

# CHAPTER THREE: SUSTAINABLE ECONOMY

*Chapter Three: Economic Development is hereby repealed and replaced with a new Chapter Three: Sustainable Economy (Ordinance #6389, 01/24/06)*

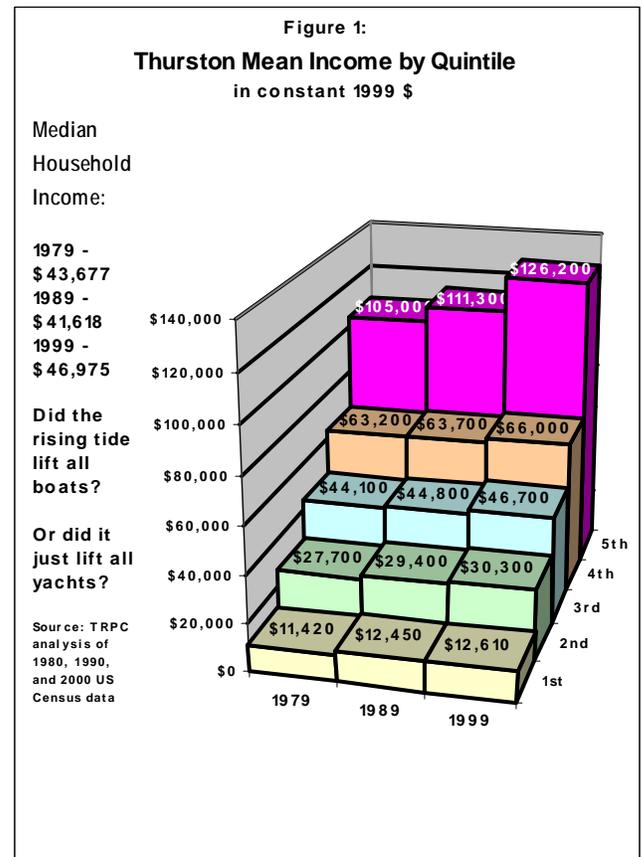
## Background

Sustainable economic development is closely linked with virtually all aspects of community life, an essential element in a sustainable community. What does economic development mean and what is it expected to accomplish? What would be meant by *sustainable* economic development? What role should a city government such as the City of Olympia play?

### What is Sustainable Economic Development?

A sustainable community is one that meets the needs of the present without compromising the ability of future generations to meet their own needs. The term “economic development” means the strengthening of the material prosperity of a community. Economic development does not mean “growth,” although growth of jobs, population and revenue may be a byproduct. Therefore sustainable economic development would mean strengthening the local economy in a way that meets present needs without compromising the ability of future generations to meet their needs.

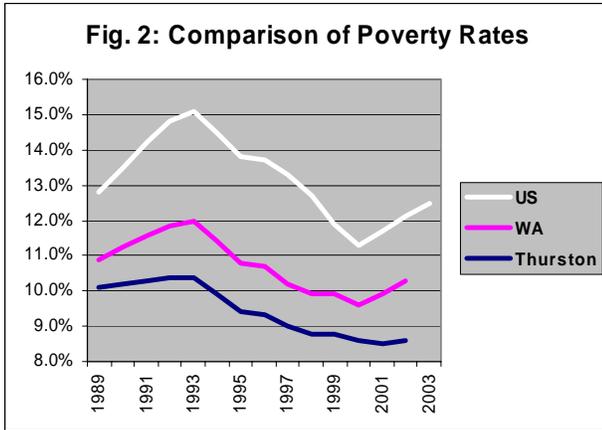
For a local economy to be sustainable over the long run, it must be able to absorb inevitable market changes and business cycle fluctuations. Often this requires a diversity of economic sectors so that when one is down, another may be up.



State capitals are a special case. They experience diversity of sectors indirectly, since the fortunes of state government are dependant on the fortunes of the state-wide economy, which is more diverse than the local one. This helps insulate state capitals from the wide swings of the economic cycle.

A sustainable economy must provide a wide variety of job opportunities suited to all skill levels in the work force, and a wide variety of occupations. It must provide jobs with sufficient income to support a family. Prosperity must be shared widely throughout the

population, rather than concentrated only in the hands of a few.



To be sustainable, economic development must reduce unemployment levels, reducing the social stresses that cause high rates of crime, mental illness, suicide, and domestic violence. It must raise incomes in order to improve the community's ability to guarantee affordable housing to all. In particular, a sustainable economy must provide jobs that pay a “living wage.”

Olympia Living Wage			
Figures are for 2004			
Household Type	HH Monthly Income Needed	HH Annual Income Needed	Living Wage per Worker
1. Single Adult	\$1,971	\$23,648	\$11.37
2. One Adult, one child (6-8)	\$2,865	\$34,383	\$16.53
3. One Adult, two children (1-2, & 6-8)	\$3,419	\$41,027	\$19.72
4. Two adults (one working), two children	\$3,099	\$37,192	\$17.88
5. Two adults (both working), two children	\$4,405	\$52,858	\$22.71

A living wage is one that allows households to meet their basic needs without resorting to public assistance and provides them some ability to deal with emergencies and plan ahead. It is not a poverty wage. Since the level of a living wage is based on the needs of a household, it will vary based on the size and make-up of the household. To make ends meet, a family with two adults and two children will need a higher income than a household with just a single adult. Likewise, if wages are low, both adults might have to work. Hence, the concept of a living wage actually encompasses a range of wage levels that matches the range of

household income needs. A living wage for the Olympia area has been calculated, based on household budgets for food, housing, transportation, child care, and other needs. For details and methodology, see the appendix to this chapter.

A sustainable economy is also needed to provide the resources to support community services. The fiscal result of sustainable economic development must be to strengthen the community's tax base. A strong tax base enables a community to support a higher quality of life through improved community services and amenities.

Ideally then, sustainable economic development balances vigor with stability. How does this translate more specifically? The answer must come from our own community vision. Do we want to expand our economic base? If so, what kind of diversity do we want? What are the natural advantages of our community on which we can build?

In addition, what would be the best jobs in terms of their compatibility with our local environmental and sustainability goals? Economic development efforts need to be consistent with growth management goals and stay within the capacity of our natural resources. They must be consistent with the efficient and appropriate use of land. The impacts from new businesses must not compromise the local environment.

**What is Olympia’s existing and potential niche in the local economy?**

What is special already about our community? Olympia is the state government capital and county seat. In addition, Olympia is a regional medical center, serving not only Thurston, but also Mason and Lewis counties. Similarly, with its regional shopping mall, auto mall, and downtown business core, Olympia serves as the region’s largest retail activity center.

