood, stores and services our expanding senior population will desire.
• Use the beauty of the area, the benefits of the town and our open areas to attract corporate R&D facilities in materials, software, green technology or bio-tech for higher paying research and office jobs. Encourage development of a campus that will feature a tasteful mix of research facilities and additional housing for families and workers.
• Recruit global yacht builders to locate their completion and delivery center in Anacortes. Offshore manufacturers may find it cost effective to ship their partially completed yachts to Anacortes to take advantage of our location and existing infrastructure for completion and delivery. This could create the need for a state-of-the-art facility and a more highly skilled, better paid labor force, with the potential increase in tax base and Anacortes-living-wage jobs.

5. Implementation
   Once a Master Plan has been developed and agreed upon by government agencies and key stakeholders, the “road map” for creating a viable economy for Anacortes’ future should be evident. Developers and government decision makers will all have a common understanding of the elements needed for our future. The organizations and individuals involved in the development of the strategy and master plan should also remain engaged in the implementation phase to maintain consistency and constancy of purpose.

Elements of implementation will include, but are not limited to:
• Defining roles & responsibilities for specific tasks and activities
• Define necessary funding and funding sources
• Consider development agreements for developers
• Comprehensive Plan and existing development regulations aligned with needs
• Develop sub-area plans specifying zoning regulations defining detailed requirements for acceptable development. The City, developers and land owners should be involved, with public comment periods needed for approval.
• Sub-area plans, at a minimum, should be considered for three specific areas that have the potential to significantly impact Anacortes’ economy and character
  - CBD
  - Fidalgo Bay waterfront
  - SR 20 corridor

**Task Force Formation**

We recommend the creation of a task force charged with producing the opportunity assessment, developing the economic development strategy and final implementation of the plan. The task force should include critical representation from the City, Port, Chamber, School and Hospital Boards, county, tribes, landholders, and citizens.

Taskforce leadership would be comprised of members from the City, Port and Chamber of Anacortes; tasked with responsibility to drive the process forward, and keeping the parties working together in a collaborative and transparent manner. The task force will be staffed primarily through volunteers and/or staff members of the participating organizations. Funding should be sought for professional consultation, primary studies or outside analysis that may be required during the process.
Background

Over a two year period, the AFP Team interviewed local business leaders and elected officials to develop the information in this report. The team reviewed and analyzed city and state data in order to understand the economics of Anacortes. With the help of local business leaders the AFP Team looked at all aspects of local businesses.

This report incorporates information collected, along with scenarios for land use in the waterfront area, to illustrate the projected impact for land use. While not final, the scenarios are a preview to the next phase for this project.

The AFP team has built the foundation for the next phase with the economic data that will provide the basis for a task force to evaluate the different opportunities before us. With the financial data we can look at the different scenarios and work through the best use for the land available for development. The scenarios illustrate that the answers will not be an easy and simple solution. Effective results will most likely flow from the right balance of jobs, housing, retail and tourism.
Introduction

The Anacortes Futures Project incorporated a wide range of information from multiple sources to understand Anacortes’ current economy and demographics, associated trends in Anacortes and external markets, impacts of development and other information to assist in understanding the issues confronting Anacortes’ future.

To be a resource for future planning activities, this report contains much of the data and information used by the AFP Project Team. To provide focus on the important findings of the study, this chapter attempts to summarize the critical issues identified in our analysis.

Key Findings of the AFP Study

1. **Land Use** – Located on an island, with Puget Sound to our east, north and west, the issue of land-use may be more critical to Anacortes than most cities. During its first century of existence, Anacortes’ residential and commercial development was largely unencumbered due to the abundance of undeveloped land. Little thought went into the mix of land-use and its economic impact on the community because there was always room for the next project. As Anacortes enters its second century, land is scarcer, and how it eventually builds out will establish our future for decades.

2. **Taxable retail Sales (TRS)** – TRS is approximately 30% of the city’s general fund revenues. Anacortes has opportunities for TRS growth in retail markets by improving the goods offered to residents, but substantial downside risk exists in industry segments where Anacortes has over performed – auto sales, construction and boat sales.

3. **Employment** – Anacortes businesses, whether seeking high skilled workers or entry-level service positions, cite a shortage of qualified workers as a primary concern. Anacortes imported about 38% of its workers in 2006, up from 31% in 2002.

4. **Demographic changes** – Anacortes has an older population than county, state or national averages that appears to be driven by retirees and others seeking a lifestyle change by relocating to Anacortes. This change in demographics provides benefits, but also presents challenges.

5. **Housing** – Housing costs in Anacortes are not just an issue for middle and low income households; the hospital has noted housing costs as a significant barrier to attracting new doctors to town. Recent market conditions will adjust housing costs to some degree, but due to our desirable location, Anacortes will likely maintain our premium position. The question is, can anything be done to improve home affordability in Anacortes?

6. **Marine Cluster** – The marine industry has always been important to Anacortes,
but the composition of the industry is changing. Commercial marine activities are our past, present, and will always be part of Anacortes, but our future may be more focused on recreational marine – taking advantage of our proximity to world-class boating waters.

7. **Tourism Cluster** – The travel industry is an important contributor to Washington’s economy, although Anacortes doesn’t appear to be taking full advantage of its opportunities in this industry. Anacortes is positioned to increase its participation in the travel industry, but it could bring both wanted and unwanted change.

**Land Use**

Anacortes has been able to grow relatively unfettered by constraints of available developable land since Amos Bowman founded the city in 1891; that includes having the resources needed to add an average of 95 housing units a year since 1960. In recent years, as aging baby boomers found Anacortes a desirable place to live, demand for housing fueled a robust construction industry.

Notwithstanding the current economic downturn we are experiencing, demand for Anacortes housing is expected to continue to grow, albeit at a slower pace, in coming years.

**Build-out**

Anacortes will soon encounter a phenomenon that many rural communities don’t ever confront—reaching “build-out” of developable land. This occurs when there is no longer land within the city upon which new development can occur. When most cities reach a point close to build-out, they annex adjoining property which enables them to continue their growth. The reality for Anacortes is of course the fact we are on an island. Further limiting our expansion possibilities are adjacent tribal reservations and the Anacortes Community Forest Lands (ACFL). While annexation is still possible, our opportunities are limited.

At the end of 2008, Anacortes had approximately 1,500 parcels of developable land in residential or residentially approved zoning (i.e. CM zones with approved conditional use permits for residential development). At a development rate of 95 units annually, we would have almost 16 years until build-out is reached. But if we return to a peak development rate of 165 (2004), we have just nine years before we reach build-out. It would be reasonable to assume, based upon this data, that Anacortes will reach build-out in 10–20 years.

**Economic Viability**

Berk & Associates prepared a study commissioned by the City to analyze its finances. What they found was a future gap between city revenues and expenses, a deficit largely driven by a slowing of new residential development (a provider of much of past revenue growth for the City) and expenses that rise with inflation. Washington’s I-747 restricts a city’s ability to raise property taxes to a maximum of only 1% a year, plus the taxes on new construction. Without the new construction, it is difficult for a city to stay ahead of inflation.

This isn’t to say there won’t be redevelopment in Anacortes which will generate higher property values—there most certainly will. Berk made accommodations in their study for this by assuming redevelopment growth at half the rate of new construction. Even with these growth assumptions, however, the Berk study projected Anacortes’ first deficits in 2012.

The current economic downturn has made this projection uncertain and the impact is yet to be determined. It is vital, however, that the community prepare for the day when the city’s revenue growth can no longer be fueled by our residential construction. Whether that day is in 5 years or 20; the day is coming. This is why Anacortes needs to plan for alternative sources of funding for city services.
**Land Use**

About 80% of the land within the City of Anacortes is off limits to commercial or industrial activities (Exhibit 2.0); approximately 37% is residential and 42% is in parks, primarily the Anacortes City Forest Lands (ACFL).

The ACFL is a treasured resource for the people of Anacortes. Born out of citizen activism to prevent revenue logging, Anacortes (with almost ½ acre of parkland for each household) enjoys one of the highest per capita parklands ratio of any city in America. This is a resource that contributes significantly to the quality of life we enjoy in Anacortes and one that requires protection. But unlike other land within city limits, it doesn’t produce revenue for the City.

Since Anacortes has dedicated so much of its land to city parks and residential development (that will soon slow), Anacortes needs to be especially diligent in how their commercial and industrial areas are utilized to ensure a growing revenue stream for the city while providing its residents jobs, the goods and services they desire and maintaining the quality of life which defines Anacortes.

It is therefore essential that Anacortes craft development regulations, and if necessary, provide incentives which attract the industries and associated businesses that will enable Anacortes to build/maintain a competitive position, while providing required economic benefits.

**Developed Property**

**Commercial/Industrial Areas**

Anacortes has several commercial areas most of which are already developed or have plans for development or redevelopment:

- **West End** – The commercial marine uplands around Flounder Bay is primarily a mixture of support activities for the recreational marine industry. Except for a recently approved conditional use permits that will allow residential development along the waterfront, this area will continue to involve recreational marine support.

- **Guemes Channel Properties** – Most of the commercial marine property will be developed with single family housing. There are development plans for a proposed hotel and small complex of condominiums and redevelopment plans for a boutique hotel and restaurant at the location of an old cannery.

While the plans for the West End and Guemes Channel properties are welcomed and beneficial, they are limited in scope, with a nominal overall impact.

**Central Business District and Commercial Avenue**

The Central Business District (CBD) and Commercial zones provide the majority of products and services for Anacortes residents and visitors. While these areas are largely developed, opportunity for development of the few vacant lots and redevelopment of dated facilities do exist. The recent Berk & Associates study made the following recommendations:

- **Central Business District** – Promote and support restaurant and specialty retailers, explore linkages with the tourism component of economic development strategy, encourage redevelopment or renovation of old structures, encourage mixed-use multifamily projects.

![Exhibit 2.0 Anacortes Land Use](image-url)
Key Findings

Land Use

- **Commercial District** (primarily along Commercial Ave. south of 12th Street) – The area is developing as intended—an auto-oriented commercial zone. Berk’s report suggested monitoring to ensure sufficient land is available for retailers to expand. Targeted business recruitment was also mentioned to capture at least a portion of the retail sales we appear to be losing to other communities. This area is not considered viable for a mixed-use development that would include a residential component.

- **The Healthcare “campus”** in Anacortes is also located in the commercial district. Island Hospital and the supporting clinics, medical offices and elder care rehabilitation facilities occupy a large and growing footprint.

Similar to the West End and Guemes Properties, the CBD and Commercial districts are established and the direction for development and redevelopment recognized. The one potential for significant change is if the CBD experiences considerable mixed-use development that would generate increased city revenue through higher property taxes and the increased spending associated with added residential units.

**Port of Anacortes**

The Port of Anacortes owns several parcels of property where a wide range of commercial and industrial activities take place and have a significant impact on Anacortes’ economy. The Port recently completed their Comprehensive Plan identifying their plans for future development and redevelopment of these areas. The following is a summary of that plan.

- **Airport** – The airport has an area, the Anacopper Future Process Area, with approximately 15 acres of vacant land available for aeronautical uses which include office and light manufacturing operations.

- **Ship Harbor** – The Port sold 39 acres in 2007 for single family residential development and donated 26 acres of shoreline wetlands to the City for parkland, conservation use and shoreline trail development. The Port continues to lease upland property to WSDOT for the ferry terminal. There are no current Port or State projects planned for the ferry terminal.

- **Guemes Channel Properties**
  - Curtis Wharf – continue as a berthing operation for tenants and host community events. Possible purchase of adjacent uplands to support shipping & manufacturing uses.
  - Pier 1 – continue current use as office and community event venue. Possibly lease to commercial/industrial user in future.
  - Dakota Creek Industries (DCI) – expansion underway, supporting growth of DCI
  - Pier 2 – continue shipping operations
  - Randy’s/Wyman’s – continue restaurant and drop-frame barge operations at Wyman’s. Possible development into commercial vessel support facilities.

- **Cap Sante Boat Haven**
  - North Basin – a small boat center and three building pads of approximately 10,000 sf for marine-related commercial uses, office, retail and/or restaurants.
  - West Basin – marine services and support facilities with four 10-12K sf building pads adjacent to the water. A 15,000 sf building pad for general commercial development along 11th street.
  - South Basin – accommodate marine-related commercial or educational facility on Parcel 1. Plus two 10-12K sf building pads for marine-related commercial use.

Enterprises associated with the Port do contribute significantly to Anacortes’ economy. The Port has plans to continue to support these operations in the future through continued investments. For most port properties the increased economic activity will be incremental, since growth is coming from existing operations.
Port properties with the potential for more substantial improvements in economic growth are the airport’s Anacopper Future Process Area and uplands development around Cap Sante.

The Port did request proposals for development of the West Basin; however developers weren’t able to present an economically viable solution given the Port’s requirements. A subsequent RFP for restaurant space did elicit one response from a regional chain. This could come to fruition as the economy improves.

**Undeveloped/Underdeveloped Property**

Anacortes has two large areas of undeveloped or underdeveloped property in commercial and industrial areas that could significantly impact the town’s economy. Unlike the commercial industrial land discussed earlier, there is less of a consensus as to how these areas should be developed. Development of these areas will have a material economic impact on the city and its finances.

**Fidalgo Bay Commercial Marine & Industrial Areas**

This area is defined by 17th Street to the north, 34th street to the south, R Avenue to the west and Fidalgo Bay to the east and has a history of being central to Anacortes’ economy. Through much of the 20th century, the Fidalgo waterfront housed shingle mills, plywood mills and paper mills. In 1952, 20% of the jobs in Anacortes were related to lumber. Subsequently a segment of the industry collapsed and by 1957 the last shingle mill was closed. The Scott Paper Mill and the Custom Plywood Mill continued business into the 1970s.

In 1963, Anacortes considered an urban renewal plan in hopes it would add to property tax revenues and bring between 500 and 700 jobs to town. To this end, a residential area from 20th Street to 34th Street, and between R Avenue and the bay was determined to “meet federal standards for blighted conditions and was no longer desirable for residential purposes”, as reported by the *Anacortes American* of the day. Not everyone was in support of the urban renewal project—67 (47%) of the 144 affected homeowners signed a petition in protest. The project went forward and the first relocation payments were made to residents in July 1966.

Over the years, several plans have been proposed, starting with the Anacortes Industrial Park in 1974, which included a wide array of firms ranging from paper products, saw mills, manufacturing and support for fishing operators. These didn’t materialize.

The area saw significant industrial activity in the late 1970’s and early 1980’s, when Anacortes played a major role in supplying modules for the Alaskan pipeline. It was reported that up to 1,200 people worked on these projects, 70% were contract workers from other areas.

Since the late 1980’s, the area has developed a manufacturing industry for recreational boating, with smaller supporting businesses, currently employing approximately 1000 workers.

A 70-acre tract was purchased by MJB Properties in 1990, after the Alaskan pipeline work had ceased, and submitted development proposals in 1996, 1998, 2002 and 2005. Each time the developer-funded proposals were rejected for largely the same reason; some citizens didn’t want commercial/residential development in an area promised for industrial activity.

**Geography, Zoning and Land Use**

The uplands portion of this area is approximately 140 acres in size and has three different zoning designations *(Exhibit 2.1, page 14)*:

- Commercial Marine 1 (CM1) – about 19% of the area, permits a range of uses from manufacturing to hotel, retail and residential with conditional uses. Situ-
ated closest to the CBD, this is to be a pedestrian oriented transition, linking to the CBD.

- Commercial Marine 2 (CM2) – about 15% of the area, similar to the CM1 zone, but without the hotel and residential elements. Intended to serve the needs of marine and tourist activities. Ensuring public access to Fidalgo Bay.
- Industrial (I) – about 66% of the area, is intended for manufacturing and closely related uses.

The current utilization of this area is shown in Exhibit 2.2

Alternative Economic Development Scenarios

To help understand the impacts of development alternatives for Anacortes’ Fidalgo Bay waterfront (CM1, CM2 and Industrial zoned areas), the AFP team spent considerable time identifying potential development scenarios and attempted to quantify their respective impacts. These scenarios are meant to be illustrative, identifying key elements along a development spectrum.

The purpose of developing the different scenarios was not to identify a single best land-use proposal for the property of the Fidalgo Bay waterfront—rather it was to explore the range of options available to Anacortes and try to quantify their impacts on the community. It is important to realize not all land uses are created equal and different industries create more value for the community than others. This analysis is intended to highlight those differences and provide a tool for discussing the appropriate land use mix for Anacortes’ Fidalgo waterfront and how its development will assist Anacortes in achieving goals of a strong economy and a desirable quality of life for residents.

Specifically, the AFP team defined seven potential scenarios for development of the Fidalgo Bay waterfront. Using information from existing businesses in Anacortes, state and industrial averages, as well as other quantitative data, the team estimated impacts for various elements, including the estimated property value of new development, total and average wages, the number of jobs created, the number of residential units created and perhaps most importantly, the scenario’s estimated contribution to city finances.

Current city development regulations were observed in most scenarios; however some scenarios would require development regulation changes in order to implement. The scenarios, and the required changes, are identified.

The seven development scenarios (Exhibit 2.3, page 15, Exhibit 2.4, page 16 and Exhibit 2.5, page 17) were chosen to provide a wide range of development options, from “hard” (manufacturing) to “soft” (residential). They are intended to be illustrative of the relative impact of each. The scenarios are:

A. Boat Building – Exclusively focused on industrial uses for all areas, primarily industrial buildings for manufacturing. Assumptions use values from Anacortes’ boat building industry.

B. Mixed Marine – Supporting the local marine industries. This scenario is a mix of boat manufacturing, boat repair and storage.

C. Technical & Education – To complement the proposed Marine Trades Skills Center, the northern portion of this property assumes mixed use tech/offices/hotel/residential; southern portions are a mix of marine manufacturing, maintenance and storage.
D. **Mixed-Use** (per city code) – A mixture of office/retail/hotel/residential in the northern portions, residential above first floor; southern portions are a mix of marine manufacturing, maintenance and storage.

E. **Mixed-Use (w/ code changes)** - Mixture of office/retail/hotel/residential in the northern portions, residential allowed on first floor, w/large-scale retail in a portion of the industrial zone; southern portions are a mix of marine manufacturing, maintenance and storage.

F. **Tourism** – Mixture of office/retail/hotel/residential/conference center and an undefined tourism draw w/large-scale retail in a portion of the industrial zone; southern portions are a mix of marine manufacturing, maintenance and storage.

G. **Residential** – Multi-family residential development in the northern portion, large-scale retail and technical offices in a portion of the industrial zone; remaining southern portions are a mix of marine manufacturing, maintenance and storage.

**Summary of Scenario Impacts**

A. **Boat Building** – Assumes that 100% of the undeveloped land is used for the marine industry; 92% in boat manufacturing, 4% in boat repair and 4% for boat storage. This is an unlikely scenario due to manufacturing capacity significantly exceeding market demand, i.e. Anacortes currently has approximately 200,000 square feet of boat manufacturing facilities; this scenario would increase boat manufacturing capacity almost 500%. Further concerns might also be raised with this scenario because it is counter to diversification strategies which protect economies against reliance on a single industry. Specifically, wage data indicate that workers are unable to live in Anacortes and must commute. Our study revealed up to 80% of production workers commute from outside Anacortes. In addition, boats sold to out-of-state buyers typically are not subject to WA state sales tax. This results in the lowest taxable retail sales of any scenario.

B. **Mixed Marine** – Assumes that 100% of the undeveloped land is used for the marine industry, with boat manufacturing reduced to 65%, boat repair increased to 12% and 23% of available land is used for boat storage. Added storage facilities for boats increase the number of boats residing in Anacortes, enabling growth in boat support and related marine businesses and leveraging Anacortes’ proximity to world-class boating waters and large metropolitan areas. Boat repair industry offers higher wages than those in manufacturing and helps to diversify the economy. However, at 300% more than current levels, the amount of boat...
manufacturing facilities in this scenario will still likely exceed demand. While this scenario reflects improved tax receipts, a large component remains associated with boat manufacturing, which is likely overstated.

C. Technical & Education – To complement the proposed Marine Trades Skills Center, this scenario assumes the northern portion of this property is a mixed use of technology offices, a hotel, and residential. The southern portions are a mix of marine manufacturing, maintenance and storage. 64% of developable land is dedicated to marine uses (boat manufacturing=29%, boat repair=12%, boat storage=23%), 16% in mixed use, 15% in offices and 5% to a 75-room hotel. Even at these reduced levels, this scenario increases boat manufacturing 134%. Assumptions include 191 residential units and 282,000 square feet of professional, scientific, and technical offices. This scenario illustrates how “new” economy jobs could impact our economy through increased wages; but without a concerted effort to recruit these businesses, such a scenario is unlikely. It requires Anacortes to reach outside its core competencies and strengths, which further limits the likelihood of success. While this scenario has a low likelihood of implementation, it does suggest we consider how Anacortes can be home to higher-wage jobs.

D. Mixed-Use per city code – Similar to the Technical & Education scenario, 64% of developable land is dedicated to marine uses (boat manufacturing=29%, boat repair=12%, boat storage=23%); 31% is devoted to mixed uses that include retail, offices, residential and 5% to a 75-room hotel. This scenario follows current zoning which requires that all residential development occur above the first floor, leaving the lower floor for commercial enterprises. A key finding: commercial space mandated by ground-floor zoning would potentially create an additional 350K square feet of commercial space. As this represents approximately 80% of the commercial space within Anacortes’ CBD today, absorption of this space could be problematic. As a result, the high employment and wage values of this scenario are not likely to be achieved. This scenario assumes 417 residential units, which are on the second and third floors of buildings.

E. Mixed-Use w/ code changes – Assumes that 48% of the developable land is dedicated to marine uses (13%- boat manufacturing, 12% boat repair and 23% boat storage). Boat building facilities increase 125,000 square feet, adding 63% additional capacity over current levels. A mixed-use element comprises 31% of the area with office, retail, residential and 5% in a 75-room hotel. This scenario differs from Scenario D by allowing residential on the first floor of buildings and permitting retail in an industrial zoned area. This scenario reduces the commercial space on the ground floor to 136,000 square feet in the mixed-use development and adds about 140,000 sf in large-scale retail. As a result, taxable retail sales are the highest of the scenarios at $90M and total property values of $250M are the 2nd highest. A total of 453 residential units are added. While analysis identifies a significant amount of retail leakage exists in Anacortes, it is unlikely we will be able to capture 100% of the sales due to the retail offerings available in Burlington/Mt. Vernon; therefore the full amount of the projected taxable retail sales may not be achievable.
F. Tourism – Assumes 48% of the developable land is dedicated to marine uses (13%-boat manufacturing, 12% boat repair and 23% boat storage). A mixed-use element comprises 21% of the area with office, retail, and residential elements. A tourism component includes a 100-room hotel (7%), a 20,000 square feet conference center (4%)—modeled after the Kitsap Conference Center—and a 33,000 square feet tourist attraction (4%). The tourist attraction is undefined, but a heritage or maritime attraction is a possibility. Investigation of conference centers and tourism draws, such as we have assumed for this study, identify minimal direct economic benefit from their operations. Their real benefit is derived from the indirect impacts of drawing people to the community, with associated spending on lodging, retail, restaurants, etc. Calculating these indirect benefits is a complex calculation based upon a host of assumptions which our team did not address. Therefore we didn’t attempt to make projections for the indirect benefits associated with the tourism elements. This data can be pursued in a subsequent study if this scenario is deemed to be favorable. Most of this scenario, including the tourism components, is within the current code. The one exception is the large-scale retail proposed for the industrial area.