Olympia is the community's center for restaurants, arts and entertainment. Thurston County is also home to The Evergreen State College, St. Martin's University, and South Puget Sound Community College. These institutions make a major cultural contribution to the community, and add to the high average level of education.

Olympia is also the only city in the county with a navigable harbor. The Port of Olympia operates a Marine Terminal for import and export of marine cargo products, the largest recreational boating marina on south Puget Sound, and a state-of-the-art boatyard. The Port is also a platform for a variety of private marine-related businesses.

In addition, Olympia is well served by a highway network, including Interstate 5 and Highway 101 with links to State Route 8, a route to recreational opportunities on the Olympic and Kitsap Peninsulas.

**Do we want to encourage certain kinds of businesses?**

Some communities target particular business sectors for which they have natural advantages. For example, a community at a transportation hub may target types of businesses that are transportation-dependant. The potential for success will depend both on what advantages the local community can offer, and on whether there is actually any growth potential in their target business sectors. Chasing after sectors with diminishing prospects offers a low chance of success.

Other communities may focus on providing a good overall environment for successful business activity in general, and let market forces select the particular sectors. Many feel that city or state governments are ill-suited to predict winners and losers in the market arena. Others feel that such targeted efforts are an improper role for government.

Some economists are now looking at the structure of the future economy in a wholly different way than in the past. They assert that the future US economy will be driven by intellectual and creative capital expressed in:

- entrepreneurship (e.g., small businesses),
- aesthetic/design creativity (graphic/ industrial design, video game/website development, etc.), and
- civic creativity (vibrant, exciting places)

One study notes that already one third of the American workforce (40 million) is engaged in the creative side of the economy – twice all manufacturing employment combined. This side of the economy accounts for one-half to two-thirds of the country's economic activity.<sup>1</sup>

Developing creative centers is the key to the future economic opportunities for many communities. Place – not access to natural resources, as in the past – is the organizing unit of this new economy. As mentioned above, creative people such as software programmers have been attracted to the distinctive places of the Northwest, such as Seattle. They prefer to settle in communities with a sense of authenticity, continuity and credibility. Not “Generica.” Nothing defines community and sense of place like historic neighborhoods and downtowns.

Olympia would be well-suited for such a strategy. The city is in a beautiful location. It offers a high quality of life. The population is highly educated, the region is home to several colleges, and the community has a genuine downtown and a wealth of historic resources.

**What are the potential roles that a city like Olympia can take?**

In general, cities have few roles to play in the economic development arena. They have land

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<sup>1</sup> *The Rise of the Creative Class*, Richard Florida, Basic Books, Cambridge, MA, 2002

use authority, with which they can provide places for business location. They can maintain efficient and fair permitting processes with transparent decision-making (i.e., no hidden rules). Such processes must be predictable. Uncertain costs and timelines for permit review discourage potential business investment.

Cities can effectively collaborate with other public and private entities that have more direct roles in economic development, such as ports, business associations, and economic development associations. They can develop and maintain the community infrastructure needed for healthy businesses and neighborhoods.

Community infrastructure is important to businesses in various ways. A city should consider its infrastructure in both traditional and non-traditional ways. Traditionally, the public infrastructure of a community is thought of as the roads, water, sewer, storm water, solid waste, and similar facilities and systems. Some communities also have a role in providing power or telecommunications infrastructure.

To have a healthy environment for businesses and residents, communities should also regard as “infrastructure” their public investments in major quality of life features and amenities: schools, parks and recreation, air and water quality, arts and entertainment, and so on. Providing a high quality of life is the most effective tool for attracting and maintaining high quality job opportunities in the community. In other words, livability is the most powerful economic engine available.

City governments can also be an important role model. The City of Olympia owns hundreds of acres of forested lands<sup>2</sup>, which can be managed with sustainable forestry practices. The City can look for ways to improve the sustainability of its own internal operations, such as by

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<sup>2</sup> These are mainly the lands surrounding the well-fields at McAllister Springs and Allison Springs.

reducing waste, using recycled content materials, and using state-of-the-art efficiency in vehicles and other equipment. With a large overall workforce, the City can use procurement and other business practices to support sustainability in manufacturing and other business activities. When the City builds facilities, it can use environmentally sustainable design and construction strategies.

**What is the relationship between sustainable economic development and the City's ability to provide public services?**

Olympia is fortunate to be both vigorous and stable in its local economy. Although it experiences cyclical swings like every community, it is a very healthy community on the whole, which contributes greatly to our quality of life. Our high quality of life in turn makes this a good place for private investment. For example, Olympia's generally stable revenue base has enabled it to invest in public improvements such as the performing arts center, the community center, Percival Landing, the Farmers Market, new sewer capacity, new roads, and other infrastructure. These in turn are a catalyst for private sector investments which increase the City's revenue base even more, enabling further community improvements.

In this respect, Olympia is like any other investor. To maximize the community's economic health, the City must be willing to invest resources in capital facilities designed to support a sustainable local economy. The City should not shy away from all such spending, though it must be careful to ensure that the investments will truly advance community goals.

Where do Olympia's revenues come from? Figure 4 shows the sources of the City's general government revenues, over the past several decades. The figures are adjusted for inflation. They are also adjusted to a per capita basis, to account for population growth.

The largest revenue sources are property taxes, sales taxes, utility taxes, and fees. They present a mixed picture. Up until the mid-1990s, Olympia had strong tax revenue growth. Since then, tax revenues have not reliably kept up with inflation and population growth. Initiatives have limited property taxes in a way that guarantees they will not keep up<sup>3</sup>. Sales taxes have generally been robust enough to make up for property tax deficiencies, but they are very volatile. Utility taxes and business taxes have mostly tracked inflation and population growth. Since 1994 the City has raised fees for direct services to cover a higher share of those costs, such as recreation fees and permit review fees.