G. Residential – This scenario assumes 37% of the developable land along the Fidalgo Bay waterfront is used for marine purposes (boat building 13%, boat repair 6% and boat storage 18%). The primary focus of this scenario is residential development located in the northern section of the property, representing 36% of the available land. A total of 987 residential units are projected in 3-story buildings. Additionally, large-scale retail and office buildings in the industrial zone are an element of this scenario. The residential, large-scale retail and office buildings are all outside current zoning. This is an unlikely scenario due to market and community issues, but it does provide an extreme use of the property for comparative purposes.

SR 20 Corridor/March Point
The land adjacent to SR 20, from approximately Reservation Road to Sharpe’s Corner is zoned LM1—light manufacturing—intended for uses of manufacturing, storage and retail that is limited to autos and boats. In this LM1 zone there are approximately 125 acres of vacant land and another 32 acres of storage facilities that could be redeveloped, for about 150 acres of potentially developable land.

The Swinomish and Samish tribes have an extensive and growing March Point / SR 20 corridor presence. Current business could be expanded on existing / potential trust land to include a casino, hotel and large-scale retail.

Unique to this area is the traffic activity observed traveling on SR 20. In 2006, annual average daily traffic volumes reached 32,000 and 23,000 for the intersections of SR 20/Reservation Road and SR 20/Sharpe’s Corner, respectively. For this reason it has been speculated that this area could be rezoned to retail to take advantage of the high traffic volumes. Several attempts by land owners have been made in the past to rezone some portions to allow retail development, which were ultimately unsuccessful.

### Fidalgo Bay Waterfront

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Boat Building</th>
<th>Mixed Marine</th>
<th>Tech &amp; Education</th>
<th>Mixed Use per City Code</th>
<th>Mixed-Use w/ code changes</th>
<th>Tourism</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Building (sq ft)</td>
<td>894,834</td>
<td>736,948</td>
<td>1,247,436</td>
<td>1,539,624</td>
<td>1,409,510</td>
<td>1,221,435</td>
<td>1,571,231</td>
</tr>
<tr>
<td>Total Property Value</td>
<td>$ 72,216,701</td>
<td>$ 61,367,780</td>
<td>$ 181,734,009</td>
<td>$ 224,108,842</td>
<td>$ 200,622,815</td>
<td>$ 156,902,203</td>
<td>$ 320,595,537</td>
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<tr>
<td>City Property Tax revenue</td>
<td>$ 107,646</td>
<td>$ 91,475</td>
<td>$ 270,893</td>
<td>$ 334,057</td>
<td>$ 295,048</td>
<td>$ 248,205</td>
<td>$ 475,880</td>
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<tr>
<td>City Sales Tax revenue</td>
<td>$ 124,320</td>
<td>$ 177,215</td>
<td>$ 266,279</td>
<td>$ 398,942</td>
<td>$ 760,220</td>
<td>$ 698,862</td>
<td>$ 496,226</td>
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<tr>
<td>School Property Tax revenue</td>
<td>$ 129,706</td>
<td>$ 110,223</td>
<td>$ 326,412</td>
<td>$ 402,522</td>
<td>$ 360,339</td>
<td>$ 278,498</td>
<td>$ 575,822</td>
</tr>
<tr>
<td>Taxable Retail Sales</td>
<td>$ 14,800,046</td>
<td>$ 21,097,074</td>
<td>$ 112,788,496</td>
<td>$ 70,624,969</td>
<td>$ 90,502,353</td>
<td>$ 63,197,813</td>
<td>$ 59,074,507</td>
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<tr>
<td>Average Wages</td>
<td>$ 34,853</td>
<td>$ 34,568</td>
<td>$ 34,830</td>
<td>$ 32,372</td>
<td>$ 30,936</td>
<td>$ 30,663</td>
<td>$ 42,618</td>
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<tr>
<td>Estimated Population Impact</td>
<td>-</td>
<td>-</td>
<td>191</td>
<td>417</td>
<td>453</td>
<td>292</td>
<td>987</td>
</tr>
<tr>
<td>Incremental Spending</td>
<td>1,856,250</td>
<td>11,254,178</td>
<td>$ 26,011,907</td>
<td>$ 37,071,306</td>
<td>$ 39,012,346</td>
<td>$ 31,632,075</td>
<td>$ 61,144,753</td>
</tr>
</tbody>
</table>

**Notes:** 
- Est. — Tax Receipts include sales, property and school taxes, but does not include utility taxes
- Incremental Revenue includes added spending directly attributable to development

### Key Findings

#### 2.5 SCENARIO IMPACT ASSESSMENT

- **Fidalgo Bay:**
  - **Scenario Assumptions:**
    - Assumptions are based on projecting current conditions into the future.
    - Infrastructure improvements and investment are assumed to occur.
    - Economic impact analysis is limited to direct and indirect effects.
    - Scenarios include assumptions to address unique aspects of Fidalgo Bay.

- **Scenario Impact:**
  - **Direct Benefits:**
    - Includes revenue from direct impacts to the community.
    - Revenue from direct impacts is calculated using standard economic models.
  - **Indirect Benefits:**
    - Includes revenue from indirect impacts to the community.
    - Indirect impacts are calculated using standard economic models.

- **Assessment:**
  - **Assessment:**
    - Scenarios are assessed based on their ability to meet community needs.
    - Scenarios are ranked based on their potential benefits.
    - Scenarios are ranked based on their potential costs.

- **Results:**
  - **Results:**
    - Scenarios are ranked based on their overall potential benefits.
    - Scenarios are ranked based on their overall potential costs.
    - Scenarios are ranked based on their overall potential benefits and costs.
Key Findings
Role of Taxable Retail Sales in the Anacortes Economy

A recent Anacortes retail market study by Berk & Associates indicated the SR 20 corridor could recapture some of the sales currently leaking to retail centers in Burlington and Mt. Vernon and improve the city’s long-term financial situation through related TRS. The report further stated that new retail development has the potential to improve diversity of retail offerings in Anacortes and make shopping more convenient for local residents.

Countering these possible benefits, the report also noted a number of potential risks. Of particular concern: opening the SR 20 corridor to large-scale retail development could cannibalize sales from existing Commercial Ave. and CBD retailers. Also stated was the loss of industrial lands which may be required to help support future non-water dependent industrial activities, limiting the city’s ability to satisfy the growth needs of local industry.

Of note: the AFP team spoke with a large-scale retailer who indicated they would not be interested in a SR 20 location for a future location because it was too far from the population center of Anacortes. They required a location closer to town. This is not to say other retailers would have a different opinion of the SR 20 location for their operations.

A complicating factor regarding the future development of the SR 20 corridor is the recent purchase of 15 acres by the Samish Indian Nation. Discussion with tribal representatives indicated that (1) the tribe intends to place the property in trust (typically a four–six year process), eventually allowing development outside the requirements of local zoning; and (2) the ultimate disposition of this property is uncertain but will likely center on cash-generating activities. Possible uses being evaluated for the property range from a Fred Meyer-style store, a convenience-style store selling gasoline, tobacco and liquor or a casino.

The potential risks identified by Berk associated with retail development of SR 20 needs to be considered in the context that development may occur outside planned zoning for the area and the potential impacts need to be assessed.

Role of Taxable Retail Sales (TRS) in the Anacortes Economy

The State of Washington is one of only seven states not collecting an income tax from residents to pay for government services. Instead, to fund operations of governmental agencies, the State of Washington and the counties and cities within the state rely on sales tax and Business & Occupation (B&O) tax associated with the retail sales of most products and services, in addition to taxes on business, residential property and utility service fees. The city of Anacortes relies primarily on receipts from TRS, utility service fees and property taxes for the city’s general fund (Exhibit 2.6, p. 19). (The city’s general fund is the revenue source for city services such as police, fire, administration, etc.).

In 2008, Taxable Retail Sales (TRS) provided 30% of the revenue for the city’s general fund and is the single largest funding source for meeting the operating expenses of the city.
Per Capita Taxable Retail Sales Analysis

To gain insight into Anacortes’ performance in obtaining “its share” of taxable retail sales, a comparison of Anacortes’ per capita taxable retail sales with Washington State averages was performed. This analysis, while imprecise in determining the city’s performance in capturing available retail sales, does help to quantify how much Anacortes over- and under-performs state averages for each industry in capturing TRS. This analysis may ultimately be helpful in targeting particular industries for growth.

Exhibit 2.7 (page 20) identifies the amount by which Anacortes TRS exceeds, or is below, the TRS Anacortes would generate if sales were at the average of Washington State.

This analysis clearly shows Anacortes has industries of substantial strength. It is important to understand why these industries exceed the WA State averages, build upon them and protect them if possible. Similarly, this analysis identifies industries where Anacortes is generating fewer sales than the WA State average. In particular, the retail segment generated $39M less than the state average for TRS in these segments, essentially “leakage”. We should understand why these Anacortes segments generate TRS at just 28% of the state average and determine if strategies could be deployed to capture the sales that are likely flowing to other communities.

<table>
<thead>
<tr>
<th>General Fund Revenue Source</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Use Taxes</td>
<td>$3,359,391</td>
</tr>
<tr>
<td>All Other Taxes</td>
<td>$2,679,004</td>
</tr>
<tr>
<td>Interfund Med Ins Premiums</td>
<td>$2,407,590</td>
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<tr>
<td>Property Taxes</td>
<td>$1,066,354</td>
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<tr>
<td>Service Fees</td>
<td>$560,424</td>
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<tr>
<td>Licenses &amp; Permits</td>
<td>$360,108</td>
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<tr>
<td>Interest</td>
<td>$345,170</td>
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<tr>
<td>Interfund Data Processing</td>
<td>$185,000</td>
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<tr>
<td>Fines/Forfeits</td>
<td>$75,050</td>
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<tr>
<td>Entitlements/Impact Payments</td>
<td>$59,149</td>
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<tr>
<td>Federal/State Grants</td>
<td>$33,100</td>
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<tr>
<td>Transfers</td>
<td>$10,000</td>
</tr>
<tr>
<td>Rents/Leases</td>
<td>$4,801</td>
</tr>
<tr>
<td>Other</td>
<td>$500</td>
</tr>
</tbody>
</table>

Source: City of Anacortes 2008 Annual Budget

EXHIBIT 2.6
CITY OF ANACORTES GENERAL FUND REVENUE

Sales & Use Taxes 30%
Interfund Data Processing 2%
Property Taxes 9%
Interfund Med Ins Premiums 22%
Rents/Leases 0%
Interest 3%
Fines/Forfeits 1%
Service Fees 5%
Entitlements/Impact Payments 1%
Federal/State Grants 0%
Licenses & Permits 3%
All Other Taxes 24%
Risks to Anacortes Taxable Retail Sales

Notice should be given to the concentration of TRS revenue into three industry categories—all of which have per-capita sales that greatly exceed statewide averages. These industries include auto dealers, boat sales and construction. Combined, they provided 42% of the city’s TRS revenue in 2007 (Exhibit 2.8, page 21). If these industries had contributed at the state average, tax receipts would have fallen by $600,000, constituting a 5% decline in general fund tax receipts.

The following charts (Exhibits 2.9, page 21, 2.10 and 2.11 page 22) are illustrative of just how important these categories are to the TRS base. While not a forecast, we also believe that these are industries which may fall disproportionately in a down market. As such, we believe it is in the city’s interest to identify ways to further diversify the TRS revenue stream.
**Key Findings**

**Taxable Retail Sales**

**EXHIBIT 2.8 SOURCES OF ANACORTES TAXABLE RETAIL SALES**

Industries contributing significant TRS to Anacortes:
- 23% Construction
- 11% Auto Dealers
- 8% Boat Sales

42% of Anacortes’ TRS is generated from 3 industries.

**EXHIBIT 2.9 GROWTH IN ANACORTES’ CONSTRUCTION TRS**

- Construction has grown from $35.4M in 2003 to $88.8M in 2007, an increase of $151%.
- At WA State averages, a town of Anacortes’ size would generate $34.8M in TRS during 2007.
- Anacortes exceeds the WA State average by $54M (155%), an indication that Anacortes may have a “bubble” of activity.

Source: Washington Dept. of Revenue
Key Findings
Taxable Retail Sales

- Anacortes auto sales have been in decline for several years.
- Anacortes 2007 TRS for auto sales were $31.1M, about 21% over a rate of $25.6M at WA State averages.
- TRS in Auto sales don’t appear to be a bubble, however continuing trends could result in significant TRS loss.

EXHIBIT 2.10
GROWTH IN ANACORTES’ AUTO SALES TRS

EXHIBIT 2.11
GROWTH IN ANACORTES’ BOAT TRS

- Boat sales have grown from $7.8M in 2001 to $30.2M in 2007, an increase of $287%.
- At WA State averages, a town of Anacortes’ size would generate $3.5M in TRS during 2007.
- Anacortes exceeds the WA State average by $26.7M (663%), an indication that Anacortes may have a “bubble” of activity.

Anacortes Taxable Retail Sales: Opportunities – Convenience Retail

Convenience Retail defines those categories primarily serving the residents of the community and differs from Destination Retail, which seeks to draw sales from outside the community, such as is seen with tourism spending.

A retail study performed by Berk & Associates estimated that future retail sales will increase $66M due to projected population growth in Anacortes. However, the study did not attempt to quantify the “retail leakage” Anacortes is currently experiencing. The following table attempts to estimate this “retail leakage” by comparing estimated demand to actual Anacortes sales. Retail Demand Estimates are calculated using Per Capita Spending from US 2002 Economic Census, trade area’s Purchasing Potential Index (PPI), trade area size and local per capita income adjustments.

The analysis (Exhibit 2.12, page 23) suggests “retail leakage” in Anacortes could be as high as $60M (Retail Demand of $119M less Anacortes’ actual sales for the catego-
ties of $59M). If this analysis correctly portrays the retail situation in Anacortes, 50% of potential retail sales generated by the residents in Anacortes is being spent in other communities. If Anacortes were to capture 100% of retail sales it would have increased overall taxable retail sales by 15.5% in 2007 (a $60M increase over Anacortes’ 2007 TRS of $388M). Clearly capturing 100% of these sales is not feasible due to competitive offerings available in neighboring communities that Anacortes is unlikely to duplicate. But Anacortes should be evaluating options to determine how to capture the sales being generated by its residents, while protecting the character of the community.

The estimates of potential retail sales presented in Exhibit 2.12 are consistent with survey results of residential spending habits performed by the City of Anacortes in 2006. The results of the survey follow:

The survey indicated that Anacortes does not capture a significant portion of retail sales in several spending categories. The segment where Anacortes residents spend the least amount in town is for apparel—with 90% of residents spending 20% or less of their purchases in town (Exhibit 2.13). This correlates roughly with the 8% capture rate for clothing estimated in Exhibit 2.12. Residents also appear to spend most of their furniture and electronics dollars outside Anacortes—with approximately 80% of residents spending 40% or less of their dollars for these categories in Anacortes. It was interesting to note that between 45 and 55% of residents spend 0% of their dollars in Anacortes for apparel, furniture or electronics.

### Anacortes Taxable Retail Sales: Opportunities – Destination Retail

The Berk Study noted that Anacortes does not exhibit excessive per capita sales in the Retail and Accommodations/Food Service categories (Exhibit 2.14, page 24). A further representative analysis of WA tourist destinations indicates a range between $1,600 and $15,000 in per capita TRS for the Accommodation & Food Service category and may serve as a proxy to a community’s ability to capture destination retail sales. The low population in some of these areas

<table>
<thead>
<tr>
<th>NAICS</th>
<th>Industry Title</th>
<th>Total 2007</th>
<th>Dif.</th>
</tr>
</thead>
<tbody>
<tr>
<td>45122</td>
<td>Prerecorded Tape, Compact Disc, and Record Stores</td>
<td>$2,009,006</td>
<td>353,036</td>
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<tr>
<td>45114</td>
<td>Musical Instrument and Supplies Stores</td>
<td>$368,060</td>
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<td>45111</td>
<td>Sporting Goods Stores</td>
<td>$2,261,769</td>
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<tr>
<td>44814</td>
<td>Family Clothing Stores</td>
<td>$3,091,405</td>
<td>767,979</td>
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<tr>
<td>44819</td>
<td>Other Clothing Stores</td>
<td>$565,938</td>
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<tr>
<td>44811</td>
<td>Furniture Stores</td>
<td>$3,356,350</td>
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<tr>
<td>45112</td>
<td>Hobby, Toy, and Game Stores</td>
<td>$2,271,290</td>
<td>147,130</td>
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<tr>
<td>45391</td>
<td>Pet and Pet Supplies Stores</td>
<td>$1,152,968</td>
<td>432,842</td>
</tr>
<tr>
<td>44812</td>
<td>Women’s Clothing Stores</td>
<td>$3,832,164</td>
<td>143,132</td>
</tr>
<tr>
<td>44816</td>
<td>Cosmetics, Beauty Supplies, and Perfume Stores</td>
<td>$1,652,558</td>
<td>47,175</td>
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<tr>
<td>44821</td>
<td>Shoe Stores</td>
<td>$1,439,624</td>
<td>72,996</td>
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<tr>
<td>44613</td>
<td>Optical Goods Stores</td>
<td>$652,165</td>
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<td>44811</td>
<td>Men’s Clothing Stores</td>
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<td>4,066</td>
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<tr>
<td>44313</td>
<td>Camera and Photographic Supplies Stores</td>
<td>$378,495</td>
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<tr>
<td>44813</td>
<td>Children’s and Infants’ Clothing Stores</td>
<td>$1,319,902</td>
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<tr>
<td>44815</td>
<td>Clothing Accessories Stores</td>
<td>$183,858</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>$119,084,580</td>
<td>$59,974,621</td>
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<tr>
<td>Clothing Sales</td>
<td></td>
<td>$12,046,599</td>
<td>987,466</td>
</tr>
</tbody>
</table>

Exhibit 2.12: Anacortes Retail Sales Demand vs. Actual—2007

Exhibit 2.13: Anacortes Resident Spending Survey

Source: City of Anacortes Survey, 2006
does influence the per capita values. It may also indicate the emphasis smaller towns place on the importance of tourism spending and therefore employ strategies to capture sales in this market. The data suggests that pound-for-pound, Anacortes has not benefited from tourism or Destination Retail TRS to the extent competitors have.

This data however raises the question, is Anacortes capturing its potential of tourism dollars? What would Anacortes need to do to improve its capture of this market? Finally, to what extent does Anacortes want to pursue this market?

Pursuit of tourism revenue is a slippery slope, with benefits and costs. By its nature, tourism is cyclical and subject to economic downturns. On the other hand, a material increase in destination spending on a par with Port Townsend for example, could increase per capita TRS in the Accommodation & Food Service category by 50%, or $16M.

Anacortes Taxable Retail Sales: Opportunities – Sales Tax Streamlining

The Berk Study also evaluated new rules surrounding the levying of sales taxes in Washington called Sales Tax Streamlining – changing the point of sale, therefore the recipient of the taxes, from the point of origin to its point of delivery. Anacortes should benefit from these changes, but magnitude of the impact will be measured over time. Initial results from Q4 2008 suggest an annual benefit to the city of approximately $80,000, which is equivalent to about $9.5 million in taxable retail sales—or about 2.5% of the taxable retail sales generated by Anacortes in 2007.

Taxable Retail Sales (TRS): Summary

Anacortes receives about 1/3 of its general fund through receipts from taxable retail sales and therefore significant consideration should be paid to protecting current TRS sources. Of the three primary sources of general fund revenue (property, utility and sales taxes), TRS offers the greatest opportunity for future growth as it provides a mechanism to bring revenue into the city from outside the community, thus allowing revenue growth from TRS to exceed that of population growth and residential development. This is an important consideration when Anacortes’ population growth and residential development are expected to slow in the near future.
A significant portion (42%) of Anacortes’ TRS is generated from just three industry segments. Two of these industries—construction and boat sales—have experienced significant growth in recent years. The third—auto sales—has been in decline for several years. All three of these industries have per capita sales well in excess of state average, suggesting Anacortes is serving a market beyond its boundaries and has the potential of disproportionate losses in a downturn. For example, Anacortes TRS for the first 6 months of 2008 was down just 15% year over year; TRS for auto sales, boat sales and construction were down 39%, 31% and 31% respectively. Anacortes should consider diversifying its future revenue base to reduce risk in future revenue streams.

One possibility for Anacortes to diversify its revenue stream is by improving capture rates of retail sales generated by its residents. Evidence exists to suggest there is significant demand within the community for the products and services being provided.

In addition to improving capture rates in convenience retail, Anacortes has the potential to leverage its natural beauty and the proximity to some of the most visited boating waters in the world to further develop its tourism industry. Current per capita data suggests Anacortes only slightly betters the WA average for Accommodations/Food Service TRS. More tourism-centric communities generate significantly higher per capita TRS, indicating there could be upside potential if Anacortes placed more emphasis on developing this market. It is difficult to estimate the current and potential impacts associated with tourism and tourism-related activities—recreational marine, restaurants, lodging, specialty retail, among others, but they could be substantial.

**Employment Challenges**

Anacortes business owners experience a common challenge—they told us there are not enough skilled, available workers for the jobs at hand. While this issue may not be unique to Anacortes, our demographics may be exacerbating the issue.

A review of US Census data from 1990, 2000 and estimates for 2006 (Exhibit 2.17, page 27 and Exhibit 3.29, page 68), suggests Anacortes’ labor market participation rate is up to 10 percentage points below that of county, state and US averages. With just 55.3% of the population in the labor market in 2006, Anacortes businesses have a smaller pool of potential employees to draw from.

To fill the void, Anacortes has been importing workers from locations outside Anacortes and the greater Fidalgo and Guemes Islands. Commuters to Anacortes jobs increased to 37.7% of the Anacortes workforce in 2006, up from 30.8% in 2002.

The map (Exhibit 2.15) depicts where the 37.7% of Anacortes worker living off Fidalgo or Guemes Islands, commute to work from. Heavy concentrations are seen on North Whidbey Island, Mt. Vernon and Burlington; but some commute from as far away as Bellingham.

During 2002–2006, the number of workers in Anacortes increased by 642. At the same time, the number of commuters increased by 635 or an amount equal to 99% of the increase. The analysis does not conclude commuters comprise the entirety of the worker growth experienced
in Anacortes, but it’s likely that a significant amount of our growth is met by commuters.

Hart Hodges, director of the Center for Business and Economic Research for Western Washington University wrote in a July 1, 2007 Skagit Valley Herald article of Whatcom County employment trends that Anacortes may also be experiencing. He found that while Whatcom County’s population had been increasing, the number of people in their prime employment years (between ages of 24 and 44) had been stagnant. In Anacortes, the age 25–44 population segment has fallen from 3,609 in 2000, to 3,494 in 2008; reducing this segment’s share of Anacortes’ population to 21% in 2008, from 25% in 2000. This compares with 2008 averages for the county of 24.9% and the state of 27.7%.

Hodges also stated that workers routinely leave the region for higher paying jobs, potentially reflecting the situation that Whatcom County employees earn 25% less than the state average wage. The following table (Exhibit 2.16) is a comparison of Anacortes Per Capita income and wage ranges to the Seattle CBSA’s (Core Based Statistical Area), validating the higher incomes paid in the larger metropolitan area of Seattle versus that of Anacortes.

The higher wages could be reflecting the higher cost of living in metro areas, with higher wages for similar jobs; but it also may be influenced by a greater number of high wage jobs.

In summary, Anacortes has experienced an increase in the number of commuters to fill Anacortes jobs. A primary driver behind this trend may be the higher cost of housing experienced in Anacortes. It is not just the low-income service workers who find housing costs too high in Anacortes—the hospital reports that high housing costs are a deterrent for recruiting many young doctors.

The answer to increasing the number of working families in Anacortes may need to focus on these three areas; improve transportation options for commuters, develop more affordable housing options for working families and seek to bring industry to town that offers an “Anacortes living wage”.