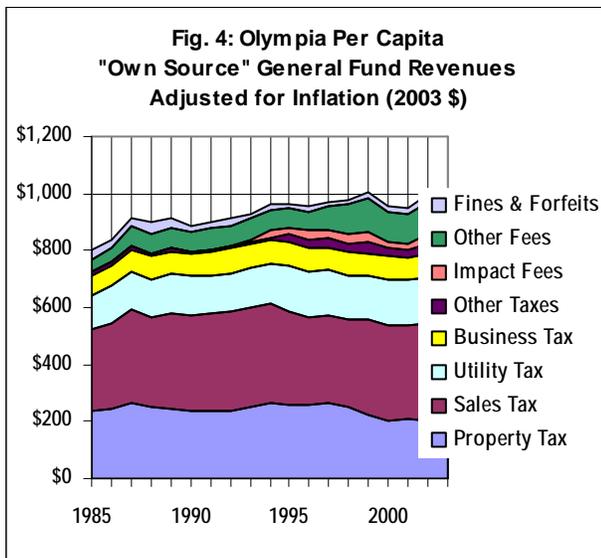
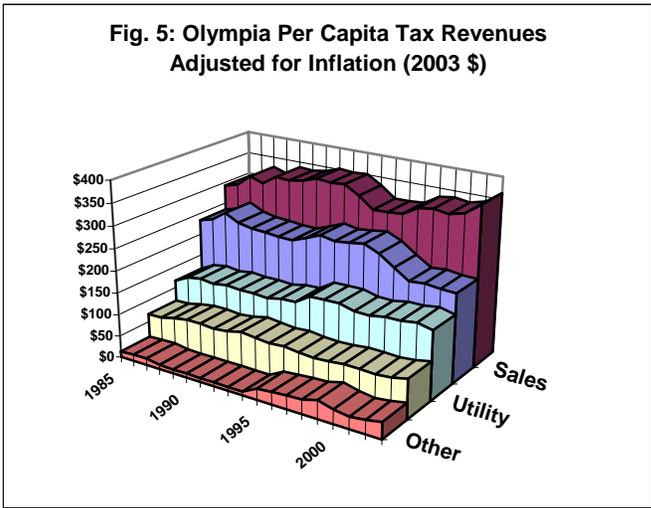


Figure 5 shows the relative importance of the different tax sources to the City's revenue base. Sales taxes have made up for the inability of property taxes to keep up with inflation and population growth. One can also see the effect of the City Council's 1995 decision to raise utility taxes to pay for expanded park acquisition, an outcome of the 1994 Comprehensive Plan.

<sup>3</sup> Initiative 695 limits the growth in property tax revenue from existing construction to one percent or inflation (as measured by the Implicit Price Deflator), whichever is less. From 1970 to 2004, the IPD dipped below one percent only once, in 1998.

Major service demands come along with these revenues as well—all the workers and shoppers coming to Olympia need streets to be maintained, as well as police and fire protection, water and sewer service, and so on. Residential growth requires these same services, plus parks (provided by the City) and schools (provided by the school district). The challenge is to provide these services at high quality for the best cost, while protecting and enhancing the revenue base which provides the City's income.

In the years after World War II, cities like Olympia could count on federal help to build the infrastructure needed to support their local economic activity. During the 1970s ninety percent of the cost of modernizing the LOTT sewage treatment plant was paid for by federal dollars. While some such opportunities are still available, they have become less common. Now we must pay for more of our infrastructure improvements from our local public and private resources. We cannot have a sustainable economy without the infrastructure, so we must determine how to get the most for our money.

First, in order for firms to locate or expand in the community, their infrastructure needs must already be met, or be under way—promises of future service will not suffice. That means Olympia will have to both use its existing

network effectively and make judicious “up-front” investments to bring development to desirable sites, such as older areas.

Second, for such investments to be affordable, they cannot be for projects that “leap-frog” out to remote sites. It is extremely costly to provide service to such sites.

Finally, Olympia must be careful not to agree to revenue concessions to developers or potential tenants unless careful fiscal analysis justifies them. The community can be made worse off financially if it gives away a large part of the revenue base in order to attract firms. Years—even decades—of shortfalls can result if unwise investments and tax concessions are granted. With years of fiscal distress, the City would not be able to afford infrastructure investments that improve our quality of life, and would lose its attractiveness as a place for private investment.

The Appendix to this chapter provides a more detailed discussion of the local economy and the role of the Port of Olympia.

## GOALS AND POLICIES

**GOAL SEC1: To maintain and enhance Olympia’s high quality of life, since livability is the most powerful economic engine available to city government.**

### POLICIES:

**SEC 1.1** Provide a healthy community that is a desirable environment for business investment and activity.

- a. Maintain the integrity of community infrastructure, such as water, sewer, street, park, storm water management, and other public facilities and systems.

- b. Maintain the quality of city services, such as police, fire, and recreation.
- c. Maintain the health of natural systems, such as air quality, water quality, and aquatic habitat.
- d. Support the mission of the local schools and colleges to provide high quality educational services.

**SEC 1.2** Foster a vibrant, inclusive, diverse civic atmosphere, with an involved community that cares about others; is dynamic; and is responsive to community needs and to social justice.

**SEC 1.3** Promote education, creativity, and the arts.

**SEC 1.4** Develop or support programs and strategies to:

- a. be responsive to economic and human rights, especially the rights of the poor and marginalized,
- b. reduce poverty and homelessness in Olympia,
- c. establish a local definition for living wage levels,
- d. encourage jobs that provide a living wage, and
- e. monitor how effectively the local economy is producing living wage jobs.

**SEC 1.5** Develop or support programs and strategies to keep existing housing affordable, to promote new affordable housing, and to encourage

remodeling and reinvestment in existing housing.

**SEC 1.6** Continue to encourage compact development patterns with good transit service, enabling lower household spending on transportation costs for all income levels.

**GOAL SEC2: To maintain the strength of Olympia’s revenue base.**

**POLICIES:**

**SEC 2.1** Encourage retail, office, and service activities for their value in providing employment and tax revenues.

**SEC 2.2** Identify major revenue-generating sectors (as in Figures 4 and 5) and identify actions the City can take to help maintain their economic health.

**SEC 2.3** Promote the concept of buying from local businesses as a way to strengthen the local economy.

**GOAL SEC3: To maintain the strength of Downtown Olympia as the economic center of the community.**

**POLICIES:**

**SEC 3.1** Support a diverse and vibrant Downtown with many small businesses and high-density housing for a range of incomes. Use techniques such as:

- a. Creating a lively and attractive streetscape;
- b. Encouraging an eighteen-hour Downtown that supports commercial and recreational activities from the morning into the evening;

c. Maintaining public safety; and

d. Sponsoring Downtown events.

**SEC 3.2** Support continued development of Downtown parks and waterfront attractions, with increased housing and commerce adjacent to them, to keep them safe and active spaces.

**GOAL SEC4: To set a positive example of sustainable business practices.**

**POLICIES:**

**SEC 4.1** Design City facilities using energy-efficient designs and environmentally responsible materials and techniques.