<table>
<thead>
<tr>
<th>Estimated 2008 Per Capita Income</th>
<th>Anacortes</th>
<th>Seattle CBSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs by Earnings Paid - $1,200 per month or less</td>
<td>24.7%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Jobs by Earnings Paid - $1,201 to $3,400 per month</td>
<td>42.3%</td>
<td>35.7%</td>
</tr>
<tr>
<td>Jobs by Earnings Paid – More than $3,400 per month</td>
<td>32.9%</td>
<td>46.1%</td>
</tr>
</tbody>
</table>
Community Demographics

From 2000 to 2008, the share of Anacortes residents 55+ years of age increased from 32% to 35% of our population (Exhibit 3.21, page 64). Anacortes is significantly older than Skagit County and the State of Washington, where residents 55+ make up 27% and 23% of their populations, respectively. Similarly, the median age for Anacortes, Skagit County and Washington State is 45.8, 39.0 and 37.0 respectively (Exhibit 3.22, page 64). Finally, the city’s Comprehensive Plan reported the Anacortes’ population of those 65 years of age and older in 2000 was 21%, which was nearly twice the national average. If we age at the rate forecasted nationally, the 65+ segment could grow to 30% of our population by 2025.

(Exhibit 3.30, page 68) presents Tapestry LifeMode Groups which segments households based on their socioeconomic and demographic composition, and compares Anacortes to county and state averages. Consistent with other data presented, LifeMode segments suggest almost 50% of Anacortes households are at least at a mid-life stage, significantly higher than county or state averages.

A primary factor in the aging of Anacortes is the desire people have to live and retire here. As stated in the Executive Summary, we have labeled the new addition to our population as Coastal Retirees. Anacortes has been recognized nationally for its mild climate, natural beauty and rural lifestyle which have partially fueled our local construction industry. Notwithstanding the current economic downturn, Baby Boomers will continue to retire and the aging of Anacortes with our new Coastal Retirees is likely to continue for the foreseeable future.

Education

The education attainment levels of Anacortes residents has increased significantly from 1990 to 2006 (Exhibit 3.28, page 67). The percentage of Anacortes residents with Associate’s Degrees or higher has increased from 22% in 1990 to 39% in 2006. The educational attainment of Anacortes residents is higher than the Skagit County average of 32%, and just slightly under the 42% average of Washington State (Exhibit 3.27, page 67). The rate of increase that Anacortes has experienced in education attainment may be partially attributable to the influx of retirees which have made Anacortes home over the past two decades. The Tapestry LifeMode segmentation discussed previously suggests a large portion of retirees have had professional careers.

Employment & Income

In 2006, at 55%, the percentage of Anacortes’ population in the workforce is substantially below participation for Skagit County, Washington State and the US (Exhibit 2.17).

Anacortes’ median household income is slightly higher than that of Skagit County, but is 10% below the average for the state (Exhibit 3.24, page 65)—although Anacortes has experienced an increase in the percentage of households with $100,000+ income - from 9% to 17% (Exhibit 3.23, page 65). Anacortes households derive a significant portion of their income from retirement and social security income. (Exhibit 3.26, page 66) compares income sources which show 38% and 25% of Anacortes households receiving income from social security and retirement income, respectively. These values significantly exceed county, state or national averages. Conversely, Anacortes households with earnings were just 72%, again below the county, state and national averages. The data used in this analysis was from the 2000 US Census. Based upon recent trends, both in Anacortes and nationally, it is likely the percentage of Anacortes households with social security and retirement income has increased.
Impacts of an Aging Anacortes on Our Schools

The Anacortes School District has been impacted by the aging of Anacortes. A typical school district experiences a continuous flow of new students entering school, at the same time students are graduating and transfers, both in and out, occur. Normally, an increase in population should drive a corresponding increase in school enrollment. In fact, Anacortes is experiencing the opposite effect—as population has increased over the past ten years, enrollment initially plateaued and then rapidly declined. District leadership has indicated that they expect this decline to continue. It appears that families who leave the school district are being replaced with families without school-age children. Lower student enrollments will drive reduced funding for school operations from the state.

Impacts of an Aging Anacortes on Our Economy

To understand how a community’s economy may be impacted by an older mix of residents we sought information about how other communities view the “retirement industry”, but didn’t attempt to quantify the impact of retirees on Anacortes’ economy.

A study performed by a consortium of South Georgia Chambers of Commerce found 50 retiree households are equal to 185 manufacturing jobs, contribute $16 million in liquid assets to financial institutions and spend $1.65 million annually. Note: these values are from rural Georgia—WA values should be slightly higher.

A 2005 presentation by Jacksonville State University discussed Retirement and Job Creation, making a case for pursuit of the retirement industry as an economic development strategy. Following are key elements of the presentation:

- Retirees are going from metro areas to smaller communities and rural areas
- Increasingly retirees are going to states with mild climates and natural beauty; ideally with easy access to urban services
- Retirees do 85% of their spending locally
- Retirees pay more in taxes than they cost in services
- Sectors benefiting from retirees:
  - Real estate, finance, healthcare, recreation & entertainment, hospitality, retail, utilities & tourism

This same presentation referenced Sequim, WA. The conclusions presented shed some light on retirement community formation:

- Retirees came as visitors then came to retire.
- They told their friends how great it was.
- Their friends came and many retired to Sequim and this process and stream continued.
- Free market demand created additional retiree services and facilities.
- As retirement industry developed, Sequim attracted more retirees.

Current trends in Anacortes appear to mirror this dynamic and confirm our growing demographic of Coastal Retirees.

Demographics Summary

Anacortes may not have planned to be a retirement community, but when you have demand for retirement housing generated by millions of retiring baby boomers and a supply of homes are available in a desirable location to meet that demand migration is a natural by-product. While it is unlikely that Anacortes will be the next Sun City, AZ, where 94% of the population is 55+, Anacortes could benefit from a strategy that took full advantage of the spending, capital and volunteerism that retirees bring to a community.
A demographic change has been occurring in Anacortes for at least 10 years, if not more. The population of Anacortes is forecasted to increase 15.4% from 2000 to 2009 (14,557 to approximately 16,800), during which time enrollment in Anacortes Schools is forecasted to fall 10% (2,900 to an estimated 2,600). Resident educational and income levels have increased at a steady pace. It is not unreasonable to conclude that affluent retirees are replacing young working families. This phenomenon has far-reaching consequences and will materially affect future planning considerations.

Housing Affordability in Anacortes

As was noted in the previous section, Anacortes is aging at a much faster pace than in regional, state, and national averages. Assuming that this trend is being driven by an influx of affluent retirees who are not dependent on a local “living wage”, one would expect to see this reflected in housing data and, in fact, pricing has increased dramatically over the past decade.

Exhibit 3.33 (page 73) shows a comparative analysis of 2008 home values in Anacortes versus those in Skagit County and Washington State. The most significant point to draw from the comparison is that only 7% of Anacortes housing stock is valued at $200,000 or below. In comparison, this category represents 20% of Skagit County and 24% Washington State inventory. To the extent that his lower tier—typically defined as “starter homes”—are unavailable to Anacortes home buyers, the implications are problematic.

To further illustrate the housing affordability issue, Exhibit 3.38 (page 75) illustrates just how unaffordable housing has become for many who wish to live in Anacortes. In 1990, housing costs (P&I payments, PMI insurance, taxes and insurance on a 90% loan) for a median priced house were on the order of 26% of a median household income for Anacortes, Skagit County and Washington State. In 2006 however, housing costs for a median priced home in Anacortes consumed 63% of an Anacortes median household income, significantly greater than the 38% for Skagit County and 32% for Washington State.

Exacerbating the affordable housing equation is the declining inventory of available rental units in Anacortes. In 2000, almost 29% of Anacortes housing was rentals. By 2008, rental units inventory had fallen to slightly less than 26%. As a percentage of housing units, rentals declined 10%, which was largely the result of owner-occupied housing being built at a faster rate than rentals. While the 26% share of rental housing in Anacortes is about equal to that of Skagit County, Washington State average for rental housing is 30%, a level codified in the city’s Comprehensive Plan.

Impacts of Housing “Un-affordability”

If a case can be made that Anacortes doesn’t offer housing options for a wide range of income groups, what does that mean for Anacortes? Local businesses spoke out on the issue:

• Island Hospital cited as one of their obstacles in recruiting young doctors to Anacortes the high cost of housing. Newly-practicing doctors can’t afford to live here.

• Boat builders and food processors related that 80-90% of their workers commute from areas outside Anacortes (and Fidalgo Island). Assuming an average salary for these industries of about $35,000 per year, it would take at least two salaries to buy most homes in Anacortes.
Until recently, the largest threat felt by most local businesses, regardless of industry, was workforce access—the ability to attract and retain employees. Increasingly local business is having to rely on commuters—supported by an inadequate transit system—to meet their needs.

In addition to impacting local businesses, the lack of affordable housing also appears to have had an impact upon our school district. As discussed earlier, Anacortes’ population is forecasted to increase 15% in the 10 years from 2000 to 2009; while school enrollments will have declined 10%. The decline can be partially attributed to the cost of housing for young families and their inability to earn a wage that allows them to live in Anacortes. The lower enrollments lead to reduced funding, fewer teachers and reduced programs being offered to students.

Addressing Affordable Living

To address housing density, in its recent Comprehensive Plan and Development Regulations Update, Anacortes took steps to improve housing affordability through an “Accessory Dwelling” ordinance—which permits a homeowner to construct a living space of up to 900 square feet on their property where a single family residence already exists. This allows a home owner to modify a garage, finish a basement, build an addition or add a small building for a living facility. The intent is that the owner of the property could live in one of the units and rent the other or provide space for relatives. While this will help some improve their living options in Anacortes, it is unlikely accessory dwellings will be so popular as to have a material impact on affordable living in Anacortes.

In recent changes made to the Comp Plan and Development regulations, the city opted to lower the density of housing units permitted in certain residential and mixed use areas to eighteen units per acre, down from the previous twenty-eight units per acre. While there is often a trade-off between economics and aesthetics, from the standpoint of affordability, Anacortes may want to consider higher densities for select residential areas to address housing affordability issues.

Assuming an acceptance of higher density, the location of the development could range from the Central Business District, where there is no density restriction, to redevelopment of the R4A and R4B zones for higher density rentals. One other consideration for high-density residential development is the CM1 area located on the Fidalgo waterfront between 17th to 22nd street, which currently permits residential as a conditional-use within a mixed-use development. This area is close to the Central Business District and is of sufficient size to materially impact living options for residents.

Another way to view the housing affordability problem is to consider the jobs available in Anacortes and whether or not they provide the necessary wages to enable living in Anacortes. In a 2007 Bellingham Herald article, Hart Hodges, director of the Center for Business and Economic Research for Western Washington University said, “We need to be thinking of the house-cost problem as more a wage problem”. Hodges went on to say, “We can’t build ourselves back to affordable homes, so we have to take a look at how we can raise wages”.

In the 1960’s, when Anacortes embarked upon its ambitious urban renewal project to create industrial jobs, manufacturing jobs comprised about 25% of the workforce and produced good, middle-income wages, enabling workers and their families to live on-island. Today however, manufacturing jobs make up less than 10% of America’s employment and they don’t produce the middle-income jobs they once did.

Exhibit 2.18 (page 31) is from U. S. Bureau of Labor Statistics. The graph on the left depicts the growth seen in the service sector from 1996–2006 and the continued growth expected from 2006–2016. The graph on the right illustrates changes in the goods-producing sector. Construction jobs grew from 1996–2006 and are forecasted to continue to grow from 2006–2016—but at a lower rate of increase. Manufacturing jobs however declined significantly from 1996–2006 and are forecasted to continue to lose
jobs from 2006–2016. Productivity gains, job automation and international competition will adversely affect employment in most manufacturing industries.

Exhibit 2.19 projects the percentage change in U.S. occupations from 2006–2016. The chart on the right is the projected 20 fastest growing occupations projected for 2006–2016. Among all occupations in the U.S. economy, healthcare occupations are expected to make up 7 of the 20 fastest growing occupations.
The Affordable Living Dilemma

A Coastal Retiree base brings with it outside capital and an independent income stream, capital for local financial institutions and support for a variety of local industries. This group also, however, pushes the demand for high-end housing, making it difficult for Anacortes workers to live in Anacortes. As families become unable to compete economically, there are a number of consequences that arise which affect the culture of the community.

To mitigate the challenge of affordable housing in Anacortes, it appears we have three options before us, or more likely a combination of the three:

1. Stay the course, building homes for affluent retirees, and adjust to the systemic changes this will bring to the community.

2. Adopt development standards which permit higher-density living that provide affordable, quality living arrangements for working families and those who choose to live on less.

3. Pursue an economic development strategy which leverages Anacortes’ unique strengths of proximity to metropolitan areas, natural beauty and quality of life to attract businesses and associated jobs producing the wages necessary to live here.
Marine Cluster

Industry Overview

Anacortes’ most important asset is water—not only is it surrounded by water, but the water is deep, navigable and protected. This has made the city a natural port, used initially by logging companies, fishing fleets, and general shipping. Over the years, a cluster of support businesses and related infrastructure have also evolved, beginning with docks and companies to support and supply the marine trades. Boat repair companies, sail makers, ships carpenters all were part of the fabric that made up the marine cluster of Anacortes.

Today, the water is still a major part of Anacortes. Transporting logs has shifted to supporting crude into and oil products out from the town’s two refineries. Processing fish caught in the local waters has changed to support for a fishing fleet that used Anacortes as a home port and travels to the Bering Sea. The resulting fish processing industry now also uses product caught elsewhere. The transition has continued with Anacortes being celebrated as a gateway for recreational boating with boat repair, marine supplies, moorage and dry storage. This supports a new fleet of boats staged to explore the San Juan Islands, the Gulf Islands and the Inside Passage to Alaska. This in turn is supported by brokerage operations “buying and selling boats,” as well as charter companies renting to tourists. Commercial fishing has been supplemented by recreational boating.

Anacortes has grown from a lumber, fishing and shipping town to add manufacturing, including the building of ships and recreational yachts.

The Marine Cluster crosses over a number of other economic segments that support Anacortes such as manufacturing, service and retail.

Consider the Marine Cluster:

Employment:
- Boat Building: 335
- Ship Building: 380

Number of Boats Moored in Anacortes:
- 2500 in 6 marinas
- 250 in dry storage (approx.)

Each boat is estimated to bring:
- $12,000–$15,000 in annual direct revenue

Total Economic impact:
- $33M–$41.25M

Boat Building – Anacortes boat builders construct high-quality recreational boats ranging to 151-foot yachts from companies with international reputations such as Northern Marine, San Juan Yachts and Northwest Trawlers. Anacortes recently gained international recognition as the location of the boat building teams for the BMW Oracle America’s Cup high performance racing sailboats. This was a result of being physically close to the high-tech tooling builder, Janicki Industries. This is a linkage that should be leveraged further.
**Shipbuilding** – Dakota Creek Industries employs 400 employees and will grow to around 500 when an expansion project is completed. It builds a ship about once every 18 months and its dry dock and marine synchro-lift systems give it the capability of handling repair projects for ships up to 300 feet long and 9,000 tons. According to State records Anacortes shipbuilding generated $3.8M in TRS during 2007.

**Boat Repair** – There are 25–30 repair shops such as North Harbor Diesel, a 40 person boat yard and repair operation, craftsmen who provide woodworking and canvas work and marine electronics installation and repair. This segment has annual sales of $20M - $25M and employs between 125–180 full-time and seasonal workers.

**Boat Moorage and Storage** – There are 2,750 vessels moored and dry-stored on land in Anacortes. This generates about $10M in revenue and employs about 25–30 people depending on the season.

Anacortes is the second largest recreational port in the state with approximately 13,000 marina nights with an economic impact of $2.34M in spending in town.*

**Charters** – Anacortes hosts the largest charter boat fleet in the U.S. and is second largest in the world with a fleet of over 150 boats available for weekly or longer rental for pleasure cruising in the area. The annual charter revenue is about $9M with an estimated spending in the town of $1.2M. It employs about 20 people full-time, growing to about 50 people during the peak summer months.

**Boat Sales** – About 45–55 boats are sold in Anacortes every year with total sales revenue of an estimated $30M in 2007. Anacortes benefits from a lower sales tax and some companies maintain an Anacortes sales office for the benefit of their buyers from Seattle. Purchasing a boat in Anacortes instead of Seattle can save an owner 3/4%–1% of the purchase price. This is an area of opportunity for Anacortes that should be pursued further when attracting new businesses into the Cap Sante new development area.

**Strengths:**
- The Marine Cluster takes advantage of our available waterfront and is diversified between commercial and recreational boating. Our shipbuilding industry at Dakota Creek Industries has been supported by building fishing boats in the past and ferry, tug boats, and oil industry support ships today. Ship building and its associated repair business has followed a different economic cycle than recreational boating.
- The dry dock and lift capacity at the Dakota Creek shipyard would be difficult to replace due to today’s environmental regulatory environment. There are only a few shipyards in the area that have the same capability and scale. The large boat lifts, located on a deep water navigable channel, provide a competitive advantage and keep the yard in continual demand.
- Anacortes is known worldwide as one of the most significant centers and ports for recreational boating due to its outstanding location, innovative boat builders, nationally-promoted charter companies, and strong network of marine repair and supply businesses. The positive and international reputation of Anacortes as a center for recreation may be bigger than most in the city realize.

*Based on Port of Everett Economic Impact Report by Marshal Associates*
• Anacortes is convenient to reach with driving access to a major interstate highway 16 miles away, 90 miles to a major city with airline service and additional transportation options for shuttles buses and local commuter airline service. Anacortes’ location is optimal for boating in the San Juan and Gulf Islands as the shortest gateway town to the islands. It is also a jumping off point for those headed up the Inside Passage to British Columbia and SE Alaska.

• Over the years the local economy has developed a complete set of recreational marine repair and modification services with a skilled labor force that covers all of the key boating repair and maintenance areas. This adds to the attraction of Anacortes as a one-stop destination for maintenance and repairs.

• The Port of Anacortes has taken a positive position to make sure its fuel prices at the Cap Sante Boat Haven are very competitive, adding to making Anacortes a compelling homeport or destination on the way to points north or on the way back to the Seattle or Everett areas.

• Another significant advantage is that town services and retail are accessible by a short walk from the Cap Sante Boat Haven. Anacortes is one of the only ports that can boast a choice of two supermarkets, a high-end wine store and a state liquor outlet, a broad choice of restaurants and two marine supply stores—all within easy walking distance from the transient docks in the Boat Haven.

• Anacortes’ location as the closest major town to the San Juan and Canadian Gulf Islands is a plus for charter boat customers. They can purchase groceries and supplies, dine in local restaurants and board their charter boat; after a short sail or cruise of a few hours they are in the San Juan Islands. There are over 1500 charters a year that depart Anacortes ranging from $1,500 to $8,000 a week per boat.

Weaknesses:
• The recreational boating economy can be cyclical based on the economy and fuel prices. This can affect all segments, including boat sales, bareboat charter and to a lesser degree repairs, moorage and storage as boat owners elect to sell their boats due to high fuel costs or cutting personal discretionary expenses in a down economy. Boating is a luxury that many can live without.

• The marine trades are still a series of small businesses. The largest in Anacortes is North Harbor Diesel with 40-50 employees and the capacity to work on 12–15 boats at one time. Most marine businesses in town have only 2–12 employees and in good times have trouble maintaining their year round staff and the skills needed to support peak periods of work. The same peak season periods have repair needs from the charter industry where a paying customer is standing-by waiting for repairs to be completed. Seasonal workers have difficulty maintaining an Anacortes-affordable lifestyle and often must accept a 40 mile roundtrip commute, making a job in Anacortes less desirable. Affordability and a shortage of skilled labor were common issues when we talked to Anacortes marine cluster businesses that need to be addressed to support balance and growth.

Opportunities:
• Acknowledge and market Anacortes as a recreational boating community. We may be more well-known worldwide as a boating community than our own citizens realize. This should be acknowledged and supported by local business and citizenry alike, to our mutual benefit.

• Boat brokerages and sales offices, or a yacht-delivery center in Anacortes could add significantly to our TRS, adding directly to the city’s bottom line with minimal impact on city infrastructure. Boat sales offices can generate large sales in a small footprint and feed the marine repair and modification business. A yacht-delivery center would benefit from the city’s deep-water port for deliver-
ies from boat yards in Asia for completion in Anacortes using local labor for the installation of expensive systems made in the U.S. or Europe. This new concept could save the shipping costs for sending expensive components to Asia only to have them sent back to U.S. inside a boat weeks or months later. There is also a significant savings for the components by cutting out the time they are in transit before the delivery to the end customer and payment to the boat builder.

**Threats:**
- While Anacortes has a favorable location, great navigable waterways, weather patterns and an existing infrastructure, other port towns such as Everett, Bellingham and Port Townsend are developing their waterfront land for ship repairs, boat building and recreational boating. Their future opportunities represent a real challenge to Anacortes, even while acknowledging that Anacortes is a better location.
- The areas of growth in the marine cluster are dependent on creating an affordable living environment for working-wage jobs. While some jobs are highly technical and well-paid such as welding in the ship yard or repairing marine electronic equipment, the growth of the business includes many lower wage jobs such as boat cleaning and painting.
- Dry land boat storage can be a lucrative business for a developer or land owner. The storage business requires minimal land improvements and investment. Several new storage yards are in the process of being built in Anacortes. The storage yards often employ only one or two employees and do not create jobs, though they do bring some economic benefit for local support businesses from the boats that homeport in the storage yards spending money in Anacortes during the season. Balance is important—otherwise we run the risk of having a waterfront that is dominated by boat storage yards.

**Summary and Growth Prospects:**

Our boat building segment may be at its optimal level now. When the local boat builders were sitting with a backlog of boats to build, it was difficult to find enough qualified labor. In addition, new employees were often coming from mainland communities where they lived at a lower cost than Anacortes and faced a 40 mile round trip commute to come to work. Promoting the growth of this segment should consider the actions needed to create a more affordable living environment in the Anacortes community. Boat builders did express a need for larger boat-lift capacity to allow new boats to easily be moved to the water or removed for repairs and modification. Along the same lines, a simple but needed fix could be the creation of a boat delivery passage way down R and Q Avenue to the Dakota Creek Shipyard for launching. This would require reworking a few electrical wires, utility poles and most importantly the center planter strips to allow for easy access without the cost of temporary changes to move a boat. In addition, the boat builders also discussed the need to a large shared lift capacity of 150–300 tons to easily move large boats around the towns building and repair areas.

Our ship building segment continues to be strong, with DCI having several long-term ship-building contracts. Its valuable dry dock and lift capability assure a long term flow of lucrative repair contracts for DCI and its workers. The Port of Anacortes is working with DCI to improve the harbor and the uplands in the shipyard to allow for more
boat building. Today, DCI successfully employs around 400 employees. The expansion and improvements will allow DCI to expand and handle more building and repair work and add the opportunity for another 100 jobs. Long-term, DCI will most likely not go through any significant expansion due to space limitations and management’s fiscally conservative view that it might just be the right size for its markets and Anacortes. Like boat building, affordable living is critical for supporting our ship building segment.

The boat repair segment’s biggest challenge is the seasonal business cycle. They have more work than they can support during the busy spring and summer seasons. Some work carries over into the fall and then the winter doldrums hit. Smart repair businesses look for winter re-fit work from loyal customers to carry them over and allow them to retain their workforce. When interviewed, a common need from this segment involved increased boat-lift capacity, allowing larger boats to be moved from the water in the area around 32nd Street to the local area boat repair yards. Such a capacity could be covered via a 150-300 ton Travelift and the required upland and temporary slip support space.

The boat storage segment seems to be moving forward with good quality storage locations in the area south of 32nd Street. It too could benefit from improved shared boat lift capabilities.