**SEC 4.2** Continuously improve the sustainability of the City’s internal operations, such as by reducing waste, using recycled content materials, using reclaimed water, and using high efficiency in vehicles and other equipment.

**SEC 4.3** Use City procurement, service contracting, and other operational practices to support sustainability in manufacturing and other business activities and provide living-wage jobs that meet self-sufficiency standards.

**SEC 4.4** To support local businesses, buy locally where possible.

**SEC 4.5** Promote awareness of the City’s sustainable business practices to encourage others to follow suit.

**GOAL SEC5: To ensure a responsive and efficient City services and permitting processes.**

**POLICIES:**

**SEC 5.1** Maintain high quality in all customer services, and continuously seek to improve their quality and effectiveness.

**SEC 5.2** Use regulatory incentives to encourage sustainable practices.

**SEC 5.3** Continuously improve responsiveness of the permit system, identify log-jams in the process, and expedite those processes. Create more predictability in the zoning and approval process to reduce costs all around, without eliminating protections.

**SEC 5.4** Eliminate redundancy in review processes, and provide clarity in the rules; they should make sense and be comprehensible, and the review process should be transparent.

**GOAL SEC6: To build on Olympia's current strength as a regional center for government, health care, retail trade, education, waterborne commerce, and professional and consumer services.**

**POLICIES:**

**SEC 6.1** Work closely with the state and county governments to ensure that those offices and facilities appropriate to the seat of government are located in Olympia.

- a. Accommodate the growing facility needs of federal, state, county, and local governments.

- b. As the state capital, recognize the significant role played by the state government as our community's largest employer, and continue to work cooperatively with agencies of state government to coordinate planning, especially for new office buildings and other activities with major service impacts.

- c. As the county seat, collaborate with county government to accommodate the needs for county courthouse-related facilities.

**SEC 6.2** Ensure that the total amount of land planned for commercial and industrial uses is sufficient for expected demand and need.

**SEC 6.3** Develop local awareness of the need for incubator facilities to support start-up businesses, since most new jobs in the private sector come from new, small businesses.

**SEC 6.4** Diversify the local economy to build upon our stable public sector base.

- a. Support basic employers—that is, those who export goods and services to regional, national or international markets, thus bringing home jobs and dollars.
- b. Support businesses that can reduce reliance on goods and services from outside the community.

**SEC 6.5** Collaborate with local institutions of higher education (The Evergreen State College, St. Martin's University, and South Puget Sound Community College) in their role of:

- a. providing an educated workforce that meets the needs of the jobs of today and tomorrow;
- b. contributing to the cultural life of the community; and
- c. bringing new residents whose vitality enriches our community.

**SEC 6.6** Collaborate with hospitals and other health care providers to identify actions the City could take to support their role in ensuring public health and their vitality as a major local employment base.

**SEC 6.7** Identify related sectors that support the health care sector, and identify actions the City could take to encourage their vitality.

**SEC 6.8** Support our neighboring jurisdictions in their role as the regional center for other activities, such as manufacturing, freight transportation, or air transportation.

**SEC 6.9** Collaborate with the Port in its role of facilitating economic development.

- a. Recognize that the Port of Olympia is a regional resource and evaluate decisions affecting Port operations in terms of their economic, environmental, and social impact on all jurisdictions within the region.
- b. In close cooperation with the Port of Olympia, support those harbor diversification plans which include mixed industrial, commercial, residential, recreational, and private marine activities, and which give full

recognition to the importance of Budd Inlet as the community's largest—but nevertheless limited—expanse of open water.

- c. The City and the Port should consult one another to coordinate their Comprehensive Plans.
- d. Accommodate as well as possible the needs of the Port for cross-city truck and rail transportation corridors, while minimizing conflicts with other traffic needs and land use goals. Joint efforts should be made to solve our mutual problems in this arena.

**GOAL SEC7: To build on existing tourism resources and to increase tourism facilities and other visitor services.**

**POLICIES:**

**SEC 7.1** Provide support to the needs of visitors to our community.

- a. Provide or support services and facilities to help visitors enjoy our community, its special events and unique character; and to capture economic benefit from their visits.
- b. Provide information on local services, facilities and activities, and signs helping visitors find points of interest.

**SEC 7.2** Support continued restoration, maintenance, and enhancement of local museums and attractions that interpret our history.

**SEC 7.3** Implement strategies to enhance heritage tourism opportunities.

**GOAL SEC8: To enhance the City's role as a regional center for arts and entertainment.**

**POLICIES:**

**SEC 8.1** Continue to provide programs and services supporting arts activities in Olympia, as provided in Chapter 7, Parks, Arts and Recreation.

**SEC 8.2** Support local art galleries, museums, arts and entertainment facilities, organizations, and businesses.

**SEC 8.3** Examine the feasibility of establishing an arts center for the community.

**GOAL SEC9: To derive maximum economic benefit from public infrastructure.**

**POLICIES:**

**SEC 9.1** Design infrastructure investments to:

- a. Support a variety of potential economic sectors, and shape the development of the community in sustainable patterns.
- b. Stimulate and generate private investment for economic development and redevelopment activities, and urban preservation activities designed to extend the useful economic life of existing structures.

**SEC 9.2** Base public infrastructure investments on:

- a. Comprehensive Plan goals;
- b. A determination that the public cost will be recovered through increased revenues derived from generated private investments, provided that the infrastructure is

for a public purpose and does not constitute an invalid gift of public funds; and

- c. Analysis determining the lowest life-cycle cost.

**SEC 9.3** Identify and use infrastructure grants and loans plus other incentives to achieve Comprehensive Plan goals such as infilling, redevelopment, and strengthening the sustainability of the local economy and revenue base.

**SEC 9.4** Identify where utilities and their upgrading are needed and appropriate to serve zoned commercial and industrial areas, and encourage the development of utilities to service these areas.

**SEC 9.5** Investigate the feasibility of city provision of telecommunications infrastructure, or other new forms of infrastructure.

**SEC 9.6** Collaborate financially to complete the necessary infrastructure to develop targeted commercial, residential, industrial, or mixed use areas (such as the Downtown, or High Density Corridors) with water, sewer, electricity, street, street frontage, public parking, telecommunications, or rail improvements, as appropriate.

- a. Participate financially in local improvement districts;
- b. Upgrade infrastructure and recoup costs with latecomer agreements; or
- c. Consider other similar mechanisms.

**SEC 9.7** Encourage the infilling of designated areas by new or expanded economic activities before considering the expansion of these areas.

**SEC 9.8** Sites to be designated for industrial or commercial development should be able to be served by required utilities and other services on a cost-effective basis and at a level appropriate to the uses planned for the area.

**SEC 9.9** Maximize the efficiency of the City's revenue base by avoiding making lengthy and expensive service extensions which would cost more than could be recovered from revenues.

**GOAL SEC10: To collaborate with other partners to maximize economic opportunities.**

**POLICIES:**

**SEC 10.1** Recognize the benefits gained by the whole community when jobs are created in any part of it, and support appropriate economic development efforts by neighboring jurisdictions.

**SEC 10.2** Collaborate with all the neighboring jurisdictions to develop a regional sustainable economy strategy.

**SEC 10.3** Look for economies of scale in providing services at the regional level.

**SEC 10.4** Promote the ease of development for selected sites (such as the Downtown, or High Density Corridors) by conducting preliminary studies for them before receiving development applications; for example, by conducting

appropriate environmental impact analyses.

**SEC 10.5** Collaborate with local economic development organizations to create new living wage jobs, and to strengthen existing businesses with such jobs.

**GOAL SEC11: To raise awareness of Olympia's advantages among those who might invest in the community.**

**POLICIES:**

**SEC 11.1** Actively promote economic activities which are consistent with the values expressed in this comprehensive plan.

**SEC 11.2** Actively market Olympia's advantages to local or out-of-town businesses that may be considering expansions or new facilities in the area.

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## APPENDIX 3A: SUSTAINABLE ECONOMY

### *How does a local economy work?*

The most useful way to look at what makes a local economy run is to apply “economic base” analysis. Such analysis divides an economy into its basic and non-basic sectors. Within each sector are the more detailed “industries,” which in economics does not refer only to manufacturing. In this application, “industry” means “any general business activity or commercial enterprise;” for example, “the tourism industry” or “the health care industry.”

The “basic sector” is defined as that portion of the local economy which produces goods or services which are mainly for “export” to markets outside the local community. The Georgia Pacific cardboard box plant is a classic example of a basic industry. It “exports” its product to the rest of the nation, and “imports” jobs and hence income into the community.

The level of output and employment in the basic sector is thus determined by market factors outside the local economy. State government is our largest basic industry, exporting its services to the rest of Washington. The health of the state-wide economy largely determines employment trends in state government. To summarize, our basic sector is composed mainly of the manufacturing industries and state government.

The non-basic sector is defined as those parts of the local economy where the level of output and employment are primarily determined by changes in local demand. Grocery stores, movie theaters, and real estate agencies are classic examples of businesses in the non-basic sector.

The theory of economic base analysis thus ties the growth of any small area economy to the ability of that economy to produce and sell goods and services within a market area

substantially larger than itself. Any change in the local area's export of goods and services provided by its basic industries will spin off other changes to the local level of income, employment, and output.

In other words, if poor economic conditions lead to layoffs in state government and other basic industries, there will be adverse effects on local non-basic businesses. Alternatively, growth in state government and other basic employment will bring growth to all other local businesses. Studies including computer models of Thurston County's economy estimate that every 100 new basic sector jobs generate roughly 100 additional jobs in the non-basic sector. Non-basic jobs do not have as great a “multiplier” (spin-off) effect.

There is an alternative to increasing production of goods and services for export outside the local community. A small community like ours “imports” many goods and services not provided locally. This results in flows of dollars to outside the community. Providing such goods and services locally instead – known as “import replacement” – would have the same spin-off for our local economy as increasing exports.

Thus the most effective economic development strategies for a local community are to expand employment in basic industries, or to increase import replacement, or some combination.

To some degree, the boundary between basic and non-basic industries is hazy. For example, medical services and telecommunications are normally considered to serve just the local market. Thus they are usually classified non-basic. In Thurston County, however, the medical community serves a multi-county trade area, bringing in more income and jobs than if it was of a purely local scale. Lacey is home to an

area, bringing in more income and jobs than if it was of a purely local scale. Lacey is home to a large firm that provides telecommunications software and hardware to telephone networks throughout the entire nation. In addition, major Thurston county retail areas such as Westfield Shoppingtown Capital Mall and the Olympia Auto Mall serve a multi-county trade area too. Attorneys, architects, engineers, and other industries that provide services to businesses are also partly basic, and partly non-basic.

**What are the major trends that have affected our local economy?**

During the 1970s, 1980s, and early 1990s, Thurston County grew rapidly as its major basic industry—state government—grew rapidly. Beginning in the late 1970s our growth was also influenced by the strong expansion of both trade and services. These were fueled by the opening of Capital Mall and by the rapid growth of medical services (see Figure 7). From 1983 to 1993, state government grew at an annual rate of almost 5%. Meanwhile, trade and services grew at rates of about 5% and 7% respectively. In contrast, manufacturing employment grew at a rate of under 4%. While modest, this growth far exceeded the national trend, which saw a gradual decline. Total county employment and population grew at rates of about 5% and 3% respectively.

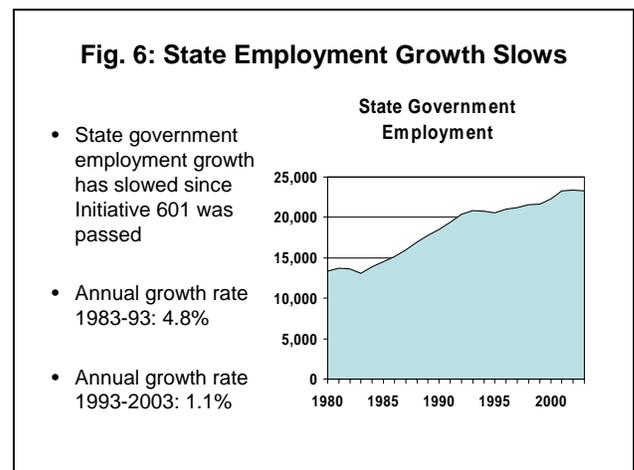
From the late 1990s into the early 2000s, however, tax-limiting initiatives combined with a recession to slow the growth rate of Thurston County’s economy. From 1993 to 2002, state government grew at barely over 1% a year. Trade and services fell to about 3% and 4% respectively. Manufacturing grew at a rate of just 0.4% per year.