**Marina and Moorage** – Two new moorage facilities could emerge with a new small marina at Dakota Street and a redevelopment of Lovric’s Marina. It appears any new marina space will be challenged with environmental issues. New marinas have been discussed (and permitted) in the last 25 years in the MJB land area and in the Ship Harbor areas. Marinas would add to the population of boats and their positive economic impact. On the West End the AFP team learned that the owners are looking at plans to expand the Skyline Marina with more dry storage and other buildings. There are plans underway to replace the Flounder Bay restaurant and dredge the harbor adding to the appeal of the closest mainland marina to the San Juan Islands.

The Charter segment may be at its balance point based on available moorage for charter boats, the availability of seasonal labor and the market demand. Market demand for more charter boats could potentially be increased with marketing the benefits of Anacortes and the surrounding area.

The Boat Brokerage and sales segment appears to be an area for aggressive investment and recruitment. Boat brokerage firms fit well with the potential development of the uplands buildings planned around the Cap Sante Boat Haven. The location works well, with in-the-water display space for boats and convenient areas for sales office space. The local “ecosystem” has all the components needed to support the sales effort, including repair, documentation, insurance and financing capability. A strategy to increase boat sales can be implemented fairly quickly with an active effort to recruit Seattle-based boat brokerage firms to locate satellite sales and delivery offices in Anacortes.

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**Marine Cluster Land Use**  
(Industrial Zoned Area, as of 1/1/2008)

1. Boat Building is 14% of the land and has 36% of the building square footage
2. 22% of the land area is empty. No building or storage.
3. Boat repair is 7% of land area and 6% of building square footage
4. Boat storage is 10% of land area
5. 7% of the building square footage is vacant (building without a tenant)

Unused DNR land on the Fidalgo Bay waterfront represents an opportunity for public use or development.
Tourism Cluster

The Tourism Cluster in this analysis includes what is commonly referred to as the travel or visitor industry, which includes lodging, food service, recreation, transportation and retail trade. The State of Washington places a high priority on the Travel Industry because of its economic development potential:

1. Travel is an “export” industry that injects money into local economies. In this respect, it is similar to firms and industries that sell manufactured products in other geographic markets. However, a local travel industry accomplishes this through spending by visitors on locally produced services.

2. The travel industry is service-oriented and labor intensive, it generates many employment opportunities relative to investments in physical capital. The travel industry provides a large number of entry-level positions, as well as opportunities for small business proprietors.

3. The promotion of visitor amenities can have other beneficial effects in a community. Many of the same attributes that draw visitors to a community (e.g., recreation facilities, cultural events, attractive downtowns) can also enhance the “quality of life” for residents.

The State commissioned several Travel Industry impact studies from Dean Runyan Assoc. in recent years, from which the following was derived.

The travel industry ranks among the leading export-oriented industries in Washington in terms of its contribution to Washington Gross State Product (GSP) (Exhibit 2.20, page 39). Travel industry GSP was $4.8 billion in 2003. Of the leading industries with which the travel industry was compared, only the Software industry had a significantly higher impact ($13.2 billion). The other industries with which the travel industry was compared to were aerospace ($5.7 billion), computer/electronics manufacturing ($2.5 billion), agriculture and food processing ($5.6 billion), and forestry and wood products ($3.9 billion).

The travel industry also generates secondary impacts. These impacts result from purchases of inputs by travel industry firms from other businesses in the state, and the expenditures of travel industry employees on goods and services for personal consumption. These secondary impacts are equivalent to an additional $5.2 billion of GSP—1.1 times as great as the direct impact of visitor spending. These secondary impacts do not include many other significant impacts, such as the manufacture of consumer durables and non-durables that are travel-related, or the value of construction and real estate transactions for visitor-related facilities.

The travel industry also generates a high proportion of tax revenue in relation to its Gross State Product (11%). None of the other industries is comparable with respect to taxes. Furthermore, visitors pay most of these taxes and many of the benefits directly accrue to local governments. Given that the travel industry constitutes an economic development tool for local communities, this is an important result. It indicates that the economic output produced by the travel industry is likely to accrue to the local communities in which the industry is located.

The growth of the travel industry has historically been strong and relatively stable. At almost $3 billion in annual payroll, the travel industry is tied for third with Food among export-oriented industries, after software and aerospace.
Anacortes’ Tourism Infrastructure:

Accommodations (Exhibit 2.21)

- Anacortes hosts a total of approximately 360 available rooms, including hotels, motels, and B&Bs.
- Of this stock, approximately 25% are located in the CBD where the majority of restaurants, pubs, and retail stores are located.
- Approximately 50% of lodging inventory is located between 20th and 34th Streets on or just off of Commercial Avenue. Additionally, there are 50 rooms located outside of town on Highway 20, 28 rooms located by the Washington State Ferry Terminal, and 10 located on the South end of Fidalgo Island.
- Hospitality Properties are predominantly Owner Operated or Managed business with close participation and ties to the community.

Food Service

- Anacortes restaurants are located throughout the city, with concentrations seen along Commercial Ave. and the Central Business District.
- Ferry traffic seems to benefit the limited-service restaurants.
- Being on a corner of a main arterial in Anacortes is a fantastic advantage.

General Tourism

- Approximately 1.8 million people travel through Anacortes annually to take the Washington State Ferry to either the San Juan Islands or Sidney B.C.
- With more than 2 million visitors annually, Deception Pass State Park is the most visited park in Washington. —Washington State Parks Foundation
- To put this into perspective consider the number of visitors to Fidalgo Island (or close proximity) versus the Space Needle’s website boast, “The Space Needle annually hosts more than 1 million visitors, making it the #1 tourist attraction in the Northwest.”
- The Berk Study (August 2006) stated “The analysis suggests that the City is not getting as much as it could from its tourism potential. One of the best ways to improve this situation is to increase the number of rooms available for overnight guests. As it stands now, the City’s lodging base is in line with the population base. A community with a greater focus on tourism would be expected to have a much higher lodging to population ratio. The biggest impact from additional lodging is the spill over to restaurant and retail.”

Estimated Economic Impact (Exhibit 2.22)

- Food Service, Accommodations and Scenic and Sightseeing industry segments comprise about 9.5% of Anacortes’ jobs.
- The wages generated at $11.5 M is about 4% of the total Anacortes wages.
- Average wages of $13,900 reflects the preponderance of minimum wage entry level and part-time jobs in this industry.
- The Tourism Cluster TRS has experienced 14% growth annually from 2002 to 2006, growing from $25.7 M to almost $45 M (Exhibit 2.23 page 40).
- Tourism Cluster TRS was flat in 2007, versus 2006.
- Tourism TRS is approximately 11–12% of the city’s total taxable retail sales.
Key Findings
Tourism Cluster

State of the Industry and SWOT

Strengths:
- World class natural beauty; water, mountains, forests, etc. (Exhibit 2.24, page 41)
- Anacortes is located within a two-hour drive of Seattle and Vancouver, BC.
- The town offers more affordable lodging options than those found in the San Juan Islands.
- Anacortes is conveniently located: “homeport” for the boating industry, with easy access to water recreation (boat charters, kayaking, whale watching, etc.), offers specialty shopping (in Anacortes and neighboring areas), mountain views, discount shopping (Burlington or Tulalip), and casinos.

Weaknesses:
- Marinas and waterfront not developed to their fullest potential.
- Strong seasonality issues, with a typically weak winter season.
- The ability to hire and retain low-wage earners is problematic.
- Limited ability to meet lodging demand requirements during the peak season may impact our desirability.

Key Opportunities for Anacortes:
- Leverage world-class natural beauty of area
- Take advantage of the millions of visitors who travel through and by Anacortes
- Provide waterfront lodging, dining and recreation opportunities
- Draw visitors from near-by metropolitan areas for short “breakations” (short stays)
- Consider a conference center to serve a broader segment of the travel industry, improve options for local needs and bridge the seasons
- Consider a tourism draw such as a maritime or local history museum, performing arts center, aquarium, tribal cultural center etc. to establish Anacortes as a destination
- Implement a marketing plan with a clear value proposition that speaks to the visitor segment we desire to attract and differentiates us from other options
- Extend tourism season promoting shoulder season activities
- With a mild climate Anacortes visitors can experience several world-class activities; bald eagles on Skagit River, the tulip festival, whale watching, boating, Boeing’s Everett facility (view airplane construction in the world’s largest building), a scenic ferry ride to San Juan Islands and Deception Pass State Park & surrounding area.

EXHIBIT 2.23
TREND IN ANACORTES TOURISM CLUSTER TRS
### Risks and Threats:
- Too many visitors could degrade the quality of life for Anacortes residents
- The seasonality of this industry may be too extreme for some businesses to survive
- Capital investments in tourism may not provide needed returns

### Competitive Assessment:
- Spending in Anacortes is about average for Accommodation & Food Service—a per capita comparison of Accommodation & Food Service Taxable Retail Sales TRS for 2007 indicated Anacortes generates about 11% more than the state average in this tourism dependent category. Other communities experienced much higher per capita sales in this category, indicating they may attract more visitors than Anacortes. The communities with higher per capita TRS in this category, and their percentage over the state average, are:
  - Port Angeles 33%
  - Port Townsend 78%
  - Friday Harbor 461%
  - LaConner 689%
  - Leavenworth 878%
- Several successful tourism communities (Lake Chelan, Ocean Shores, Yakima, Leavenworth, etc.) are more than a two-hour drive from Seattle, many on 2-lane roads. Anacortes provides easier destination access to travelers from Seattle.
- Typically visitor destinations provide waterfront lodging, dining, and recreation. Anacortes should consider development in these areas if it is to compete effectively with other Puget Sound destinations.
- Anacortes does not currently have the facilities to attract visitors from the regional meeting and conference markets. To compete in this market Anacortes would need a substantial investment in a conference facility, which may help balance the seasonality of the tourism industry.

### EXHIBIT 2.24 ANACORTES ACTIVITY ASSESSMENT

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Summary

Tourism is an important element of Anacortes’ economy; it provides almost 10% of the jobs in Anacortes and generates about 12% of the taxable retail sales which flows to the city. Tourism impacts are difficult to define because residents enjoy the same restaurants, local shopping and amenities tourists do. Therefore discussing tourism also includes an element of impacts (both positive and negative) on and by residents.

Anacortes must determine to what extent its natural beauty and close proximity to metropolitan areas can be leveraged to improve its ability to capture the travel industry spending of the Puget Sound region and what Anacortes needs in order to establish a competitive position in the market. But the more important question may be; should Anacortes increase its focus on tourism and to what extent? It certainly appears Anacortes’ economy could benefit from increased capture of visitor spending, but it is likely to bring change—both wanted and unwanted—to town. Our success will be determined by how well we manage that change.
Our Local Economy

Employment (Exhibit 3.1)

Top 8 industries supply 82% of jobs in Anacortes
- Manufacturing is largest manufacturing segment w/ 2,195 workers or 25%; twice the number of the next largest segment
- Retail, the second largest employment segment, provides 1,013 jobs or 12% of Anacortes’ jobs.
- Several segments provides 600 to 800 jobs each; Healthcare, Accommodations & Food Service, Education, Arts/Entertainment & Recreation and Construction.

<table>
<thead>
<tr>
<th>Rank</th>
<th>NAICS Code</th>
<th>NAICS Definition</th>
<th>Number of Employees</th>
<th>%</th>
<th>Cum %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>31,32,33</td>
<td>Manufacturing Sub-Total</td>
<td>2,195</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>2</td>
<td>44-45</td>
<td>Retail Sub-Total</td>
<td>1,013</td>
<td>12%</td>
<td>37%</td>
</tr>
<tr>
<td>3</td>
<td>62</td>
<td>Health Care Sub-Total</td>
<td>797</td>
<td>9%</td>
<td>46%</td>
</tr>
<tr>
<td>4</td>
<td>72</td>
<td>Accommodation &amp; Food Service Sub-Total</td>
<td>795</td>
<td>9%</td>
<td>55%</td>
</tr>
<tr>
<td>5</td>
<td>61</td>
<td>Education Sub-Total</td>
<td>694</td>
<td>8%</td>
<td>63%</td>
</tr>
<tr>
<td>6</td>
<td>71</td>
<td>Arts, Entertainment &amp; Recreation Sub-Total</td>
<td>613</td>
<td>7%</td>
<td>70%</td>
</tr>
<tr>
<td>7</td>
<td>23</td>
<td>Construction Sub-Total</td>
<td>590</td>
<td>7%</td>
<td>76%</td>
</tr>
<tr>
<td>8</td>
<td>82-99</td>
<td>Public Admin Sub-Total</td>
<td>516</td>
<td>6%</td>
<td>82%</td>
</tr>
<tr>
<td>9</td>
<td>81 &amp; 99</td>
<td>Other Services &amp; Unclassified Sub-Total</td>
<td>401</td>
<td>5%</td>
<td>87%</td>
</tr>
<tr>
<td>10</td>
<td>48-49</td>
<td>Transp &amp; Warehousing Sub-Total</td>
<td>355</td>
<td>4%</td>
<td>91%</td>
</tr>
<tr>
<td>11</td>
<td>55 &amp; 56</td>
<td>Management Admin &amp; Waste Services Sub-Total</td>
<td>189</td>
<td>2%</td>
<td>93%</td>
</tr>
<tr>
<td>12</td>
<td>53</td>
<td>Real Estate- Rental-Leasing Sub-Total</td>
<td>157</td>
<td>2%</td>
<td>95%</td>
</tr>
<tr>
<td>13</td>
<td>52</td>
<td>Finance Sub-Total</td>
<td>147</td>
<td>2%</td>
<td>97%</td>
</tr>
<tr>
<td>14</td>
<td>54</td>
<td>Prof. Scientific &amp; Tech Services Sub-Total</td>
<td>114</td>
<td>1%</td>
<td>98%</td>
</tr>
<tr>
<td>15</td>
<td>42</td>
<td>Wholesale Sub-Total</td>
<td>62</td>
<td>1%</td>
<td>99%</td>
</tr>
<tr>
<td>16</td>
<td>11</td>
<td>AG-Forestry-Mining Sub-Total</td>
<td>56</td>
<td>1%</td>
<td>99%</td>
</tr>
<tr>
<td>17</td>
<td>51</td>
<td>Information Sub-Total</td>
<td>55</td>
<td>1%</td>
<td>100%</td>
</tr>
<tr>
<td>18</td>
<td>21, 22</td>
<td>Utilities &amp; Mining Sub-Total</td>
<td>10</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

ESD Data 4q 2004 to 3q 2005

8,759 100%
Manufacturing Industry Employment (Exhibit 3.2)

Manufacturing provides 2,195 (25%) of the jobs in Anacortes.
- Petroleum is the largest segment within the manufacturing industry with 771 workers, or 35% of the manufacturing industry’s workforce.
- Food manufacturing is the second largest segment within manufacturing with 572 workers, or 26% of the manufacturing industry’s workforce.
  - AFP survey indicated a significant portion of employees (i.e. up to 90%) commute into Anacortes for these jobs
- Transportation Equipment is the third largest of manufacturing firms, employing 506 workers, or 23% of the manufacturing workforce.
  - Boat building represented 335 workers
  - Up to 80% of these workers commute into Anacortes for these jobs
  - Ship building & repair represents 158 workers
    - This segment has increased employment since this data was captured and employment is believed to be approximately 350 in 2008; growing to 500.
  - Aircraft related manufacturing comprises the remaining 13 workers

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>NAICS Definition</th>
<th>Number of Employees</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>324</td>
<td>Petroleum &amp; Coal Products Manuf</td>
<td>771</td>
<td>35%</td>
</tr>
<tr>
<td>311</td>
<td>Food Manuf</td>
<td>572</td>
<td>26%</td>
</tr>
<tr>
<td>336</td>
<td>TransportEquipment Manuf</td>
<td>506</td>
<td>23%</td>
</tr>
<tr>
<td>339</td>
<td>Misc. Manuf</td>
<td>99</td>
<td>5%</td>
</tr>
<tr>
<td>332</td>
<td>Fabricated Metal Product Manuf</td>
<td>88</td>
<td>4%</td>
</tr>
<tr>
<td>314</td>
<td>Textile Product Mills</td>
<td>57</td>
<td>3%</td>
</tr>
<tr>
<td>325</td>
<td>Chemical Manuf</td>
<td>38</td>
<td>2%</td>
</tr>
<tr>
<td>321</td>
<td>Wood Product Manuf</td>
<td>23</td>
<td>1%</td>
</tr>
<tr>
<td>326</td>
<td>Plastics &amp; Rubber Products Manuf</td>
<td>18</td>
<td>1%</td>
</tr>
<tr>
<td>337</td>
<td>Furniture &amp; Related Product Manuf</td>
<td>16</td>
<td>1%</td>
</tr>
<tr>
<td>323</td>
<td>Printing &amp; Related Support Activities</td>
<td>6</td>
<td>0%</td>
</tr>
<tr>
<td>334</td>
<td>Computer &amp; Electronic Product Manuf</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>31,32,33</td>
<td>Manufacturing Sub-Total</td>
<td>2,195</td>
<td>100%</td>
</tr>
</tbody>
</table>

EXHIBIT 3.2
EMPLOYMENT WITHIN THE MANUFACTURING INDUSTRY

ESD Data 4q 2004 to 3q 2005
Retail Industry Employment (Exhibit 3.3)

Retail provides 1,013 (12%) of the jobs in Anacortes
- 2-segments provide 42% of the jobs in Anacortes’ Retail industry
  - Motor Vehicles & Parts Dealers = 22%
  - Food & Beverage Stores = 20%
- Motor Vehicle & Parts Dealers (includes boat sales) is the largest retail segment w/ 227 job or 22% of the jobs in the retail industry.
  - New Car Dealers employ 139 workers, or 61% of Motor Vehicles & Parts Dealers segment of the retail industry; for 13% of the entire retail industry’s employment.
  - Boat Dealers employ 49 workers, or 22% of Motor Vehicles & Parts Dealers segment of the retail industry; for 5% of the entire retail industry’s employment.
- Food and Beverage Stores provide 199 jobs, or 20% of the retail jobs in Anacortes
  - Supermarkets & Other Grocery (except Convenience) Stores provide the majority of these jobs, 183 (92%)

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>NAICS Definition</th>
<th>Number of Employees</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>441</td>
<td>Motor Vehicle &amp; Parts Dealers</td>
<td>227</td>
<td>22%</td>
</tr>
<tr>
<td>445</td>
<td>Food &amp; Beverage Stores</td>
<td>199</td>
<td>20%</td>
</tr>
<tr>
<td>446</td>
<td>Health &amp; Personal Care Stores</td>
<td>103</td>
<td>10%</td>
</tr>
<tr>
<td>444</td>
<td>Building Material &amp; Garden Equipment &amp; Supplies</td>
<td>108</td>
<td>11%</td>
</tr>
<tr>
<td>453</td>
<td>Miscellaneous Store Retailers</td>
<td>114</td>
<td>11%</td>
</tr>
<tr>
<td>447</td>
<td>Gasoline Stations</td>
<td>107</td>
<td>11%</td>
</tr>
<tr>
<td>454</td>
<td>Nonstore Retailers</td>
<td>27</td>
<td>3%</td>
</tr>
<tr>
<td>443</td>
<td>Electronics &amp; Appliance Stores</td>
<td>27</td>
<td>3%</td>
</tr>
<tr>
<td>442</td>
<td>Furniture &amp; Home Furnishings Stores</td>
<td>24</td>
<td>2%</td>
</tr>
<tr>
<td>448</td>
<td>Clothing &amp; Clothing Accessories Stores</td>
<td>32</td>
<td>3%</td>
</tr>
<tr>
<td>451</td>
<td>Sporting Goods, Hobby, Book, &amp; Music Stores</td>
<td>36</td>
<td>4%</td>
</tr>
<tr>
<td>452</td>
<td>General Merchandise Stores</td>
<td>9</td>
<td>1%</td>
</tr>
<tr>
<td>44-45</td>
<td>Retail Sub-Total</td>
<td>1,013</td>
<td>100%</td>
</tr>
</tbody>
</table>

EXHIBIT 3.3 EMPLOYMENT WITHIN THE RETAIL INDUSTRY

ESD Data 4q 2004 to 3q 2005
Wages (Exhibit 3.4)

Total wages generated in Anacortes is $319M.
- Thirty-eight percent (38%) of the wages generated within Anacortes are from the Manufacturing industry, or $121M.
- Significantly behind the Manufacturing industry, several industries each contribute between 5 and 10% of Anacortes’ wages, totaling 46% of total wages.
  - Retail, $27M in wages or 9%
  - Healthcare, $26M in wages or 8%
  - Education, $21M or in wages 7%
  - Public Administration, $21M in wages or 7%
  - Construction, $19M in wages or 6%
  - Arts, Entertainment & Recreation, $16M in wages or 5%
  - Transportation & Warehousing, $15M in wages, or 5%
  - Accommodations & Food Service $11M in wages or 3%

<table>
<thead>
<tr>
<th>Rank</th>
<th>NAICS Code</th>
<th>NAICS Definition</th>
<th>Total Wages</th>
<th>%</th>
<th>Cum %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>31,32,33</td>
<td>Manufacturing Sub-Total</td>
<td>$121,269,629</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>2</td>
<td>44-45</td>
<td>Retail Sub-Total</td>
<td>$27,418,239</td>
<td>9%</td>
<td>47%</td>
</tr>
<tr>
<td>3</td>
<td>62</td>
<td>Health Care Sub-Total</td>
<td>$26,623,699</td>
<td>8%</td>
<td>55%</td>
</tr>
<tr>
<td>4</td>
<td>61</td>
<td>Education Sub-Total</td>
<td>$21,544,783</td>
<td>7%</td>
<td>62%</td>
</tr>
<tr>
<td>5</td>
<td>92-99</td>
<td>Public Admin Sub-Total</td>
<td>$21,482,071</td>
<td>7%</td>
<td>68%</td>
</tr>
<tr>
<td>6</td>
<td>23</td>
<td>Construction Sub-Total</td>
<td>$19,608,095</td>
<td>6%</td>
<td>74%</td>
</tr>
<tr>
<td>7</td>
<td>71</td>
<td>Arts, Entertainment &amp; Recreation Sub-Total</td>
<td>$16,323,289</td>
<td>5%</td>
<td>80%</td>
</tr>
<tr>
<td>8</td>
<td>48-49</td>
<td>Transp &amp; Warehousing Sub-Total</td>
<td>$15,410,968</td>
<td>5%</td>
<td>84%</td>
</tr>
<tr>
<td>9</td>
<td>72</td>
<td>Accommodation &amp; Food Service Sub-Total</td>
<td>$11,022,691</td>
<td>3%</td>
<td>88%</td>
</tr>
<tr>
<td>10</td>
<td>81&amp; 99</td>
<td>Other Services &amp; Unclassified Sub-Total</td>
<td>$8,820,601</td>
<td>3%</td>
<td>91%</td>
</tr>
<tr>
<td>11</td>
<td>52</td>
<td>Finance Sub-Total</td>
<td>$7,324,546</td>
<td>2%</td>
<td>93%</td>
</tr>
<tr>
<td>12</td>
<td>55 &amp; 56</td>
<td>Management Admin &amp; Waste Services Sub-Total</td>
<td>$5,933,025</td>
<td>2%</td>
<td>95%</td>
</tr>
<tr>
<td>13</td>
<td>11</td>
<td>AG-Forestry-Mining Sub-Total</td>
<td>$5,224,779</td>
<td>2%</td>
<td>96%</td>
</tr>
<tr>
<td>14</td>
<td>54</td>
<td>Prof. Scientific &amp; Tech Services Sub-Total</td>
<td>$4,020,904</td>
<td>1%</td>
<td>98%</td>
</tr>
<tr>
<td>15</td>
<td>53</td>
<td>Real Estate- Rental-Leasing Sub-Total</td>
<td>$3,069,026</td>
<td>1%</td>
<td>99%</td>
</tr>
<tr>
<td>16</td>
<td>42</td>
<td>Wholesale Sub-Total</td>
<td>$2,341,446</td>
<td>1%</td>
<td>99%</td>
</tr>
<tr>
<td>17</td>
<td>51</td>
<td>Information Sub-Total</td>
<td>$1,890,445</td>
<td>1%</td>
<td>100%</td>
</tr>
<tr>
<td>18</td>
<td>21, 22</td>
<td>Utilities &amp; Mining Sub-Total</td>
<td>$225,267</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

EXHIBIT 3.5
AVERAGE WAGES BY INDUSTRY

Average wage rate in Anacortes is $36,483 (Exhibit 3.5)
- But the range of wages is fairly dramatic
Manufacturing Industry Wages (Exhibit 3.6)

Manufacturing provides 38% of all wages generated in Anacortes.

- Petroleum Manufacturing provides 60% of the wages generated in the Manufacturing industry.
  - At $73M, the refineries provide 23% of all the wages generated in Anacortes.
  - Average wages for the refineries exceed $94,000 annually.
- Transportation Equipment Manufacturing generated wages of approximately $20M, or 16% of the wages of the Manufacturing industry.
  - Boat Building totaled $11.7M in annual wages
    - Boat Building is 59% of wages generated by Transportation Equipment Manufacturing
    - Boat Building is 9.6% of wages generated in Manufacturing
    - Boat Building’s average annual wage is $34,924
  - Ship Building & Repair totaled $7.5M in annual wages
    - Ship Building & Repair is 38% of wages generated by Transportation Equipment Manufacturing
    - Ship Building & Repair is 6.2% of wages generated in Manufacturing
    - Ship Building & Repair’s average annual wage is $47,680.
- Employment has increased in Ship Building and Repair since the time frame when this data was captured.
  - Current employment levels are estimated at 350; with growth projected to 500.
  - Wages for 350 workers would be $16.7M at the average wage

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>NAICS Definition</th>
<th>Total Wages</th>
<th>%</th>
<th>Avg. Annual Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>324</td>
<td>Petroleum &amp; Coal Products Manuf</td>
<td>$73,115,412</td>
<td>60%</td>
<td>$94,832</td>
</tr>
<tr>
<td>336</td>
<td>Transport Equipment Manuf</td>
<td>$19,848,805</td>
<td>16%</td>
<td>$39,227</td>
</tr>
<tr>
<td>311</td>
<td>Food Manuf</td>
<td>$15,429,135</td>
<td>13%</td>
<td>$26,974</td>
</tr>
<tr>
<td>332</td>
<td>Fabricated Metal Product Manuf</td>
<td>$4,174,992</td>
<td>3%</td>
<td>$47,443</td>
</tr>
<tr>
<td>339</td>
<td>Misc. Manuf</td>
<td>$2,464,876</td>
<td>2%</td>
<td>$24,898</td>
</tr>
<tr>
<td>325</td>
<td>Chemical Manuf</td>
<td>$2,444,741</td>
<td>2%</td>
<td>$64,335</td>
</tr>
<tr>
<td>314</td>
<td>Textile Product Mills</td>
<td>$1,777,560</td>
<td>1%</td>
<td>$31,185</td>
</tr>
<tr>
<td>321</td>
<td>Wood Product Manuf</td>
<td>$938,463</td>
<td>1%</td>
<td>$40,803</td>
</tr>
<tr>
<td>326</td>
<td>Plastics &amp; Rubber Products Manuf</td>
<td>$585,518</td>
<td>0%</td>
<td>$32,529</td>
</tr>
<tr>
<td>337</td>
<td>Furniture &amp; Related Product Manuf</td>
<td>$383,199</td>
<td>0%</td>
<td>$23,950</td>
</tr>
<tr>
<td>323</td>
<td>Printing &amp; Related Support Actvites</td>
<td>$102,419</td>
<td>0%</td>
<td>$17,070</td>
</tr>
<tr>
<td>334</td>
<td>Computer &amp; Electronic Product Manuf</td>
<td>$4,509</td>
<td>0%</td>
<td>$4,509</td>
</tr>
<tr>
<td>31,32,33</td>
<td>Manufacturing Sub-Total</td>
<td>$121,269,629</td>
<td>100%</td>
<td>$55,248</td>
</tr>
</tbody>
</table>
Retail Industry Wages (Exhibit 3.7)

The Retail industry provides $27.4M, or 9% of the wages generated in Anacortes.

- **Motor Vehicle & Parts Dealers** (including boat sales) wages are $9.7M, or 35% of the wages generated in the Retail industry.
  - New Car Dealers provided $7M in wages, or 72% of the Motor Vehicle & Parts Dealers wages
    - New Car Dealers average wage is $50,435.
  - Boat Dealers provided $1.6M in wages, or 17% of the Motor Vehicle & Parts Dealers wages
    - Boat Dealers average wage was $32,570.
  - Automotive Parts Stores & Tire dealers made up the remaining $1.1M in wages of this segment.

- **Food and Beverage Stores** wages are $4.7M, or 17% of the wages generated in the Retail industry.
  - Supermarkets & Other Grocery (except Convenience) Stores provided wages of $4.5M, or 96% of the Food and Beverage Stores segment.
  - Food and Beverage Stores average wages are $23,763.

- **Health & Personal Care Stores** wages are $4.2M, or 15% of the wages generated in the Retail industry.
  - Pharmacies & Drug Stores wages are $4.1M, or 98% of the Health & Personal Care Stores segment.
  - Health & Personal Care Stores average wages are $40,495.

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>NAICS Definition</th>
<th>Total Wages</th>
<th>%</th>
<th>Avg. Annual Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>441</td>
<td>Motor Vehicle &amp; Parts Dealers</td>
<td>$9,707,425</td>
<td>35%</td>
<td>$42,764</td>
</tr>
<tr>
<td>445</td>
<td>Food &amp; Beverage Stores</td>
<td>$4,728,920</td>
<td>17%</td>
<td>$23,763</td>
</tr>
<tr>
<td>446</td>
<td>Health &amp; Personal Care Stores</td>
<td>$4,171,015</td>
<td>15%</td>
<td>$40,495</td>
</tr>
<tr>
<td>444</td>
<td>Building Material &amp; Garden Equipment &amp; Supplies</td>
<td>$2,686,121</td>
<td>10%</td>
<td>$24,871</td>
</tr>
<tr>
<td>453</td>
<td>Miscellaneous Store Retailers</td>
<td>$1,985,479</td>
<td>7%</td>
<td>$17,416</td>
</tr>
<tr>
<td>447</td>
<td>Gasoline Stations</td>
<td>$1,421,082</td>
<td>5%</td>
<td>$13,281</td>
</tr>
<tr>
<td>454</td>
<td>Nonstore Retailers</td>
<td>$1,060,176</td>
<td>4%</td>
<td>$39,266</td>
</tr>
<tr>
<td>443</td>
<td>Electronics &amp; Appliance Stores</td>
<td>$630,039</td>
<td>2%</td>
<td>$23,335</td>
</tr>
<tr>
<td>442</td>
<td>Furniture &amp; Home Furnishings Stores</td>
<td>$440,412</td>
<td>2%</td>
<td>$18,351</td>
</tr>
<tr>
<td>448</td>
<td>Clothing &amp; Clothing Accessories Stores</td>
<td>$281,871</td>
<td>1%</td>
<td>$8,808</td>
</tr>
<tr>
<td>451</td>
<td>Sporting Goods, Hobby, Book, &amp; Music Stores</td>
<td>$228,135</td>
<td>1%</td>
<td>$6,337</td>
</tr>
<tr>
<td>452</td>
<td>General Merchandise Stores</td>
<td>$77,564</td>
<td>0%</td>
<td>$8,618</td>
</tr>
<tr>
<td>44-45</td>
<td>Retail Sub-Total</td>
<td>$27,418,239</td>
<td>100%</td>
<td>$27,066</td>
</tr>
</tbody>
</table>
Health Care Industry Wages (Exhibit 3.8)

The Health Care industry provides $26.6M, or 8% of the wages generated in Anacortes.

- **Hospital** wages are $17.4M, or 65% of the wages generated by the Health Care industry in Anacortes.
  - Average wages at the hospital are $40,979.
- **Offices of Physicians** wages are $3M, or 11% of the wages generated in the Health Care industry.

### Health Care Sub-Total

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>NAICS Definition</th>
<th>Total Wages</th>
<th>%</th>
<th>Avg. Annual Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>6221</td>
<td>General Medical &amp; Surgical Hospitals</td>
<td>$17,373,492</td>
<td>65%</td>
<td>$40,879</td>
</tr>
<tr>
<td>6211</td>
<td>Offices of Physicians</td>
<td>$2,980,527</td>
<td>11%</td>
<td>$33,489</td>
</tr>
<tr>
<td>6231</td>
<td>Nursing Care Facilities</td>
<td>$2,058,828</td>
<td>8%</td>
<td>$20,796</td>
</tr>
<tr>
<td>6212</td>
<td>Offices of Dentists</td>
<td>$1,860,825</td>
<td>7%</td>
<td>$24,485</td>
</tr>
<tr>
<td>6239</td>
<td>Other Residential Care Facilities</td>
<td>$1,259,990</td>
<td>5%</td>
<td>$29,302</td>
</tr>
<tr>
<td>6213</td>
<td>Offices of Other Health Practitioners</td>
<td>$411,534</td>
<td>2%</td>
<td>$15,242</td>
</tr>
<tr>
<td>6241</td>
<td>Individual &amp; Family Services</td>
<td>$369,978</td>
<td>1%</td>
<td>$26,427</td>
</tr>
<tr>
<td>6244</td>
<td>Child Day Care Services</td>
<td>$128,685</td>
<td>0%</td>
<td>$9,149</td>
</tr>
<tr>
<td>6233</td>
<td>Community Care Facilities for the Elderly</td>
<td>$67,305</td>
<td>0%</td>
<td>$22,435</td>
</tr>
<tr>
<td>6214</td>
<td>Outpatient Care Centers</td>
<td>$56,577</td>
<td>0%</td>
<td>$18,859</td>
</tr>
<tr>
<td>6242</td>
<td>Community Food &amp; Housing, Emergency Services</td>
<td>$56,558</td>
<td>0%</td>
<td>$14,140</td>
</tr>
<tr>
<td>62</td>
<td>Health Care Sub-Total</td>
<td>$26,623,699</td>
<td>100%</td>
<td>$33,405</td>
</tr>
</tbody>
</table>
Taxable Retail Sales

Anacortes’ Taxable Retail Sales (TRS) were $388.7M in 2007 (Exhibit 3.9).
1. Retail Trade – the largest segment at $147.3M, or 38% of total TRS.
2. Construction – the second largest segment, slightly more than half the size of retail at $88.9M, or 23% of total TRS.
3. Accommodations & Food Services – the third largest segment, but less than half of construction and a fifth of retail, at $33.3M, or 9% of total TRS.
4. Wholesale Trade – is $28.5M, or 7% of total TRS
5. Manufacturing – is $20.8M, or 5% of total TRS.

Top 5 industries generate 82% of Anacortes’ Taxable Retail Sales
• Anacortes has experienced year over year growth in taxable retail sales. Increasing 149%, from $261M in 2003 to $388M in 2007 (Exhibit 3.10).
• Growth in Retail TRS has been less consistent than the overall growth in TRS. Declines in Retail TRS were experienced in 2005 & 2006, rebounding in 2007 to 2005 levels.
  ■ See additional analysis Exhibit 3.11, page 52.
• Construction TRS has grown steadily from 2003; increasing 250% in this 5 year period. Sales increased from $35M in 2003 to $88M in 2007. Construction increased from 13% of total TRS in 2003, to 23% in 2007.
  ■ See additional analysis Exhibit 3.14, page 55.
• Motel Accommodations & Food Services has experienced steady growth from 2003 to 2007; increasing 144%, TRS grew from $23M to $33M during this period.
  ■ See additional analysis Exhibit 3.15, page 56.
  ■ See additional analysis Exhibit 3.16, page 57.
• Manufacturing TRS increased 66% from 2004 to 2005, increasing from $18M to $30M; however Manufacturing TRS has been in decline from 2005 to 2007. Manufacturing TRS has fallen to $20M in 2007, down 30% from its high in 2005.
  ■ See additional analysis Exhibit 3.17, page 58.
Retail TRS have declined 3.5% in 2007, from the high in 2004; total Retail TRS fell from $151M in 2004 to $146M in 2007.

The largest segment within Retail TRS is the Automobile Dealers. In 2007, Automobile Dealers generated $42M in sales, for 29% of Retail TRS.

- At $42M, Auto Dealers TRS is 11% of total TRS generated within the city.
- Auto Dealer TRS in 2007 has declined 38% from the high of $68M, reached in 2004.
  - Auto Dealer TRS remained flat between 2006 & 2007 at $42M.
  - See additional analysis Exhibit 3.16, page 54.
- Other Motor Vehicle Dealers (primarily Boat Dealers) has fluctuated from 2003 to 2007. During this period TRS has ranged from $15M in 2004, to $30M in 2007.
  - See additional analysis Exhibit 3.13, page 55.
- Food and Beverage Stores have grown steadily from $15M in 2003, to $18M in 2007.
- Misc. Store Retailers (office supplies, florists, used merchandise, other misc. retailers, etc.) has grown steadily from $7M in 2004 to $13M in 2007.

**MID-YEAR 2008 UPDATE**—comparing 1st 6-months of 2008 to 2007

- Retail TRS were down 19% year over year
- New & Used Auto Dealers were down 39%
- RV, Boat & Motorcycle Dealers were down 31%
- Misc. Retailers were down 5%
- Several segments are up over 2007
  - Building Materials—100%, Food & Beverage—105%, Drug & Health—107%, Toys Book and Music—106%

EXHIBIT 3.11
ANACORTES RETAIL TRS
2003 – 2007 TREND
Automobile Dealers Taxable Retail Sales (Exhibit 3.12)

- March Point was annexed into the city limits of Anacortes in 1999, which brought the Taxable Retail Sales from the auto dealerships located there to the city.
- **Automobile TRS** peaked in 2001, with $78M in sales.
- Since reaching their highpoint in 2001, **Auto TRS** has fallen 46% to $42M in 2007.
- **New Car Dealer TRS** has been relatively stable with sales of about $10-15M annually; but recent years have been on the low end of the range at $11M.
- **Used Car Dealer TRS** has fallen 50%, from $62M in 2001 to $31M in 2007.
Boat Brokerage Taxable Retail Sales (Exhibit 3.13)

- Boat sales in Washington have increased from $300M in 2001 to $447M in 2007.
- Anacortes boat sales increased from $8M in 2001 to $30M in 2007.
- Anacortes boat sales grew at a faster rate than Washington from 2001 to 2007.
- Anacortes sales in 2006 fell to $19M, rebounding to $30M in 2007.

- For most years, Anacortes grew faster than overall sales in Washington
- From 2000 to 2007, Anacortes went from 2% to 7% of Washington boat sales
Construction Taxable Retail Sales (Exhibit 3.14)

- **Construction** TRS increased from $35M in 2003 to $88M in 2007; an increase of 250%.
- **New Single Family Housing Construction** TRS was $18.4M in 2007, down from $22.5M in 2005.
  - Decline in TRS is consistent with industry downturn
- **Commercial & Industrial Building Construction** TRS has increased steadily from $5.2M in 2004, to $24.7 in 2007; a 475% increase in 4 years.
  - Sustainability of TRS growth in this segment in question
- **Highway, Street and Bridge Construction** TRS was $8.2M in 2007, up 1,285% from the prior year.
  - Sustainability of TRS levels questionable
- **Other Heavy and Civil Engineering Construction** TRS was $4.2M in 2007, down slightly from the $4.9M in 2006. This is up substantially from the $.5 to $1M of earlier years.
- **MID-YEAR 2008 UPDATE**—comparing 1st 6-months of 2008 to 2007
  - Construction TRS was down 31%
Accommodations & Food Service Taxable Retail Sales
(Exhibit 3.15)

- At $33M in TRS for 2007, **Accommodations & Food Service** is the 3rd largest industry segment for Taxable Retail Sales in Anacortes.
- The **Accommodations & Food Service** industry has experienced consistent growth from 2003 to 2007; slowing some in 2007.
- **MID-YEAR 2008 UPDATE**—comparing 1st 6-months of 2008 to 2007
  - Accommodation & Food Service was up 2%.

### Community Overview
**Our Local Economy**

EXHIBIT 3.15
**ANACORTES**
**ACCOMMODATIONS & FOOD SERVICE TRS 2003 – 2007 TREND**

<table>
<thead>
<tr>
<th>NAICS-Title</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>721-Accommodation sub-total</td>
<td>$4,431,614</td>
<td>$4,173,312</td>
<td>$5,333,769</td>
<td>$6,820,250</td>
<td>$6,646,532</td>
</tr>
<tr>
<td>7211-Traveler Accommodation</td>
<td>$4,027,670</td>
<td>$4,098,067</td>
<td>$4,853,349</td>
<td>$6,405,744</td>
<td>$6,275,704</td>
</tr>
<tr>
<td>7212-RV (Recreational Vehicle) Parks and Recreational Camps</td>
<td>$403,944</td>
<td>$75,245</td>
<td>$480,420</td>
<td>$414,506</td>
<td>$370,828</td>
</tr>
<tr>
<td>722-Food Services and Drinking Places sub-total</td>
<td>$18,769,523</td>
<td>$21,285,548</td>
<td>$23,140,651</td>
<td>$25,561,154</td>
<td>$26,651,558</td>
</tr>
<tr>
<td>7221-Full-Service Restaurants</td>
<td>$9,801,478</td>
<td>$11,978,148</td>
<td>$12,552,477</td>
<td>$13,747,515</td>
<td>$13,178,658</td>
</tr>
<tr>
<td>7222-Limited-Service Eating Places</td>
<td>$8,392,058</td>
<td>$9,007,130</td>
<td>$10,320,587</td>
<td>$10,853,775</td>
<td>$11,496,733</td>
</tr>
<tr>
<td>7223-Special Food Services</td>
<td>$339,146</td>
<td>$96,093</td>
<td>$75,100</td>
<td>$82,237</td>
<td>$1,020,675</td>
</tr>
<tr>
<td>7224-Drinking Places (Alcoholic Beverages)</td>
<td>$236,841</td>
<td>$204,177</td>
<td>$192,487</td>
<td>$137,485</td>
<td>$955,492</td>
</tr>
<tr>
<td>72-Accommodations &amp; Food Service Grand Total</td>
<td>$23,201,137</td>
<td>$25,458,860</td>
<td>$28,474,420</td>
<td>$32,381,404</td>
<td>$33,298,090</td>
</tr>
</tbody>
</table>
Wholesale Taxable Retail Sales (Exhibit 3.16)

- At $28.5M in TRS for 2007, Wholesale is the 4th largest industry segment for Taxable Retail Sales in Anacortes.
- Most segments in this industry have seen moderate growth in TRS from 2003 to 2007.
- Petroleum and Petroleum Products Merchant Wholesalers has experienced significant growth from $3M in 2003 to $14M in 2007.
- MID-YEAR 2008 UPDATE—comparing 1st 6-months of 2008 to 2007
  - Non-durable Goods was up 89%,
  - Overall Wholesale Trade was up 138%, increasing from $11M to $15M
Manufacturing Taxable Retail Sales (Exhibit 3.17)

- At $18.9M in TRS for 2007, Manufacturing is the 5th largest industry segment for Taxable Retail Sales in Anacortes.
- Wood Product Manufacturing is the largest segment within the Manufacturing industry, at $8M TRS in 2007.
- Ship Building & Repairing produced $3.8M TRS in 2007; down from 2006, but up from earlier years.
- At $3M TRS, Computer and Electronic Product Manufacturing increased significantly in 2007.
- Miscellaneous Manufacturing has experienced steady growth from 2004, increasing TRS to $1.7M in 2007.
- Boat Building TRS declined 59% in 2007 to $1.6M. This is down significantly from the 2001-2006 average TRS of $4.5M.
  - Note: Boats manufactured in Anacortes, but delivered outside Washington waters do not pay state sales tax.
- MID-YEAR 2008 UPDATE—comparing 1st 6-months of 2008 to 2007
  - Manufacturing TRS was down 30%
Economic Summary by Industry

The following table provides a comparative ranking of Anacortes’ industries/industry segments based upon their employment, wages, quality of wages and taxable retail sales.

The table below compares direct input and outputs; it does not include indirect or imputed benefits, therefore this analysis may not fully represent the industry’s full contribution in Anacortes’ economy. But to the extent direct impacts are related to indirect and imputed benefits, this can be used as a tool to compare industry contributions to each other.

Each industry/industry segment earned a score that is in the right hand column of the table. The score is determined by the ranking of the industry/industry segment for each of the following categories: number of employees, total wages, average wages and 2007 Taxable Retail Sales. Exhibit 3.18 lists the industries in descending order by total score.