If the community's employment in basic industries were expanded, it would spin off additional job growth in the non-basic sector. For every 100 added manufacturing jobs, another 200 non-basic jobs are typically

generated. For every 100 added state government jobs, another 100 non-basic jobs are generated. Though it has a lower spin-off effect, over the long run state government is a more stable employment source than most other sectors, since it reflects the state economy's overall balance. Consequently, Olympia has not had to suffer recessions as severe as have those communities dependent on a narrow employment base strictly within the private sector.

**What are the economic prospects facing the Olympia area?**

What growth trends will Olympia see in the coming years, and of what type? Because Thurston County's fortunes are tied to those of the larger world, we must start with what is in store for the state as a whole, looking at various components one by one.

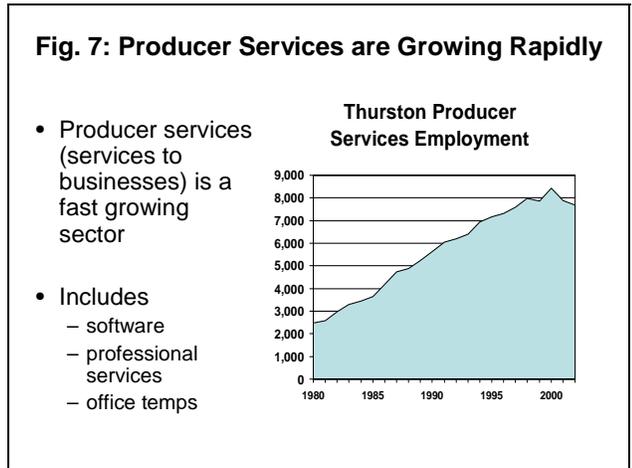


Regional economists agree in their basic conclusions. Once heavily dependant on forest products and aerospace, Washington is now more diverse. Software, typified by Microsoft, has joined the ranks of major industries.

In the long run, Boeing's dominance in international sales faces stiff competition from Airbus Industry, a consortium created by France, England, and Germany. In addition, Boeing now has plants all over the United States

that will contribute major subassemblies to future aircraft. For the 7E7, Boeing's next generation of passenger airliner, only final assembly will take place in Washington.

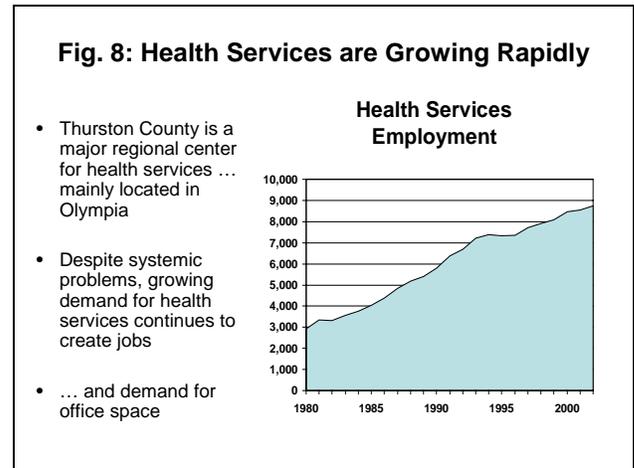
Technology, including both hardware and software, has become a major factor in the region's future. Attracted by a high quality environment and labor force, this complex of industries has grown strongly over the last decade. This has had a major growth-inducing impact on Washington, offsetting the stagnation or decline of the forest products and aerospace sectors. On the other hand, technology has proven to be a relatively volatile industry because of the intense competition for innovative products.



The implication of the state and regional trends discussed above is that Thurston County's major employer – state government – is likely to remain a very slow-growing industry in coming decades.

Trade and services may not expand as rapidly as in the past because of slower growth in our economic base. In addition, our secondary trade area (Mason, Lewis, and Grays Harbor counties), dependent on the forest products industry, is more slow-growing than we are. On the other hand, trade and services will continue to grow faster than other sectors. Health services and producer services (services to

businesses) will be major sources of local job growth.



TRPC's forecasts indicate that local employment and population will grow at a modest rate during the next 25 years unless there is a significant broadening of the economic base industries.

The TRPC forecasts also project future employment levels by individual industry. Currently, roughly 89 percent of the local economy is made up of service-providing industries in the broadest sense (i.e., government, trade, services, finance, insurance, real estate, transportation, communication, and utilities). Many of these service industries – especially information-based industries – occupy offices.

In Olympia, the largest user of office space is state government. The Capitol Campus housed roughly 6,265 employees in 2005. The State was also housing roughly 1,095 employees in owned buildings off-Campus (e.g., Superintendent of Public Instruction), and roughly 4,680 in leased space off-Campus in Olympia. An additional 3,545 employees were located in Lacey, and 6,030 in Tumwater.

STATE EMPLOYMENT BY JURISDICTION					
Jurisdiction	Total Emp.	Inside PDA or PLA*		Inside Campus*	
		#	%	#	%
Lacey & UGA	3,545	2,925	83%	940	27%
Olympia & UGA	12,045	10,670	89%	6,263	52%
Tumwater & UGA	6,030	4,925	82%	1,790	30%
Other Locations	1,205	0	0%	0	0%
<b>Total Thurston County</b>	<b>22,825</b>	<b>18,515</b>	<b>81%</b>	<b>8,993</b>	<b>39%</b>
<i>Not including higher education</i>	21,420	18,515	86%	8,993	42%

\*PDA = Preferred Development/Leasing Area; PLA = Preferred Leasing Area  
Campus employees are also included in the PDA and PLA totals.

In 1991 the State Capitol Committee prepared *The Master Plan for the Capitol of the State of Washington*. This plan set forth a 20-year guide to construction, expansion and acquisition of property on the Capitol Campus, in Downtown Olympia, and on satellite campuses in Lacey and Tumwater. The goal of the State office plan was to reduce the proportion of leased properties to no more than 20 percent by 2010. Currently, the State occupies leased space for 49% of its employees in Thurston County.

STATE EMPLOYMENT BY TENURE					
Jurisdiction	State Employees in State-owned Bldgs		State Employees in Leased Bldgs		Total
	#	%	#	%	
Lacey & UGA	945	27%	2,600	73%	3,545
Olympia & UGA	7,360	61%	4,680	39%	12,045
Tumwater & UGA	2,200	36%	3,830	64%	6,030
Other Locations	1,205	100%	0	0%	1,205
<b>Total Thurston County</b>	<b>11,715</b>	<b>51%</b>	<b>11,110</b>	<b>49%</b>	<b>22,825</b>

The Capitol master plan called for construction of about 640,000 square feet of office space on the Capitol Campus through 2010. The 285,500 square foot Natural Resources Building, which opened in 1992, was to be the first of these Campus additions. The plan also called for construction of 845,000 square feet of offices in Downtown Olympia. The master plan also set the stage for continued expansion of state offices outside the capital city, specifically in Lacey and Tumwater.