<table>
<thead>
<tr>
<th>Rank</th>
<th>NAICS</th>
<th>NAICS Definition</th>
<th>Number of Employees</th>
<th>Total Wages</th>
<th>Average Wages</th>
<th>2007 TRS</th>
<th>Number of Employees</th>
<th>Total Wages</th>
<th>Average Wages</th>
<th>2007 TRS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>23</td>
<td>Construction</td>
<td>590</td>
<td>$19,608,095</td>
<td>$33,234</td>
<td>$88,809,378</td>
<td>18</td>
<td>20</td>
<td>9</td>
<td>24</td>
<td>71</td>
</tr>
<tr>
<td>2</td>
<td>324</td>
<td>Petroleum</td>
<td>771</td>
<td>$73,115,412</td>
<td>$94,832</td>
<td>21 24 24 0 69</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>442-454</td>
<td>retail less auto &amp; boats</td>
<td>786</td>
<td>$17,710,814</td>
<td>$22,533</td>
<td>$73,822,032</td>
<td>22</td>
<td>19</td>
<td>4</td>
<td>23</td>
<td>68</td>
</tr>
<tr>
<td>4</td>
<td>48-49</td>
<td>Transp &amp; Warehousing</td>
<td>355</td>
<td>$15,410,968</td>
<td>$42,572</td>
<td>$8,800,132</td>
<td>14</td>
<td>16</td>
<td>19</td>
<td>15</td>
<td>64</td>
</tr>
<tr>
<td>5</td>
<td>62</td>
<td>Health Care</td>
<td>797</td>
<td>$26,623,689</td>
<td>$33,405</td>
<td>$774,096</td>
<td>24</td>
<td>23</td>
<td>10</td>
<td>5</td>
<td>62</td>
</tr>
<tr>
<td>6</td>
<td>4411</td>
<td>Auto dealers</td>
<td>139</td>
<td>$7,010,510</td>
<td>$50,435</td>
<td>$42,138,265</td>
<td>7</td>
<td>9</td>
<td>22</td>
<td>22</td>
<td>60</td>
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<tr>
<td>7</td>
<td>61</td>
<td>Education</td>
<td>694</td>
<td>$21,544,763</td>
<td>$35,559</td>
<td>$965,774</td>
<td>20</td>
<td>22</td>
<td>14</td>
<td>4</td>
<td>60</td>
</tr>
<tr>
<td>8</td>
<td>72</td>
<td>Accommodation &amp; Food Service</td>
<td>795</td>
<td>$11,022,691</td>
<td>$13,865</td>
<td>$33,298,090</td>
<td>23</td>
<td>13</td>
<td>1</td>
<td>21</td>
<td>58</td>
</tr>
<tr>
<td>9</td>
<td>92-99</td>
<td>Public Admin</td>
<td>516</td>
<td>$21,482,071</td>
<td>$41,632</td>
<td>19 18 14 0 55</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>71</td>
<td>Arts, Entertainment &amp; Recreation</td>
<td>613</td>
<td>$16,323,289</td>
<td>$26,629</td>
<td>$7,791,848</td>
<td>19</td>
<td>18</td>
<td>5</td>
<td>11</td>
<td>53</td>
</tr>
<tr>
<td>11</td>
<td>336611</td>
<td>Manufact. less petro., food, transp., Equip., wood</td>
<td>323</td>
<td>$11,937,814</td>
<td>$36,959</td>
<td>$7,309,067</td>
<td>12</td>
<td>15</td>
<td>15</td>
<td>10</td>
<td>52</td>
</tr>
<tr>
<td>12</td>
<td>3366111</td>
<td>Ship Building and Repairing</td>
<td>158</td>
<td>$7,533,445</td>
<td>$47,680</td>
<td>$3,767,769</td>
<td>10</td>
<td>11</td>
<td>20</td>
<td>9</td>
<td>50</td>
</tr>
<tr>
<td>13</td>
<td>81 &amp; 99</td>
<td>Other Services &amp; Unclassified</td>
<td>401</td>
<td>$8,820,601</td>
<td>$21,997</td>
<td>$14,225,134</td>
<td>15</td>
<td>12</td>
<td>3</td>
<td>18</td>
<td>48</td>
</tr>
<tr>
<td>14</td>
<td>336612</td>
<td>336612-Boat Building</td>
<td>355</td>
<td>$11,699,580</td>
<td>$34,924</td>
<td>$1,651,911</td>
<td>13</td>
<td>14</td>
<td>12</td>
<td>8</td>
<td>47</td>
</tr>
<tr>
<td>15</td>
<td>52</td>
<td>Finance Sub-Total</td>
<td>147</td>
<td>$7,324,546</td>
<td>$49,827</td>
<td>$1,363,124</td>
<td>8</td>
<td>10</td>
<td>21</td>
<td>7</td>
<td>46</td>
</tr>
<tr>
<td>16</td>
<td>42</td>
<td>Wholesale Sub-Total</td>
<td>62</td>
<td>$2,341,446</td>
<td>$37,765</td>
<td>$28,527,205</td>
<td>5</td>
<td>4</td>
<td>16</td>
<td>19</td>
<td>44</td>
</tr>
<tr>
<td>17</td>
<td>55 &amp; 56</td>
<td>Management Admin &amp; Waste Services</td>
<td>189</td>
<td>$5,933,025</td>
<td>$31,392</td>
<td>$8,303,833</td>
<td>11</td>
<td>6</td>
<td>7</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td>18</td>
<td>11</td>
<td>AG-Forestry-Mining</td>
<td>56</td>
<td>$5,224,779</td>
<td>$93,300</td>
<td>$1,186,133</td>
<td>4</td>
<td>7</td>
<td>23</td>
<td>6</td>
<td>40</td>
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<tr>
<td>19</td>
<td>311</td>
<td>Food manufacturing</td>
<td>572</td>
<td>$15,429,135</td>
<td>$26,974</td>
<td>$28,344</td>
<td>17</td>
<td>17</td>
<td>6</td>
<td>0</td>
<td>40</td>
</tr>
<tr>
<td>20</td>
<td>54</td>
<td>Prof. Scientific &amp; Tech Services</td>
<td>114</td>
<td>$4,020,804</td>
<td>$35,271</td>
<td>$8,303,833</td>
<td>6</td>
<td>6</td>
<td>13</td>
<td>13</td>
<td>38</td>
</tr>
<tr>
<td>21</td>
<td>53</td>
<td>Real Estate- Rental-Leasing</td>
<td>157</td>
<td>$3,069,026</td>
<td>$19,548</td>
<td>$12,060,514</td>
<td>9</td>
<td>5</td>
<td>2</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>22</td>
<td>51</td>
<td>Information</td>
<td>55</td>
<td>$1,880,445</td>
<td>$34,372</td>
<td>$9,431,685</td>
<td>3</td>
<td>3</td>
<td>11</td>
<td>16</td>
<td>33</td>
</tr>
<tr>
<td>23</td>
<td>4412</td>
<td>Boat Dealers</td>
<td>49</td>
<td>$1,595,939</td>
<td>$32,570</td>
<td>$30,202,247</td>
<td>2</td>
<td>2</td>
<td>8</td>
<td>20</td>
<td>32</td>
</tr>
<tr>
<td>24</td>
<td>321</td>
<td>321-Wood Product Manufacturing</td>
<td>23</td>
<td>$938,463</td>
<td>$40,803</td>
<td>$8,002,016</td>
<td>1</td>
<td>1</td>
<td>17</td>
<td>12</td>
<td>31</td>
</tr>
</tbody>
</table>

1. Construction Industry
   a. At $89M, it provided Anacortes the most TRS in 2007; Construction also employs almost 600 people generating almost $20M in total wages.
   i. Employment & wage data was collected in 2004/2005 therefore may not reflect recent economic downturn.
   c. Total Construction TRS peaked in 2007 at $89M. If TRS returns to average levels experienced in 2001-2004 of $41M, a reduction of $48M (54%) would occur.

2. Petroleum Manufacturing (refining)
   a. The refineries are Anacortes’ single largest wage producer. At $73M, they provide 23%
of all the wages produced in Anacortes and the highest average annual wage of almost $95,000. With 771 employees, refineries are also one of Anacortes’ largest employers.

b. Of the 150 US Refineries at the beginning of 2008, Anacortes refineries are listed as number 50 (Shell) and 58 (Tesoro) in capacity, 145,000 and 120,000 bpd refining capacity.
   i. Anacortes is Shell Products US’s 2nd largest refinery, providing 33% of their US refining capacity.
   ii. Anacortes is Tesoro’s 2nd largest refinery, providing 18% of their US refining capacity.

3. Retail (less auto & boat dealers)
   a. Retail employs 9% (786) of the people in Anacortes and generates $18M in total wages. These jobs are generally, low-skilled, part-time and/or entry-level jobs with an average wage of $22,533. They generally serve residents (i.e. grocery, hardware & office stores) and visitors/tourists (i.e. specialty retail shops).
   b. Retail, less autos and boat dealers, generated almost $74M in TRS during 2007; the second highest industry/industry segment for TRS in this analysis.
   c. Retail TRS (less auto & boat dealers) for the first half of 2008 versus that of 2007 were flat year over year at $35M; demonstrating different market dynamics than the overall Retail industry which was down 19% during the same period.

4. Transportation & Warehousing
   a. Industry includes: WSDOT Ferries, Port & Harbor Operations, Whale Watching, Freight Handlers, Postal Service, etc.
   b. With 153 employees, WSDOT is almost 50% of this industry. The average annual WSDOT wage of $58,114; contributing significantly to the total wages paid in this industry of $15M.

5. Health Care
   a. With 797 employees (9.2% of Anacortes workers) Health Care employs more than any other industry/industry segment in Anacortes.
   b. At approximately $27M, Health Care is second only to the Petroleum Industry in the total amount of wages generated.
   c. About 200 people are employed through medical offices, 425 people are employed through Island Hospital and about 150 people are employed through elder care facilities.
   i. Note: Employment data is from 2004/2005. Island Hospital estimates 2007 employment at 575, with a payroll of $25M.

6. Auto Dealers
   a. Auto Dealers employ 139 people with $7M in total wages. An annual average wage of $50,435.
   b. 2007 Auto Dealer TRS was $42M, about 11% of the total TRS for the year.
   i. Even at $42M, Anacortes’ per capita sales are about $2,500; approximately $1,000 more than the average for Washington State.
   c. Anacortes’ Auto Dealer TRS has fallen 46%, from $77M in 2001.

7. Education
   a. Education employs 8% (694) of Anacortes’ workers, generating $22M in total wages annually.
   b. Includes Anacortes School District and Educational Service District
8. Accommodation & Food Services
   a. With 795 employees, Accommodations & Food Services is an industry with Anacortes’ second highest number of employees; 9.1% of total employment.
   b. Accommodations & Food Services provided $33M in TRS for 2007; 8.5% of total TRS.
      i. TRS has steadily increased year over year since 2002, increasing from $21M to $33M in 2007.
   c. Total wages generates are $11M and average annual wages are $13,865
      i. Many positions within this industry are part-time

9. Public Administration
   a. Includes local government, tribal and conservation agencies; with total employment of 516 people and $21M in total wages.
      i. The City of Anacortes employs about 200 people with about $9.5M in total wages.
      ii. Tribal agencies employ 257 people with total wages of $10M.

10. Arts, Entertainment & Recreation
    a. Includes independent artists, bowling centers, casinos, fitness & recreational centers, marinas, golf courses and other gambling industries; employing 613 people, generating $16M in total wages and $8M in TRS.
       i. Casinos employ about 300 people; with total wages of $9M.
       ii. Marinas (not including Cap Sante) employ 105 people; with total wages $4M and $4.2M in TRS.

11. Manufacturing (less petroleum, food, transp. equip. & wood manufacturing)
    a. Miscellaneous manufacturing organizations employs 323 people; generating $12M in total wages and $7.3M in TRS.

12. Ship Building & Repair
    a. Employs about 158 people; generating $7.5M in total wages and $3.8M in TRS.
       i. Employment in this segment has increased to about 350 since the employment data was collected.

13. Other Services & Unclassified Businesses
    a. Includes auto repair, car washes, beauty/nail salons, dry cleaning, funeral homes, pet care, civic organizations, private households, etc.
    b. Various services employ 401 people; generating $8.8M in total wages and $14M in TRS.

14. Boat Building
    a. Employs 335 people; generating $12M in total wages and an average annual wage of $34,924.
    b. Boat Building generated $1.7M in TRS during 2007. 2007 TRS was down from the prior 5 year average of $4.5M.

15. Finance
    a. Includes banks, financial planners, etc. and employs 147 people with $7.3M in total wages.

16. Wholesale
    a. Includes durable and non-durable goods.
    b. Employs 62 people with $2.3M in total wages.
    c. The Wholesale industry had $28.5M in TRS for 2007.
    d. TRS has experiences significant growth in the past five years, driven
largely by Petroleum & Petroleum Products wholesalers

17. Management, Administrative, Support & Waste Services
   a. Includes corporate & regional offices; landscaping, carpet cleaning and
      janitorial services, septic and waste services.
   b. Employs 188 people; generating $6M in total wages and $8.3M in TRS.

18. Ag, Forestry, Mining
   a. Employs 56 people; generating $6M in total wages.
   b. About half (29) of this industry is fishing with total wages of $4.6M. Average annual wages for fishing are about $160,000, providing most of the wages in this segment.

19. Food Manufacturing
   a. Includes confectionary, fresh & frozen seafood, retail bakeries, seafood canning, fresh & frozen seafood processing.
   b. The Food Manufacturing industry segments employs 572 people; generating $15.4M in total wages and $29,344 in TRS during 2007.
   c. Most (429) are employed in the Fresh & Frozen Seafood Processing segment; generating $13.6M total wages. Average annual wages are $31,688.
   d. Seafood Canning employs 96 people; generating $1.4M in total wages or $14,412 in average annual wages.

20. Professional, Scientific & Technical Services
   a. Includes legal, accounting, architectural, design, advertising, veterinary and scientific research services.
   b. Employs 114 people; generating $4M in total wages and $8.3M in TRS during 2007.

21. Real Estate, Rental & Leasing

22. Information
   a. Includes publishing, broadcasting, internet publishing, telecommunications, and internet services.
   b. Employs 55 people; generating $1.8M in total wages and $9M in TRS for 2007 (mostly from telecommunications).

23. Boat Dealers
   a. Employs 49 people; generating $1.6M in total wages and $30M in TRS for 2007.
      i. Anacortes’ per capita Boat Sales are $1,812 vs. the WA state average of $207. Anacortes is 8.7 times greater than the state average.

24. Wood Product Manufacturing
   a. Sawmills employ 23 people; generating 1M in total wages and $8M in TRS for 2007.
Demographics

Anacortes population trends

- Significant growth
  - 1900-1930
  - 1980-2000

- Moderate growth
  - 1940-1960
  - 2000-present

- Population decline
  - 1930s
  - 1960s

Projecting Anacortes’ population using the trend experienced between 2000 to 2008

- 2015 – 18,507
- 2020 – 19,922
- 2025 – 21,217

2007 Comprehensive Plan estimates population at build-out:

- 19,300
- 20,300 w/ development in CM & CM1 zones

Anacortes is forecasted to reach build-out within 15 – 20 years.
Anacortes is aging.
- People 55+
  - 2000 = 32%
  - 2008 = 35%
- Median Age
  - 2000 = 42.6
  - 2008 = 45.8

Young people are making up a smaller share of the community
- 19 and under
  - 2000 = 26%
  - 2008 = 23%
- Population in their prime employment years (between 25 & 44) have declined from 25% in 2000 to 21% in 2008.
- This finding reverses a trend noted in an earlier Berk Study that compared 1990 to 2000 data for 65+ populations. They found the older population was shrinking as a portion of the population due to increases in younger age groups.

Anacortes’ population is older than Skagit County or Washington State populations.
- People 55+ in 2008
  - Anacortes = 35%
  - Skagit Co. = 27%
  - WA = 23%
- Median Age
  - Anacortes = 45.8
  - Skagit Co. = 39.0
  - WA = 37.0

Aging Baby Boomers and Anacortes’ desirable living will likely cause the aging of Anacortes to continue.
Median Household Income has increased in Anacortes from 2000 to 2008.
- 2000 = $42,216
- 2008 = $54,412

Households with $100,000+ income
- 2008 = 17%
- 2000 = 9%

Anacortes’ Median Household Income is slightly (1%) higher than Skagit County; however it is 11% lower than that of the state.

Median Household Income
- Anacortes = $54,412
- Skagit Co. = $53,854
- WA State = $60,823

Households with $100,000 Income
- Anacortes = 17%
- Skagit Co. = 17%
- WA State = 22%
Graph and comments from Berk Study (Exhibit 3.25): Anacortes and the trade area have higher median household income levels than all neighboring cities and about the same as the Skagit County average. The higher income levels shown are good indicators of disposable income and spending power to support retail.

- Anacortes has lower percentage of households with earnings than the county, state or national levels.
- Anacortes has a substantially higher percentage of households with Social Security income.
- A larger portion of Anacortes households have Retirement income than the county, state or national levels.
The information in Exhibit 3.27 was presented in Berk’s April 2008 study, showing Anacortes with higher education levels than neighboring cities, except LaConner and the Central Puget Sound Area.

The percentage of Anacortes residents with a college degree (associates, bachelor and graduate degrees) has increased from 22% in 1990, to 39% in 2006 (Exhibit 3.28).
Market Segmentation Information

The following information was obtained from ESRI. Additional information on their methodology can be obtained at www.esri.com.

The Community Tapestry system segments the U.S. population into 65 market segments based on their socioeconomic and demographic compositions. The 65-segments are grouped into 12-LifeMode groups based on lifestyle and lifestage composition. Exhibit 3.30 identifies the market segments and associated LifeMode groups for Anacortes and comparative data for Skagit County and Washington State.
LifeMode Groups Summary

L2. Upscale Avenues – At 33.1% of Anacortes’ households, this LifeMode Group is the largest of the 5 groups comprising Anacortes’ population, roughly twice the proportion found for the county or state. Prosperity is the overriding attribute shared by the segments in Upscale Avenues. Success has been earned from years of hard work. Similar to the High Society segments, many in this group are also well educated with above average earnings.

L4. Solo Acts – Comprised of only one market segment (Old and Newcomers) and is comprised largely of individuals either starting out or entering into retirement and are primarily renters. This segment is 12.3% of Anacortes’ households which is three times greater than the state and six times greater than the county for this segment. Anacortes’ older population suggests Solo Acts may be retirees more than newcomers.

L5 Senior Styles – Senior Styles is the second largest segment at 28.7% of Anacortes’ households and makes up a greater portion of our community than either the county or the state – by a factor of two and three respectively. This LifeMode group covers a wide of incomes, most received through retirement incomes and Social Security payments. This group may reside in single-family homes, apartments, retirement homes, or high-rises.

L10. Traditional Living – The Traditional Living LifeMode Group represents the common perception of the Middle America: hardworking, settled families. The group’s higher median age of 37.8 years conveys their lifestage - a number of older residents who are completing their child-rearing responsibilities looking forward to retirement. This group comprises 15.4% of Anacortes’ households; down from the county’s 25.8% and up from the state’s 10.6%.

L12. American Quilt – This group represents a diverse microcosm of small-town life. Manufacturing and agriculture workers remain part of the local economy, but American Quilt also includes local government, service, construction, communication, and utility workers. American Quilt includes the Rural Resort Dwellers segment, an older population that is retiring to seasonal vacation spots. Anacortes’ American Quilt is comprised almost entirely by Rural Resort Dwellers (9.9% of 10.5%) and is comparable to the county’s proportion of Rural Resort Dwellers, but is almost three times that of the state.

Mid-life and later segments comprise almost 50% of Anacortes’ households, and is significantly greater than that of the county (28.1%) and the state (9.5%).

Market Segmentation Definitions

Green Acres – 29.2% of Anacortes Households

Demographics
Married couples, with and without children, comprise 71 percent of the households in Green Acres. Many families are comprised of blue-collar baby boomers, many with children aged 6–17 years. With more than 10 million people, Green Acres represents the third largest population of all the Community Tapestry markets, currently more than 3 percent of the U.S. population, and growing by 1.6 percent annually. The median age is 40.6 years. This segment is not ethnically diverse; 93 percent of the residents are white.

Socioeconomics
Green Acres residents are educated and hardworking; more than half who are aged 25 years and older hold a degree or attended college. Labor force participation is approximately 69 percent, with higher employment concentrations in the manu-
facturing, construction, health care, and retail trade industry sectors. Seventeen percent of households derive income from self-employment ventures. Occupation distributions are similar to the United States. The median household income is $63,922, and the median net worth is $163,372.

**Cozy & Comfortable – 3.9% of Anacortes Households**

*Demographics*

Cozy and Comfortable residents are middle-aged, married couples, comfortably settled in single-family homes in older neighborhoods. The median age is 41.9 years, slightly older than that of the U.S. median. Most residents are married, without children, or married couples with school-age and adult children. This is a relatively large segment, with 8.6 million people (the fifth largest population of all the Community Tapestry segments), and growing moderately by 0.7 percent annually. Most of the residents in this segment are white.

*Socioeconomics*

Although the labor force is older, they are in no hurry to retire. The labor force participation rate of 66 percent is above average. Unemployment is relatively low, at 5 percent. Employed residents represent a range of occupations, from professional or managerial to service, in a variety of industries. Occupation distributions are similar to U.S. values. The median household income is $65,768. Income is derived from wages and salaries for 80 percent of Cozy and Comfortable households. Forty-six percent of households receive income from investments. The median net worth for this market is $176,556.

**Old & Newcomers – 12.3% of Anacortes Households**

*Demographics*

Old and Newcomers neighborhoods are in transition, populated by renters who are starting their careers or those who are retiring. The proportion of householders either in their 20s or aged 75 or older is higher than the proportion at the U.S. level. The median age of 37.0 years simply splits this age disparity. These neighborhoods have more single-person and shared households than families. The majority of residents are white, but the racial diversity is very similar to the U.S. level of diversity.

*Socioeconomics*

Labor force participation is above average at 66 percent, but the unemployment rate mirrors the U.S. rate. The median household income of $42,971 and the median net worth of $74,682 are below the U.S. medians. Educational attainment is above average as is college and graduate school enrollment. The distribution of employed residents by occupation is similar to the U.S. distribution, with slightly higher proportions of workers in food preparation and office/administrative support positions.

**Prosperous Empty Nesters – 13.4% of Anacortes Households**

*Demographics*

Fifty-seven percent of householders in the Prosperous Empty Nesters segment are aged 55 years or older. Forty percent of households are composed of married couples with no children living at home. Residents are enjoying the life stage segue from child rearing to retirement. The median age is 48.5 years. Population growth in this segment is increasing slowly, at 0.6 percent annually, but the pace is likely to accelerate as the baby boomers mature. Prosperous Empty Nesters residents are not ethnically diverse; 90 percent are white.

*Socioeconomics*

With a median net worth of $228,809, Prosperous Empty Nesters invest prudently for the future. The median household income is $69,834. Although 71 percent of households derive income from wages and salaries, 59 percent receive income from investments, 38 percent collect Social Security benefits, and 28 percent receive retirement income. Approximately 40 percent of residents aged 25 years and older hold a bachelor’s or graduate degree; another 29 percent have attended college. Many Prosperous Empty Nesters residents are still working in well-established careers holding professional and management positions, especially in the education and health care industry sectors.
Silver & Gold – 15.3% of Anacortes Households

Demographics
With a median age of 59.3 years, Silver and Gold residents are the second oldest of the Community Tapestry segments. More than 70 percent of the householders are aged 55 years or older. Most of them are retired from professional occupations. Half of the households are composed of married couples without children. This market is small, less than 1 percent of all U.S. households, but annual household growth is 3.2 percent. Silver and Gold residents are not ethnically diverse; 94 percent are white.

Socioeconomics
These are wealthy, educated seniors. Their median household income is $71,170, and their median net worth is $294,059. Fifty-six percent of households still receive wages or salary income, half collect Social Security benefits, 63 percent receive income from investments, and 35 percent collect retirement income. Labor force participation is low at 44 percent. Only 28 percent of the population aged 16 years or older is employed full-time. The percentage of those working from home is higher than the U.S. worker percentage, and nearly one-fourth of employed residents are self-employed, also higher than the U.S. level.

Mainstreet, USA – 5.3% of Anacortes Households

Demographics
Main Street, USA neighborhoods are a mix of household types, similar to the U.S. distribution. Approximately half of the households are composed of married-couple families, nearly one-third are single-person or shared households, and the rest are single-parent or other family households. The median age of 36.7 years matches the U.S. median. The majority of these residents are white.

Socioeconomics
The median household income for this market is $55,144. Income is mainly derived from wages. The proportion of households with income from other sources is similar to the U.S. distribution. Named appropriately, it is not surprising that the Main Street, USA market also exhibits occupation and industry distributions similar to the United States. The median net worth is $114,319. Approximately one-fifth of residents aged 25 years and older have earned a bachelor’s or graduate degree; 30 percent have attended college.

Midlife Junction – 10.1 % of Anacortes Households

Demographics
Midlife Junction residents are phasing out of their childrearing years. The median age is 41.1 years; nearly one-fifth of residents are aged 65 years or older. Households in this market include a variety of family types as well as singles that live alone or share housing. Nearly half of the households are composed of married-couple families; 31 percent are single-person households. Most of these residents are white.

Socioeconomics
Most Midlife Junction residents are still working, although at 61 percent, the labor force participation rate is slightly below average. One-third of the households are now drawing Social Security benefits. Both the median household income of $47,683 and the median net worth of $106,734 are slightly below the U.S. medians. Educational attainment levels are comparable to U.S. levels.

Rural Resort Dwellers – 9.9 % of Anacortes Households

Demographics
Preferring milder climates and pastoral settings, Rural Resort Dwellers residents live in rural nonfarm areas throughout the United States. The chief household type (39 percent of households) for this segment is a married couple with no children living at home. Other significant household types include singles that live alone (24 percent) and married couples with children (21 percent). This somewhat older segment has a median age of 46.9 years. Approximately 35 percent of the population and half of the householders are aged 55 years or older. There is little diversity in these communities: most residents are white.
Socioeconomics
Although retirement officially looms for many Rural Resort Dwellers residents, most of them still work. The median household income is $47,311, slightly below the U.S. level. Six percent of all who are employed work at home, twice that of the U.S. percentage. Because of the higher-than-average presence of residents aged 65 or older, receipt of retirement income and Social Security benefits is common for these households. More than two-fifths of households collect investment income; approximately one-fifth earn self-employment income. More than half of the population aged 25 years and older holds a bachelor’s or graduate degree or has attended college, comparable to the U.S. level. The median net worth is $105,077, slightly below the U.S. median.