Of the goals for Olympia, few have been realized. Only the Natural Resources Building has been built on the Campus, and none of the state offices planned for Downtown Olympia. Initiatives limiting both revenues and expenditures have slowed state government employment growth, and have cooled the Legislature's interest in building offices for state ownership. Meanwhile, agencies continue to

lease more space off-campus. The dominant trend has been to vacate space in Olympia and relocate to Tumwater.

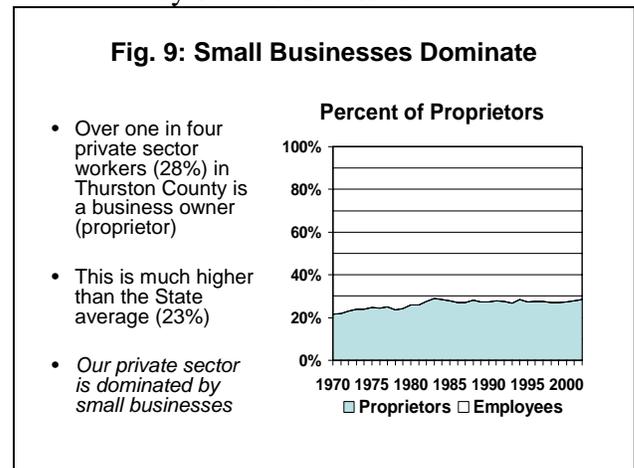
STATE EMPLOYMENT DISTRIBUTION TRENDS						
Jurisdiction	1998		2003/2005*		Growth 98-05*	
	#	%	#	%	#	%
Lacey & UGA	2,570	12%	3,545	16%	975	38%
Olympia & UGA	14,260	66%	12,045	53%	-2,215	-16%
Tumwater & UGA	3,715	17%	6,030	26%	2,315	62%
Other Locations	1,205	6%	1,205	5%	0	0%
<b>Total State Employment</b>	<b>21,750</b>	<b>100%</b>	<b>22,825</b>	<b>100%</b>	<b>1,075</b>	<b>5%</b>

\*2003 employment numbers allocated to 2005 locations.

Sources: Washington State Departments of Employment Security and General Administration, Thurston Regional Planning Council.  
Note: Total employment numbers may not add due to rounding.

In 2004, the State began preparing to update the Capitol Campus Master Plan.

While state government will continue to be a major factor in the development of offices, other sectors, such as producer services, finance, and health services, will also need more office space. Finally, a large number of office users are located in smaller (2,000 to 6,000 square feet) owner-occupied or single tenant projects. This is because the Thurston County economy is dominated by small businesses.



### What is the role of Manufacturing in Thurston County?

Individual manufacturing plants in Thurston County are doing well. However, their combined employment accounts for only about 4 percent of the total county-wide, and about 2 percent of Olympia's total room to allow growth. Table 1 shows more. Certainly there is room to allow growth. Table 1 shows more

**Table 1**  
**Industrial and Commercial Land Supply in Thurston County**

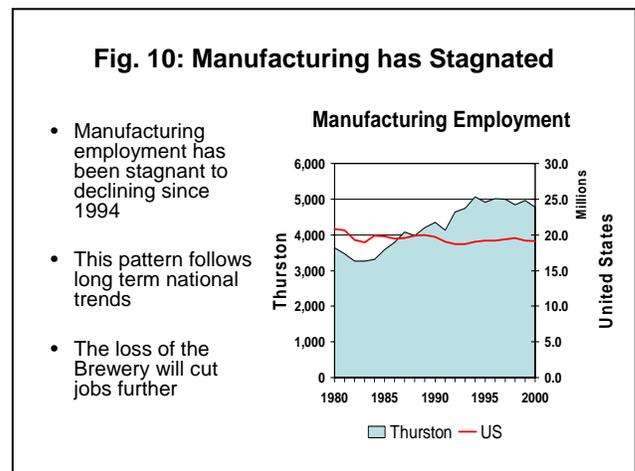
Jurisdiction	Industrial Land Supply (acres)			Commercial Land Supply (acres)		
	Vacant or Partially Used Land	Land with Redevelopment Potential	Total	Vacant or Partially Used Land	Land with Redevelopment Potential	Total
Bucoda	1	0	1	7	2	9
Lacey & Lacey UGA	1,184	70	1,254	2,202	396	2,598
Olympia & Olympia UGA	44	64	108	626	380	1,006
Rainier & Rainier UGA	0	0	0	47	2	50
Tenino & Tenino UGA	32	2	34	20	6	26
Tumwater & Tumwater UGA	2,480	289	2,768	853	155	1,008
Yelm & Yelm UGA	226	26	251	325	75	400
Grand Mound UGA	264	32	296	119	26	145
<b>Total Urban Areas</b>	<b>4,229</b>	<b>483</b>	<b>4,712</b>	<b>4,200</b>	<b>1,042</b>	<b>5,242</b>
<b>Rural Unincorporated County</b>	<b>568</b>	<b>43</b>	<b>611</b>	<b>279</b>	<b>92</b>	<b>371</b>
<b>Thurston County Total</b>	<b>4,797</b>	<b>526</b>	<b>5,323</b>	<b>4,479</b>	<b>1,134</b>	<b>5,613</b>

Source: Buildable Lands Work Program, TRPC

Explanation: Partially used parcels contain less than 3,000 square feet per acre of commercial or industrial building activity, indicating room for further development. Redevelopment potential is based on a building to land value ratio, where buildings are present. Residential properties in commercial or industrial zoning and parking lots are considered redevelopable.

manufacturing could be accommodated on vacant land that is already zoned industrial. Little of the total available land is in Olympia, however, and all of that is on small sites by modern standards. The Port's harbor area properties offer unique opportunities for water-oriented industries, but most of the future growth in manufacturing, warehousing, and wholesale trade will necessarily be provided for on the large, modern industrial sites in Lacey and Tumwater.

On the whole, manufacturing industries in the county are unlikely to see strong growth, according to forecasts prepared by the Thurston Regional Planning Council. The disappearance of Hardel Plywood and the Miller brewery in recent years are strong indications of fundamental structural changes: Thurston County, along with the rest of the United States, is in a post-industrial era. At the same time, other users of industrial land – such as wholesale and distribution firms – are likely to continue to grow and locate on sites mainly in Lacey and Tumwater. The Target and Home Depot distribution warehouses are examples.