Rooted Rural – 0.7 % of Anacortes Households
Demographics
The population of the Rooted Rural segment is slightly older, with a median age of 41.9 years. Married-couple families dominate these rural neighborhoods; however, 23 percent of households are occupied by singles that live alone. More of the married-couple families are empty-nesters than those who have children. Householders in this market are older; 45 percent are aged 55 years or older. There is little ethnic diversity in the Rooted Rural segment; 88 percent of the residents are white.

Socioeconomics
The median household income for this segment is $37,509; the median net worth is $57,839. The labor force participation of 57 percent is below the national level. One-third of the households receive Social Security benefits. Although the agricultural industry is more prominent in this market than at the U.S. level, many employed residents work in the service and manufacturing industry sectors. Overall, 73 percent of residents have graduated from high school. Only 11 percent hold a bachelor’s or graduate degree.
Housing

- Housing units increased 14% from 2000 to 2008.
- Occupied housing remains steady at 93%.
- Owner occupied housing increased 3% to 67%.
- Renter occupied fell to 25.8%.
- Occupied housing consistent with county and state.
- Owner occupied higher in Anacortes & Skagit than state.

<table>
<thead>
<tr>
<th></th>
<th>Census 2000</th>
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<tr>
<td></td>
<td>Number</td>
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<tr>
<td>Total Housing Units</td>
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<tr>
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<td>6,086</td>
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<td>Owner</td>
<td>4,190</td>
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</table>

Lower valued homes (<$200,000) are scarce in Anacortes.
- Anacortes  7%
- Skagit County  20%
- WA State  24%

Mid-valued homes ($200,000 - $499,999) comprise the largest segment of housing.
- Anacortes  70%
- Skagit Co.  63%
- WA State  56%

High-valued homes (>=$500,000) have a smaller variation in this comparison.
- Anacortes  23%
- Skagit Co.  18%
- WA State  20%

Anacortes home building experienced peaks and valleys through the years. Since 2004, Anacortes home building has declined each successive year. Average annual build over 10 year period = 147 units.

**EXHIBIT 3.34**
HOUSING UNITS BY UNITS IN STRUCTURE (2000 CENSUS)

<table>
<thead>
<tr>
<th>Number</th>
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<tr>
<td>4,928</td>
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<td>213</td>
<td>3.3%</td>
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<td>210</td>
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<td>228</td>
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<td>241</td>
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<tr>
<td>81</td>
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<td>202</td>
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<tr>
<td>0</td>
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**Single detached housing comprises 75% of housing units.**

**EXHIBIT 3.35**
HOMES BUILT PER YEAR IN ANACORTES

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<thead>
<tr>
<th>Year</th>
<th>WEST END</th>
<th>CENTRAL AREA</th>
<th>MAIN CORE &amp; SOUTH END</th>
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<tbody>
<tr>
<td>1998</td>
<td>425</td>
<td>395</td>
<td>753</td>
</tr>
<tr>
<td>1999</td>
<td>481</td>
<td>367</td>
<td>633</td>
</tr>
<tr>
<td>2000</td>
<td>475</td>
<td>385</td>
<td>639</td>
</tr>
</tbody>
</table>

**Estimated 10 year supply of buildable lots at average build rate of 147 annually (10 year average). Longer at lower rates.**

**EXHIBIT 3.36**
AVAILABLE HOME LOTS IN ANACORTES

- 2005: 1573
- 2007: 1481
- 2008: 1499

Source: City of Anacortes
• House prices increased substantially in Anacortes versus WA State or US
• Median household income for Anacortes rose at a rate similar to WA State and US
• Housing costs rising at a faster rate than income has made Anacortes less affordable – as highlighted in following Exhibit 3.39

In 1990, a median household income could afford a median priced home in Anacortes, WA State and the US; with household costs ranging from 26-27% of median household income.

In 2000, home values in Anacortes and WA increased at a rate faster than household income. As a result, housing costs of a median priced home take a higher proportion of the median household income.

In 2006, Anacortes’ home values increase at a dramatically faster rate than either WA or US averages. Costs associated with a median priced house in Anacortes are 63% of a median household income.
**SWOT Analysis**

**Purpose**

SWOT Analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective.

The AFP Team utilized the SWOT Analysis to identify key elements that should be considered when achieving our stated objective: *To be the most livable and economically vibrant waterfront community in the Pacific Northwest.*

### Anacortes Futures Project SWOT Analysis

<table>
<thead>
<tr>
<th><strong>STRENGTHS</strong></th>
<th><strong>WEAKNESSES</strong></th>
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<tbody>
<tr>
<td>Natural Beauty</td>
<td>Strategic Planning</td>
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<td>Boating Destination</td>
<td>Seasonality Impact</td>
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<td>Diversified Economy</td>
<td>Affordable Housing</td>
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<td>Proximity to Metro Areas</td>
<td>Labor Pool</td>
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<td>Water Resources</td>
<td>Land Availability</td>
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<td>Climate</td>
<td>General Merchandise Sales</td>
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<td>Tax Structure</td>
<td>Hospitality Options</td>
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<th><strong>OPPORTUNITIES</strong></th>
<th><strong>THREATS</strong></th>
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<td>SR20 Development</td>
</tr>
<tr>
<td>Increase Retail Capture</td>
<td>Unregulated Tribal Activity</td>
</tr>
<tr>
<td>Fidalgo Bay Waterfront</td>
<td>Economic Stagnation</td>
</tr>
<tr>
<td>SR 20 Development</td>
<td>Refinery Changes</td>
</tr>
<tr>
<td>Retiring Baby Boomers</td>
<td>Declining Economic Diversity</td>
</tr>
<tr>
<td>Ferry Traffic</td>
<td>Lack of Consensus</td>
</tr>
<tr>
<td>Marine Technology</td>
<td>Loss of Small-Town Feel</td>
</tr>
</tbody>
</table>
Strengths

• Natural Beauty
  ■ Anacortes is an island in North Puget Sound offering views and access to world-class natural beauty with islands and snow-capped mountains.
  ■ Boating Destination
  ■ North Puget Sound waters are popular for summer boating and sailing, for their access to the San Juan Islands, Gulf Islands and the Inside Passage to British Columbia and SE Alaska.
  ■ Anacortes is uniquely positioned and equipped to serve this market.
  ■ Anacortes offers the 2nd largest charter fleet in the world (after the Virgin Islands)
  ■ Diversified Economy
  ■ Anacortes’ economy is diversified across several industries; oil production, food processing, boat building, boat servicing, healthcare, tourism and retail.
  ■ Proximity to Metro Areas
  ■ Anacortes is located within a two-hour drive to two large, metropolitan areas.
    ▲ Making Anacortes an easy destination to reach for tourists
    ▲ Provides residents with amenities and activities offered by a large town; reducing the isolation one may feel living in a rural area.
  ■ Water Resources
  ■ Anacortes has access to a water supply that exceeds the city’s current and projected needs for its population and industry; using excess capacity to supply neighboring communities.
  ■ Climate
  ■ Our Marine West Coast climate provides moderate temperatures throughout the year and ideal weather in the summer months for outdoor activities.
  ■ Located within the rain shadow of the Olympic Mountains, we receive about 30% less annual rainfall than Seattle (26.5” versus 37.1”).
  ■ Tax Structure
  ■ The City of Anacortes & Skagit County has a lower retail sales tax than surrounding areas. At 8.2%, our sales taxes are between .2% and 1.0% less than neighboring counties.
    ▲ This advantage is reduced slightly after the voter approved .2% Transportation Levy

Weaknesses

• Strategic Planning
  ■ Local businesses and citizens have expressed a desire to see coordination between key stakeholders to define development that meet the needs of the community.
• Seasonality Impact
  ■ Seasonal variation is experienced in sales in the restaurant, food and beverage and hotel/motels segments during late spring and summer months due to tourism and owner’s of 2nd homes.
    ▲ The seasonality experienced is 10 – 20% greater than that experienced in either Skagit or King Counties for these segments
• Affordable Housing
  ▲ Due to our desirable location and an abundant demand for retirement and second homes, Anacortes’ housing prices have escalated at a rate much faster than the state or county; making home ownership in Anacortes difficult for local workers.
• Labor Pool
  ■ Most industries in town identify a lack of adequate skilled workers as an issue.
    ▲ Boat manufacturing and food processing operations in town estimate 80 – 90% of their workers commute to work from areas outside Anacortes.
Community Overview

SWOT Analysis

- Land Availability
  - Anacortes is located on an island and therefore opportunities for annexation are limited. Additionally, about 40% of the city’s land area is protected against development in our ACFL.
  - As we approach build-out for residential and commercial purposes, more thought needs to be given to the sustainability of the ultimate mix of land uses.
- General Merchandise Sales
  - Comparative analysis indicates Anacortes residents spend a significant amount of dollars in areas outside Anacortes.
    - Anacortes has a shortage of retail space when compared to our spending potential.
    - Anacortes can not compete directly with shopping options available in neighboring areas. Therefore, we need to determine what is likely available for re-capture.
- Hospitality Options
  - The number of lodging rooms available in Anacortes equals those of most towns our size. Anacortes isn’t tapping an expanded tourism market for lodging.
  - Most lodging is along the main roadways, not taking advantage of our water access and views.

Opportunities

- Tourism
  - Tourism contributes substantially to Anacortes’ economy through jobs, wages and sales taxes; however per capita comparisons suggest Anacortes does not capture more than the average.
- Increase Retail Capture
  - It is well known by residents, and it has been confirmed through analysis and surveys, Anacortes loses retail sales to other areas.
  - What is not understood is how much of these lost sales can be re-captured and what type of development is need to do so.
- SR 20 Development – March Point
  - A significant quantity of vacant land is available for development here.
  - High average traffic counts appears to be an positive aspect of its location
- Fidalgo Bay Waterfront Development
  - A significant quantity of commercial and industrial zoned uplands and tidelands property available for development and re-development
  - Potential in-water development: marina & launch facilities
- Retiring Baby Boomers
  - Anacortes provides retirees a desirable place to live and they create demand for our local housing industry.
  - Retirees bring income into the community and resulting jobs.
- Ferry Traffic
  - Serving the San Juan Islands and Sydney B.C., Anacortes has approximately 1.8 million transients traveling through town.
    - Focus can be applied to capture their spending as they pass through or an attempt to retain a share of the travelers in Anacortes would future enhance revenues.
- Marine Technology
  - Become a hub for marine based education
    - Anacortes will soon house the Marine Trades Skills Center school associated with the Skagit Valley College and Skagit school districts.
    - WWU’s Shannon Point campus is already in place
Threats

- SR 20 Development – March Point
  - An extensive amount of land is available for redevelopment in this area and could become a more desirable place for commercial development than redevelopment in the CBD.
  - Migration of business away from the CBD could depress property values in the CBD and prevent its redevelopment

- Unregulated Tribal Activity
  - The Samish and Swinomish tribes may develop areas within and adjacent to the city outside zoning regulations that are intended to ensure development is consistent with other areas of the city.

- Economic Downturn
  - The city’s economy may not be sufficiently diversified to withstand a downturn in the economy without significant losses in revenue.
    - Auto sales have been disproportionately high as a share of Anacortes’ taxable retail sales and per capita values.

- Refinery Changes
  - The refineries have played a dominate role in Anacortes’ economy for over 50 years. There is no indication that this will change anytime soon, however it is important to identify the significance a change in this industry would have upon Anacortes’ economy when petroleum moves away from being our primary fuel source.

- Declining Economic Diversity
  - Concentration of industries may exacerbate worker shortages

- Lack of Consensus on Anacortes’ Future
  - There is a range of opinions on how the city should build out among citizens and elected officials.
  - A lack of consensus typically results in paralysis and strained decision making.
  - Questions held by key stakeholders
    - Should we allow large scale retail?
    - Should we encourage development of a hotel & conference center?
    - Should we encourage residential development on the waterfront?
This section provides supporting detail for the scenario analysis—centered on the Fidalgo waterfront area—presented in Section 2 Key Findings. Each scenario description attempts to quantify land use and economic benefits, with a narrative provided re: benefits, risks, feasibility, and a brief summary. The intent of these scenarios is illustrative. For example: what would be the impact of devoting all available land use to boat manufacturing? Despite the fact that the usage would produce unsustainable results, it is useful in highlighting certain aspects of this activity—both positive and negative. The intent overall is to provide an illustrative spectrum, along an economic continuum, from “hard” (manufacturing) to “soft” (residential).

The property adjacent to Fidalgo Bay is one of the last large areas of undeveloped or underdeveloped land in Anacortes. Due to its size, proximity to downtown and its waterfront location; this area has the ability to significantly impact Anacortes’ economy and shape our future. Over the past 15 years or so, several proposals have been presented in different forms; however most have been met with resistance by local government, citizens and/or businesses. As a result, much of Anacortes’ prime property remains undeveloped.
What has been clear during the past 15 years is the divergence of opinions on how this area is to be developed. Some suggest building upon our yacht building expertise or support of the recreational boating industry. Others suggest we become more than a “Gateway to the San Juan’s” and exploit our natural beauty, close proximity to metro areas and ferry-free island to further develop our participation in Puget Sound’s lucrative travel industry. Still others seek additional residential development. What is also clear about the discussions around this subject; data has not been used to present the potential impacts of the development alternatives on the community. The AFP Team attempted to fill this gap in the discussion.

Seven alternative scenarios were analyzed; ranging from manufacturing, mixed-use and residential developments in the CM1, CM2 and Industrial areas adjacent to the Fidalgo waterfront. The analysis identified potential uses for vacant land in this area and estimated several factors such as; land and building square footage, taxes paid to the city, employment, wages, population and traffic impacts.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Boat Building</td>
<td>Primarily boat manufacturing and operations in support of boat manufacturing are proposed for most areas in this scenario.</td>
</tr>
<tr>
<td>B</td>
<td>Mixed Marine</td>
<td>This scenario has a heavy concentration of various marine industry uses: 60% of land used for boat manufacturing, 11% in boat maintenance &amp; repair and 22% for boat storage.</td>
</tr>
<tr>
<td>C</td>
<td>Tech &amp; Education</td>
<td>The area south of 22nd Street maintains the same marine uses as scenario B. The CM1 area north of 22nd Street is comprised of mixed use (combination of commercial &amp; residential), offices and a 75-room hotel. It builds upon the educational opportunities of the Marine Skills Center and related technical activities.</td>
</tr>
<tr>
<td>D</td>
<td>Mixed-use per city code</td>
<td>The area south of 22nd Street maintains the same marine uses as scenarios B &amp; C. The CM1 area north of 22nd Street is primarily comprised of mixed use (combination of commercial &amp; residential) and a 75 room hotel. All residential is located above the first floor in the CM1 area. The first floor capacity is estimated at 349,000 sf for offices, retail &amp; services.</td>
</tr>
<tr>
<td>E</td>
<td>Mixed-use w/ code changes</td>
<td>Marine uses south of 22nd Street, except for the industrial area rezoned for retail development similar to the Fred Meyer Lifestyle center proposed in 2006. The area between 17th and 22nd Streets offers hotel and a mixed use of commercial and residential. Residential is allowed on first floor.</td>
</tr>
<tr>
<td>F</td>
<td>Tourism</td>
<td>Mixed marine uses south of 22nd Street, except industrial area rezoned for retail development similar to the Fred Meyer Lifestyle center proposed in 2006. Area between 17th and 22nd Streets offers a 100-room hotel, a 10,000sf conference center, a tourism draw and a mixed use of commercial and residential; residential is allowed on first floor.</td>
</tr>
<tr>
<td>G</td>
<td>Residential</td>
<td>Marine uses and offices south of 22nd Street, plus the industrial area is rezoned for retail development similar to the Fred Meyer Lifestyle center proposed in 2006. Area between 17th and 22nd Streets is developed residential with no commercial element. Residential is allowed on first floor.</td>
</tr>
<tr>
<td>Data Element</td>
<td>Definition</td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Land sf</td>
<td>Square footage of Fidalgo Bay waterfront vacant land area allocated to specific use</td>
<td></td>
</tr>
<tr>
<td>% of land area</td>
<td>Percent of vacant land allocated to specific use</td>
<td></td>
</tr>
<tr>
<td>Building sf</td>
<td>Estimate of gross square footage of buildings proposed for vacant land</td>
<td></td>
</tr>
<tr>
<td>Property Value</td>
<td>Estimate of property value (land and improvements)</td>
<td></td>
</tr>
<tr>
<td>Taxable Retail Sales</td>
<td>Estimate of Taxable Retail Sales generated from development</td>
<td></td>
</tr>
<tr>
<td>Sales Tax Revenue - City</td>
<td>City’s portion of sales tax revenue</td>
<td></td>
</tr>
<tr>
<td>Property Tax Revenue - City</td>
<td>City’s portion of property tax revenue</td>
<td></td>
</tr>
<tr>
<td>Property Tax Revenue - Schools</td>
<td>School’s portion of property tax revenue</td>
<td></td>
</tr>
<tr>
<td>Total Property Tax</td>
<td>Total Property Tax Revenue (city, county, schools, etc)</td>
<td></td>
</tr>
<tr>
<td>Total Employment</td>
<td>Employment estimate for new development</td>
<td></td>
</tr>
<tr>
<td>Total Wages</td>
<td>Estimate of wages generated from new development</td>
<td></td>
</tr>
<tr>
<td>Average Wages</td>
<td>Total wages divided by employment, indicating quality of jobs created</td>
<td></td>
</tr>
<tr>
<td>Housing Units</td>
<td>Estimate of additional dwelling units constructed</td>
<td></td>
</tr>
<tr>
<td>Incremental Population</td>
<td>Estimated population increase resulting from added dwelling units</td>
<td></td>
</tr>
<tr>
<td>Incremental Spending</td>
<td>Estimate of incremental revenue resulting from development (i.e. spending generated by new residents, additional boat moorings, etc)</td>
<td></td>
</tr>
<tr>
<td>Peak PM Trips</td>
<td>Estimate of traffic impacts based upon building/land size and type of use</td>
<td></td>
</tr>
</tbody>
</table>

Note: Estimates do not include impacts of construction. The data presented should be viewed as a comparative analysis between individual scenarios, not to projects outside this analysis.
Scenario A: Boat Building

Description
Primarily boat manufacturing and operations in support of boat manufacturing are proposed for most areas in this scenario.

LAND USE IN CM1, CM2 AND INDUSTRIAL ZONING BY TYPE OF USE

| Land sf  | 2,862,991 | 119,790 | 119,790 | - | - | - |
| % of land area | 92% | 4% | 4% | 0% | 0% | 0% |
| Building sf | 858,897 | 35,937 | - | - | - | - |

SOCIO-ECONOMIC IMPACTS

| Property Value | $72,216,701 | Taxable Retail Sales | $14,800,046 | Property Tax Revenue: City | $107,646 | Property Tax Revenue: Schools | $129,708 | Sales Tax Revenue: City | $124,320 | Total Property Tax | $540,593 |

| Total Employment | 1,150 | Total Wages | $40,093,104 | Average Wages | $34,853 | Housing Units | - | Incremental Population | - | Incremental Spending | $1,856,250 | Peak PM Trips | 997 |

Benefits
- Builds upon existing marine cluster and Marine Trades Skills Center
- Adds 859K square feet in boat mfg, up 427% from current 201K
- 1,150 added jobs, an approximate 343% increase over current boat building employment (approx. 335)
- $14.8M in Taxable Retail Sales, 270% over 2006’s TRS of $4M and about 770% over 2007’s $1.7M.

Risks
- Availability of a skilled workforce
- 70-80% of the current workforce commutes from outside of city
- Industry concentration accentuates risk in industry downturn

Feasibility
- Workforce demands will be difficult to meet
- Market unlikely to support this level of boat manufacturing
- Estimated TRS are not realistic due to current tax law

Summary
- Intense concentration of boat manufacturing does not provide for a diverse economy, increasing risk of fiscal challenges
- Suggested growth is unlikely due to labor and market limitations
Scenario B: Mixed Marine

Description
This scenario has a heavy concentration of various marine industry uses. 65% of land used for boat manufacturing, 12% in Boat Maintenance & Repair and 23% for boat storage.

LAND USE IN CM1, CM2 AND INDUSTRIAL ZONING BY TYPE OF USE

<table>
<thead>
<tr>
<th></th>
<th>Boat Manuf.</th>
<th>Boat M&amp;R</th>
<th>Boat Storage</th>
<th>Mixed Commercial</th>
<th>Retail</th>
<th>Conf. Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land sf</td>
<td>2,015,936</td>
<td>360,366</td>
<td>726,270</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% of land area</td>
<td>65%</td>
<td>12%</td>
<td>23%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Building sf</td>
<td>604,781</td>
<td>132,167</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Socio-Economic Impacts

<table>
<thead>
<tr>
<th>Property Value Taxable Retail Sales</th>
<th>Property Tax Revenue: City</th>
<th>Property Tax Revenue: Schools</th>
<th>Sales Tax Revenue: City</th>
<th>Total Property Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$61,367,780</td>
<td>$21,097,074</td>
<td>$91,475</td>
<td>$110,223</td>
<td>$177,215</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Employment</th>
<th>Total Wages</th>
<th>Average Wages</th>
<th>Housing Units</th>
<th>Incremental Population</th>
<th>Incremental Spending</th>
<th>Peak PM Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>975</td>
<td>$33,709,592</td>
<td>$34,568</td>
<td>-</td>
<td>-</td>
<td>$11,254,178</td>
<td>979</td>
</tr>
</tbody>
</table>

Benefits
- Builds upon existing marine cluster and tech school
- Adds 300% in boat mfg, over current 201K square feet
- Adds 307% in boat m&r facilities, over current 43K square feet
- Adds 136% more boat storage, over current 531K square feet
- Adds 975 jobs w/ $34M in wages, averaging $34,568

Risks
- Added worker demand for boat mfg may be difficult to satisfy
- Does not help to diversify Anacortes’ economy

Feasibility
- Market demand for boat maintenance & repair (m&r) and storage will likely support development
- Market may not support added boat manufacturing facilities

Summary
- Increases number of boats stored in area, supporting recreational boating
- Suggested growth in boat manufacturing remains unlikely due to labor and market limitations
Scenario C: Technical and Education

Description
The area south of 22nd Street maintains same marine usage as Scenario B. The CM1 area north of 22nd Street is comprised of mixed use (combination of commercial & residential), offices and a 75-room hotel; building upon education opportunities of Marine Skills Academy and related technical activities.

LAND USE IN CM1, CM2 AND INDUSTRIAL ZONING BY TYPE OF USE

<table>
<thead>
<tr>
<th></th>
<th>Boat Manuf.</th>
<th>Boat M&amp;R</th>
<th>Boat Storage</th>
<th>Mixed Commercial</th>
<th>Retail</th>
<th>Conf. Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land sf</td>
<td>896,444</td>
<td>360,366</td>
<td>726,270</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% of land area</td>
<td>29%</td>
<td>12%</td>
<td>23%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Building sf</td>
<td>268,933</td>
<td>132,167</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Hotel</th>
<th>Offices</th>
<th>Restaurant</th>
<th>Mixed Use</th>
<th>Tourism</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land sf</td>
<td>111,949</td>
<td>470,187</td>
<td>-</td>
<td>537,356</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% of land area</td>
<td>4%</td>
<td>15%</td>
<td>0%</td>
<td>17%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Building sf</td>
<td>80,603</td>
<td>282,112</td>
<td>-</td>
<td>483,621</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

SOCIO-ECONOMIC IMPACTS

<table>
<thead>
<tr>
<th>Property Value</th>
<th>Taxable Retail Sales</th>
<th>Property Tax Revenue: City</th>
<th>Property Tax Revenue: Schools</th>
<th>Sales Tax Revenue: City</th>
<th>Total Property Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$181,734,009</td>
<td>$31,699,892</td>
<td>$270,893</td>
<td>$326,412</td>
<td>$266,279</td>
<td>$1,360,406</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Employment</th>
<th>Total Wages</th>
<th>Average Wages</th>
<th>Housing Units</th>
<th>Incremental Population</th>
<th>Incremental Spending</th>
<th>Peak PM Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,750</td>
<td>$112,278,496</td>
<td>$40,830</td>
<td>191</td>
<td>265</td>
<td>$25,017,907</td>
<td>2,449</td>
</tr>
</tbody>
</table>

Benefits
- Adds 133% in boat mfr, up from current 201K square feet
- Adds 307% in boat m&r facilities, over current 43K square feet
- Adds 137% more boat storage, over current 531K square feet
- Diversifies economy with offices, mixed-use and hotel.
- Adds 191 residential units near town’s center
- Adds 2,750 jobs, $112M in wages, averaging $40,830

Risks
- Demand for office workers may not be realized
- Boat manufacturing is 100% increase over current levels adding to the risks in a downturn

Feasibility
- Demand for boat manufacturing & repair (m&r) and storage will likely support proposed development
- Suggested growth in boat manufacturing remains unlikely due to labor and market limitations
- Technical employer is undefined and may have to be recruited

Summary
- Increased number of boats stored in area, supporting recreational boating and related activities
- Potential employment growth in knowledge bases industries
Scenario D: Mixed Use Per City Code

Description
This scenario has a heavy concentration of various marine industry uses. 65% of land used for boat manufacturing, 12% in Boat Maintenance & Repair (m&r) and 23% for boat storage.

<table>
<thead>
<tr>
<th>Land use in CM1, CM2 and Industrial zoning by type of use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land sf</td>
</tr>
<tr>
<td>Boat Manuf.</td>
</tr>
<tr>
<td>896,444</td>
</tr>
<tr>
<td>29%</td>
</tr>
<tr>
<td>% of land area</td>
</tr>
<tr>
<td>4%</td>
</tr>
<tr>
<td>Building sf</td>
</tr>
<tr>
<td>Hotel</td>
</tr>
<tr>
<td>111,949</td>
</tr>
<tr>
<td>4%</td>
</tr>
</tbody>
</table>

SOCIO-ECONOMIC IMPACTS

<table>
<thead>
<tr>
<th>Property Value</th>
<th>Taxable Retail Sales</th>
<th>Property Tax Revenue: City</th>
<th>Property Tax Revenue: Schools</th>
<th>Sales Tax Revenue: City</th>
<th>Total Property Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$224,108,842</td>
<td>$47,493,126</td>
<td>$334,057</td>
<td>$402,522</td>
<td>$398,942</td>
<td>$1,667,612</td>
</tr>
</tbody>
</table>

Benefits
- Adds 134% in manufacturing buildings, over current 201K square feet
- Adds 307% in boat m&r facilities, over current 43K square feet
- Adds 137% more boat storage, over current 531K square feet
- Diversifies economy with offices, mixed-use and hotel
- Adds 417 residential units and 581 residents near town’s center
- Adds 2,182 jobs w/ $71M in wages, averaging $32,372 annually

Risks
- Added 350,000 square feet of commercial space may exceed demand

Feasibility
- Demand for boat m&r and storage will likely support proposed development
- Market may not support added Boat manufacturing facilities
- Absorption rate for residential and commercial space may not be adequate

Summary
- Increases number of boats stored in area, supporting recreational boating
- Suggested growth in boat manufacturing remains unlikely due to labor and market limitations
- Added economic diversity and residential downtown
- Excessive commercial property in CM1 area, unable to absorb
Scenario E: Mixed Use w/ Code Changes

Description
Mixed marine uses south of 22nd Street, except industrial area rezoned for retail development similar to the Fred Meyer Lifestyle center proposed in 2006; including 135,000sf retail, 14,000sf restaurant and 2-6,000sf retail pads. Area between 17th and 22nd Streets offers hotel and a mixed use of commercial and residential. Residential is allowed on first floor.

LAND USE IN CM1, CM2 AND INDUSTRIAL ZONING BY TYPE OF USE

<table>
<thead>
<tr>
<th>Land USE</th>
<th>Boat Manuf.</th>
<th>Boat M&amp;R</th>
<th>Boat Storage</th>
<th>Mixed Commercial</th>
<th>Retail</th>
<th>Conf. Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land sf</td>
<td>418,591</td>
<td>360,366</td>
<td>726,270</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% of land area</td>
<td>13%</td>
<td>12%</td>
<td>23%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Building sf</td>
<td>125,577</td>
<td>132,167</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Offices</th>
<th>Restaurant</th>
<th>Mixed Use</th>
<th>Tourism</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land sf</td>
<td>111,949</td>
<td>-</td>
<td>28,750</td>
<td>1,007,543</td>
<td>-</td>
</tr>
<tr>
<td>% of land area</td>
<td>4%</td>
<td>0%</td>
<td>1%</td>
<td>32%</td>
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<tr>
<td>Building sf</td>
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<td>906,789</td>
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SOCIO-ECONOMIC IMPACTS

<table>
<thead>
<tr>
<th>Property Value</th>
<th>Taxable Retail Sales</th>
<th>Property Tax Revenue: City</th>
<th>Property Tax Revenue: Schools</th>
<th>Sales Tax Revenue: City</th>
<th>Total Property Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200,622,815</td>
<td>$90,502,353</td>
<td>$299,048</td>
<td>$360,339</td>
<td>$760,220</td>
<td>$1,501,802</td>
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</table>

Benefits
- Adds 62% more boat manuf over current 201K square feet
- Adds 307% in boat m&r facilities, over current 43K square feet
- Adds 137% more boat storage, over current 531K square feet
- Diversifies economy with offices, mixed-use and hotel
- Adds 453 housing units and 631 residents near town’s center
- Adds 1,319 jobs w/ $41M in wages, averaging $30,936 annually
- Increases TRS by $90M annually, primarily from large-scale retail

Risks
- Concern over impact on existing retail businesses
- Increased traffic impacts, largely driven by large-scale retail

Feasibility
- Requires residential on lower floors for a portion of CM1 area
- Requires rezoning of industrial area for retail

Summary
- Increases number of boats stored in area, supporting recreational boating and increases boat manuf facilities by 62%
- Addresses stated need for increased retail options
- Adds diversity to economy: tourism, retail, professional
Scenario F: Tourism

Description
Mixed marine uses south of 22nd Street, except industrial area rezoned for retail development similar to the Fred Meyer Lifestyle center proposed in 2006; including 135,000sf retail, 14,000sf restaurant and 2-6,000 sf retail pads. Area between 17th and 22nd Streets offers 100-room hotel, 10,000sf conference center, a tourism draw (museum, entertainment, etc.) and a mixed use of commercial and residential; residential is allowed on first floor.

**LAND USE IN CM1, CM2 AND INDUSTRIAL ZONING BY TYPE OF USE**

<table>
<thead>
<tr>
<th>Boat Manuf.</th>
<th>Boat M&amp;R</th>
<th>Boat Storage</th>
<th>Mixed Commercial</th>
<th>Retail</th>
<th>Conf. Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land sf</td>
<td>418,591</td>
<td>360,366</td>
<td>726,270</td>
<td>-</td>
<td>449,103</td>
</tr>
<tr>
<td>% of land area</td>
<td>13%</td>
<td>12%</td>
<td>23%</td>
<td>0%</td>
<td>14%</td>
</tr>
<tr>
<td>Building sf</td>
<td>125,577</td>
<td>132,167</td>
<td>-</td>
<td>-</td>
<td>157,186</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Offices</th>
<th>Restaurant</th>
<th>Mixed Use</th>
<th>Tourism</th>
<th>Residential</th>
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</thead>
<tbody>
<tr>
<td>Land sf</td>
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<td>1%</td>
<td>21%</td>
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<td>Building sf</td>
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<td>584,375</td>
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**SOCIO-ECONOMIC IMPACTS**

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<th>Property Value</th>
<th>Taxable Retail Sales</th>
<th>Property Tax Revenue: City</th>
<th>Property Tax Revenue: Schools</th>
<th>Sales Tax Revenue: City</th>
<th>Total Property Tax</th>
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<table>
<thead>
<tr>
<th>Total Employment</th>
<th>Total Wages</th>
<th>Average Wages</th>
<th>Housing Units</th>
<th>Incremental Population</th>
<th>Incremental Spending</th>
<th>Peak PM Trips</th>
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<tbody>
<tr>
<td>1,235</td>
<td>$37,864,821</td>
<td>$30,663</td>
<td>292</td>
<td>407</td>
<td>$31,632,075</td>
<td>3,149</td>
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Benefits
- Builds upon existing marine cluster and tech school
- Adds 62% in manufacturing buildings, over current 201K square feet
- Adds 307% in boat m&r facilities, over current 43K square feet
- Adds 137% more boat storage, over current 531K square feet
- Adds $83M in TRS, primarily from large-scale retail,
- Adds 292 housing units and 407 residents
- Diversifies economy w/ offices, mixed-use, hotel & tourism draw

Risks
- Unproven tourism market
- Competitive threat to existing retail

Feasibility
- Requires rezone of industrial area to retail and lower level residential in CM1 areas

Summary
- Supports current industry growth and opens new markets in tourism.
Scenario G: Residential

Description
Mixed marine uses and offices south of 22nd Street, plus the industrial area is rezoned for retail development similar to the Fred Meyer Lifestyle center proposed in 2006; including 135,000sf retail, 14,000sf restaurant and 2-6,000sf retail pads. Area between 17th and 22nd Streets is developed residential with no commercial element. Residential is allowed on first floor.

LAND USE IN CM1, CM2 AND INDUSTRIAL ZONING BY TYPE OF USE

<table>
<thead>
<tr>
<th></th>
<th>Boat Manuf.</th>
<th>Boat M&amp;R</th>
<th>Boat Storage</th>
<th>Mixed Commercial</th>
<th>Retail</th>
<th>Conf. Center</th>
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</thead>
<tbody>
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<td>183,403</td>
<td>549,307</td>
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<td>% of land area</td>
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<td>-</td>
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<td>-</td>
</tr>
<tr>
<td></td>
<td>Hotel</td>
<td>Offices</td>
<td>Restaurant</td>
<td>Mixed Use</td>
<td>Tourism</td>
<td>Residential</td>
</tr>
<tr>
<td>Land sf</td>
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<td>-</td>
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<td>11%</td>
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<td>0%</td>
<td>0%</td>
<td>36%</td>
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<td>Building sf</td>
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<td>212,355</td>
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<td>-</td>
<td>-</td>
<td>$1,007,543</td>
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SOCIO-ECONOMIC IMPACTS

<table>
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<tr>
<th>Property Value</th>
<th>Taxable Retail Sales</th>
<th>Property Tax Revenue: City</th>
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<th>Sales Tax Revenue: City</th>
<th>Total Property Tax</th>
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<td>$59,074,507</td>
<td>$477,880</td>
<td>$575,822</td>
<td>$496,226</td>
<td>$2,399,882</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Employment</th>
<th>Total Wages</th>
<th>Average Wages</th>
<th>Housing Units</th>
<th>Incremental Population</th>
<th>Incremental Spending</th>
<th>Peak PM Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,662</td>
<td>$70,826,736</td>
<td>$42,618</td>
<td>987</td>
<td>1,375</td>
<td>$61,114,754</td>
<td>3,294</td>
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</table>

Benefits
- 37% of area dedicated to marine uses
- Adds 62% more boat manufacturing buildings (current 201K square feet)
- Adds 142% in boat m&r facilities (current 43K square feet)
- Adds 103% more boat storage (current 531K square feet)
- Adds 987 housing units and 1,375 residents.
- Increases property values $320M
- Adds large scale retail (135,000sf)
- Adds 212Ksf of office space
- Adds 1,662 jobs, $71M in wages, averaging $42,618 annually

Risks
- Unable to attract suitable business
- Unable to attract skilled office workers
- Traffic impacts

Feasibility
- Requires rezoning of CM1 zone for residential uses
- Requires rezoning of industrial zone to retail and office uses
- Extensive residential component likely not acceptable
- Residential absorption could take 6–10 years or more

Summary
- Significant increase in population close to downtown
- Addresses stated need for increased retail options
- Adds diversity to economy: retail, professional, retirement
Land Use Options
Beyond the Fidalgo Waterfront

Introduction

This section addresses land-use considerations apart from the Fidalgo Waterfront, which were covered in the Section 2, Land Analysis. Each review incorporates a brief discussion re: location, existing facilities, and potential future development. The next steps in the opportunity assessment stage of the project would be to prepare the financial analysis for different scenarios for each area.

West End
Location
- Commercial Marine zone adjacent to the Skyline Marina.

Existing Facilities
- Limited retail at combination convenience store/gas station
- Mixed use development with residential over commercial
- Marine services
- Boat storage
- Marine related commercial
- Restaurant

Future Development
- Shoreline in the CM zone has received a conditional use for single family residential development.
- The majority of the remaining parcels will be dedicated to serve the marine industry through uplands and in-water development
  - Dry stack storage for up to 150 boats
  - 30,000 sf of commercial space

Guemes Channel Properties
Location
- Commercial Marine and Light Manufacturing zone along the north shore of Fidalgo Island, from Ship Harbor on the west to approximately D Ave. to the east.

Existing Facilities
- Most of this area is residential
  - Approximately 100 residential units
- Lovric’s Shipyard
- Former Sebastion-Stuart abandoned cannery in re-development process for 32 Room GEMS Hotel, Restaurant and Marina

Future Development
- CM zoned areas have been issued conditional use permits for residential development
  - 48 – Leeward east-condos
  - 22 – Leeward east-single family residences
  - 40 – Leeward west-condos
  - 100 – San Juan Passage single family residences
9 – Woolworth single family residences
15 – Prutzman single family residences
12 – Gateway Marina and condos
176 Total residential units

- Commercial development in the area
  - Leeward West – 30 room hotel/spa
  - GEMS – 32 room hotel/restaurant

### Port of Anacortes Properties

**Location**
- The north shore of Fidalgo Island, generally from Curtis Wharf (O Ave.) to the west and Wyman’s Marina (U Ave.) to the east; plus areas around Cap Sante Boat Haven and the Anacortes Airport.

### Existing Facilities
- The Port property adjacent to Guemes Channel is zoned Manufacturing/Shipping; except for a small area zoned CM1, where Randy’s Pier 61 and Wyman’s Marina are located.
- The Manufacturing/Shipping area is populated with well established and growing industrial firms, support for local fishing operations and industrial shipping operations.

### Future Development
- Anacortes Airport has 15–20 acres identified as “2012 Master Planning Area” available for future commercial development.
  - The use of this area is undefined.
- Wyman’s Marina will continue to provide drive-on cargo boats for shipping to the islands, with possible support operations for local tug operations.
- Cap Sante
  - North Basin – potential marine-related commercial development
    - No development assumptions in AFP model
  - West Basin – mixed-commercial development
    - Offices, restaurants and retail development per Port’s RFP
  - Parcel 1 – education and mixed commercial
    - Marine Trades Skills Center
    - Office & retail development

### Central Business District

**Location**
- The Central Business District (CBD) is generally bounded by 3rd Street on the north, 11th Street on the south and O Avenue on the west, Q/R Avenue on the east.

**Existing Facilities**
- The City’s 2007 Comprehensive Plan suggests the CBD is one of two primary areas (Commercial Ave. is the other) intended to “supply the vast majority of commercial services for Fidalgo Island.
- The CBD provides a mix of residential and commercial development.
  - Allocation of total square feet of parcels in CBD
    - 69% commercial
    - 28% residential
    - 3% empty lots
- Allocation of building square footage in CBD
  - 78% commercial
  - 22% residential
- The commercial activity within the CBD is a mix of retail, services, offices, etc. The following details the share of building sf dedicated to type of use:

<table>
<thead>
<tr>
<th>% of CBD Building sf</th>
<th>Type of Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>Fraternal Building</td>
</tr>
<tr>
<td>3%</td>
<td>Service Garage</td>
</tr>
<tr>
<td>2%</td>
<td>Industrial Building</td>
</tr>
<tr>
<td>29%</td>
<td>Office Building</td>
</tr>
<tr>
<td>8%</td>
<td>Services</td>
</tr>
<tr>
<td>3%</td>
<td>Warehouse Storage</td>
</tr>
<tr>
<td><strong>50%</strong></td>
<td>Serving Internal Demand sub-total</td>
</tr>
<tr>
<td>9%</td>
<td>Hotel/Motel</td>
</tr>
<tr>
<td>12%</td>
<td>Restaurant</td>
</tr>
<tr>
<td>29%</td>
<td>Retail Building</td>
</tr>
<tr>
<td><strong>50%</strong></td>
<td>Serving Internal/External Demand Sub-total</td>
</tr>
</tbody>
</table>

- Businesses within the CBD provide a broad range of products and services; serving multiple markets.
- While Anacortes benefits from increased visitors at certain times of the year, a large segment of the CBD is not dependent upon tourism.

**Future Development**

- The City’s 2007 Comprehensive Plan calls for:
  - High density residential in the area adjacent to CBD
  - Consider expanding CBD in appropriate adjacent areas
  - Encourage high density residential development above street level
- The Comp Plan states the CBD is to remain as the “hub” of commercial activity for the city. Tourism should be an element of an economic development plan, as long as it is compatible with the CBD’s primary objective of serving the local population.
- The Retail Study performed by Berk & Assoc. made the following recommendations for the CBD:
  - Promote and support restaurants and specialty retailers
  - Explore linkages with tourism component of economic development
  - Encourage redevelopment or renovation of older structures
  - Encourage mixed-use multifamily projects
    - Identified off-street parking as a challenge to address
- For the AFP study, we analyzed elements of the CBD and its financial foundation, but did not make projections for the types and to what extent redevelopment will occur.
South Commercial Avenue

Location
- The commercial zone of South Commercial Ave. is generally located from 11th Street to the north and 34th Street to the south; and a block to either side. Exceptions include the West Basin of the Cap Sante Boat Haven.

Existing Facilities
- The City’s 2007 Comprehensive Plan suggests Commercial Ave. is one of two primary areas (Central Business District is the other) intended to “supply the vast majority of retail grocery and commercial services for Fidalgo Island.
- This area is an auto-oriented commercial zone, offers a wide variety of retail and professional services to the local and transient market.
- Anacortes has an extensive health care industry in this and adjacent areas.
- Some redevelopment is starting to take place in this area.

Future Development
- The 2007 Comprehensive Plan suggests this area should continue as highway oriented commercial use with pedestrian and bicycle opportunities. The high volume of ferry-related traffic transiting this corridor each year lends itself to commuter-type businesses, which will likely continue in coming years.
- The Retail Study performed by Berk & Associates suggested this area would not accommodate mixed-use development. It would be more worthwhile to focus mixed-use development incentives to the CBD.
- We did not make projections for the types and to what extent redevelopment will occur in this area.

March Point SR 20 Corridor

Location
- This is an area along SR 20, beginning just east of Reservation Rd. and continuing to city owned property behind the motel and gas station/convenience store at the intersection of SR 20 and SPUR 20 to the west. This area is zoned Light Manufacturing 1 (LM1).

Existing Facilities
- This area has a mixture of commercial and industrial operations.
  - Auto retailers
  - Log home manufacturer
  - Roofing contractors
  - Storage facilities
  - Motel
  - Convenience store
  - Vacant land
- The city received significant input from citizens during the Comp Plan update process against using this area for large-scale retail. The concern has been the potential redevelopment of this extensive area could negatively impact the CBD and Commercial businesses.
- The City’s 2007 Transportation Plan estimate average daily traffic volumes at SR 20 and Reservation Rd. to be 32,400, increasing to 36,200 in 2030.
Future Development

- The Retail Study performed by Berk & Associates suggests this area could be developed to take advantage of the high number of daily trips
  - Recapture sales leakage currently being experienced to Burlington.
  - Improve retail offerings and make shopping more convenient for local residents.
- The Study identified potential risks to retail development in the area
  - Potential cannibalization of sales by downtown retailers
    - However, large-scale retail appears to have little overlap between specialized product and services offering of current business.
  - The market may not materialize, even though this area has favorable traffic counts as, it lacks any significant population concentrations.
  - The AFP Team made an inquiry with a large-scale retailer familiar with Anacortes who indicated they would NOT be interested in locating in the SR 20 corridor. The reason given was they were away from the population center and potential competitors. They preferred to be closer to both.
- The Samish Nation recently purchased 15 acres in this area and has indicated they intend to place this land in trust and plan to use this property as an element of their economic development plans. This will take 4–6 years, but once in trust, the land would be unencumbered by city ordinances. The following have been suggested as possible development opportunities:
  - Casino
  - Hotel
  - Large scale retail
- Significant development opportunity exists within the LM1 zone.
  - Approximately 125 acres are vacant in the LM1 zone including the 15 acres of vacant land purchased by Samish
  - Approximately 32 acres of storage exits in LM 1 zone and could be redeveloped with minimal cost
- City Owned Property at Sharpes Corner
  - Approximately 39 acres zoned LM1. Currently raw land without access or utilities.
  - The City is in the process of looking at issues such as the usability of the land and the impact of the gas line which passes through it.
  - This land was a consideration for the Marine Trades Skills Center.
  - Access may be impacted by the upcoming Sharpes Corner traffic circle.
## Acknowledgements

<table>
<thead>
<tr>
<th>NAME</th>
<th>INDUSTRY</th>
<th>BUSINESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Lione</td>
<td>Accommodations &amp; Food Service</td>
<td>Cap Sante Inn</td>
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<tr>
<td>Darwin Anderson</td>
<td>Accommodations &amp; Food Service</td>
<td>Captain’s Place</td>
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<tr>
<td>Dana Andrich</td>
<td>Accommodations &amp; Food Service</td>
<td>Camelot Espresso</td>
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<tr>
<td>Lara Dunning, Farah Ally</td>
<td>Accommodations &amp; Food Service</td>
<td>GEMS</td>
</tr>
<tr>
<td>Aaron Howell</td>
<td>Accommodations &amp; Food Service</td>
<td>Penguin Coffee</td>
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<tr>
<td>Nels Strandberg</td>
<td>Construction</td>
<td>Strandberg Construction</td>
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<td>Denise Tibbles</td>
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<tr>
<td>Hart Hodges</td>
<td>Consultant</td>
<td>WWU</td>
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<td>Peggy Flynn</td>
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<td>Mitch Everton</td>
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<tr>
<td>Bret Andrich</td>
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<td>Bob Hyde</td>
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<td>Government</td>
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<td>Vince Oliver</td>
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<td>Island Hospital</td>
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<td>Sandy Swartos</td>
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<td>John Pope</td>
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<td>Anni Brogan</td>
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<td>Mike Nelson</td>
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<tr>
<td>Laura Hennessy</td>
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<td>Bryan Hennessy</td>
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<tr>
<td>Howard Bean</td>
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<td>Kelly Larkin</td>
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<td>Graeme Wilson, John Sanford</td>
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<tr>
<td>Jim Irving</td>
<td>Prof. Services</td>
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<td>Ken Olson</td>
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<td>David Evans &amp; Assoc.</td>
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<td>Jim Anderson</td>
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<td>Attorney – Law Offices</td>
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<td>Jim Clarke</td>
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<td>John L Scott</td>
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<tr>
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<td>Sebo’s Hardware</td>
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<td>Bayshore Office Products</td>
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<td>Heather Miller</td>
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