**A Living Wage for Thurston County**

A living wage is a wage that allows families to meet their basic needs without resorting to public assistance, and provides them some ability to deal with emergencies and plan ahead. It is not a poverty wage. A modified market basket approach was used to calculate household budgets, upon which living wage figures are based. Household budget items—along with their data sources—include

- **Food:** U.S. Department of Agriculture’s 2004 figures for the “Low Cost Food Plan,” adjusted to the local area using TRPC’s Cost of Living Index for Thurston County.
- **Housing & Utilities:** U.S. Department of Housing and Urban Development’s FY 2004 Fair Market Rents (at the 40th percentile)—which includes electricity and other basic utilities—plus information from Qwest for basic telephone service.
- **Transportation:** 1998-99 “TRPC Household Travel Survey for Thurston County” for vehicle miles traveled, Internal Revenue Service reimbursement rates for automobile travel for vehicle cost per mile, and the U.S. Department of Labor’s Consumer Expenditure Survey (CES) for public transportation expenditures.
- **Health Care:** 2002 Medical Panel Expenditure Survey of the US Department of Health and Human Services, and updated to 2004 for inflation (employer provided health care is assumed; out of pocket costs and individual contributions for health insurance coverage are included).
- **Child Care:** Washington State Department of Social and Health Services market rate surveys for 2004. The rate is set at the 50<sup>th</sup> percentile (i.e., the median average).
- **Household, Clothing, & Personal:** Calculated as a fixed percentage (16%) of total household spending, excluding child care and taxes.
- **Savings:** Expert recommendations (set at 10 percent of total household spending, minus child care and taxes).
- **State, Local, and Federal Taxes:** Social Security and Medicare taxes (FICA), federal income taxes (including child care credits), and state and local sales taxes, as appropriate.

<b>Olympia Living Wage</b> Figures are for 2004											
Household Type	Monthly Budget								HH Monthly Income Needed	HH Annual Income Needed	Living Wage per Worker
	Food	Housing	Transpor- tation	Health Care	Child Care	Household, Clothing & Personal	Savings	Taxes			
1. Single Adult	\$222	\$692	\$257	\$83	\$0	\$201	\$145	\$371	\$1,971	\$23,648	\$11.37
2. One Adult, one child (6-8)	\$356	\$855	\$341	\$181	\$289	\$277	\$201	\$366	\$2,865	\$34,383	\$16.53
3. One Adult, two children (1-2, & 6-8)	\$448	\$855	\$207	\$238	\$852	\$280	\$203	\$337	\$3,419	\$41,027	\$19.72
4. Two adults (one working), two children	\$622	\$855	\$441	\$294	\$0	\$354	\$256	\$278	\$3,099	\$37,192	\$17.88
5. Two adults (both working), two children	\$622	\$855	\$630	\$294	\$852	\$384	\$278	\$490	\$4,405	\$52,859	\$12.71

The methodology follows that of the *Northwest Job Gap Study*, Northwest Policy Consortium, University of Washington, 2001. The most current data available was used and then adjusted for inflation if needed, using the CPI-U for the Seattle metropolitan area published by the Bureau of Labor Statistics. Because the CPI includes all of the budget items in its basket, it would be appropriate to use for short term updates. Living wage estimates (the bottom line) for each household type can be updated with relative confidence through 2009 using the CPI.

Workers are assumed to be employed full-time, year-round.

## The Port of Olympia

### The Port's Mission

The Port of Olympia is a special-purpose district with boundaries the same as Thurston County. Its mission is to grow the Thurston County economy, move people and goods, and improve the County's recreation options and environment.

The Port of Olympia sees itself serving the Thurston County community as:

- An enterprise center,
- An economic development facilitator,
- An environmental integrator, and
- A public service provider.

The Port's economic development vision statement is:

*"The Port should work cooperatively with other jurisdictions to facilitate, through direct and indirect means, the smooth functioning and growth of the Thurston County community's economy by acting as:*

- a. Economic Catalyst: Serve as catalyst in economic development and economic diversity;*
- b. Developer: Acquire and manage land, facilities, and transportation infrastructure for economic development activities; and*
- c. Risk Taker: Syndicate risk, e.g., invest with others in facilities which encourage businesses to locate or remain in the area."*

One of the Port's strategies is to build "platforms" that private businesses can build upon. An example is the Swantown Boatworks, where the Port invested in the boat lift, the upland work yard, and all utilities necessary for private businesses to come and invest in buildings and then other businesses to rent space

in those buildings. The Airport provides a platform for aviation-oriented businesses to locate at the Airport. The Port's property development program offers businesses a low cost alternative through its leasing program to fund initial start-up costs for a new facility. The Marina offers space for marine-related businesses to locate next to over 600 boats and potential customers.

### Existing Land Uses

The Port of Olympia owns approximately 1,650 acres of land in Tumwater and about 200 acres in Olympia. The Olympia property is located on Budd Inlet.

The Port's Olympia facilities include the Marine Terminal, Swantown Marina and Boatworks, West Bay properties, and leased industrial and commercial properties. The Marine Terminal is a 2,000 foot wharf with a 3-berth facility, including upland paved and un-paved cargo handling areas. This is complemented by warehouse space.

The Port's Tumwater facilities include the Olympia Airport and the Newmarket Industrial Campus. The airport is a general aviation facility with a 5,000 foot runway offering facilities for corporate and recreational flight services. The Newmarket Industrial Campus is a light industrial and office park adjacent to the airport.

### Port Land Use Plan

The land use plan for its Olympia properties includes industrial uses in the vicinity of the Marine Terminal, recreational boating uses at the Swantown Marina and Boatyard, and mixed uses in the Market, North Point, and East Bay Districts and West Bay. Recreational uses are envisioned throughout the mixed use districts and Marina.

Transportation is a common thread among all Port facilities. Vehicle and truck access are essential to each land use on Port property. Marine and rail access are key for the Marine Terminal, and the Olympia Regional Airport provides an aviation link to the region.

Clearly, although the Port of Olympia is much less a factor in the local economy than state government, its potential is significant. The Port uses an important natural resource, namely Puget Sound access, and, at the same time, provides an opportunity for economic diversity. The Port also acts as the southern gateway to Puget Sound.

See the full description of the Port of Olympia, its properties, its future land uses, and additional policies in the Land Use Chapter.