

ANACORTES

Comprehensive Plan 2016



ECONOMIC DEVELOPMENT

EXISTING CONDITIONS

Draft, February 24, 2015

POPULATION CONDITIONS

Current and future population drives opportunities for new employment and development. Population conditions are presented in terms of demographic characteristics, projected population growth, and trade area population.

Demographic Characteristics

Several demographic characteristics are compared for Anacortes, Skagit County and Washington State in Table 1 below.

Table 1. Comparison of Demographic Characteristics Anacortes, Skagit County and Washington State

| | Anacortes | Skagit County | Washington State |
|-------------------------------|-----------|---------------|------------------|
| Population 2010 | 15,778 | 116,901 | 6,724,540 |
| Households 2010 | 6,980 | 45,557 | 2,620,076 |
| % Family Households | 63.9% | 67.3% | 64.4% |
| Households w/ <18 yrs. | 24.3% | 30.8% | 31.9% |
| Households w/65+ yrs. | 36.4% | 29.5% | 22.8% |
| Avg. HH Size | 2.25 | 2.53 | 2.51 |
| Avg. Family Size | 2.75 | 3.01 | 3.06 |
| Median Age | 47.2 | 40.1 | 37.3 |
| Med. HH Inc. 2008-2012 | \$59,587 | \$56,457 | \$59,374 |
| Households w/ Earnings | 67.0% | 74.9% | 79.8% |
| Source: US Census Bureau | | | |

Anacortes has a higher median age, lower percentage of households with members under 18, and higher percentage with members over 65. Anacortes has a higher median household income, with a lower percentage of households reporting earnings (as opposed to investment or pension income). This reflects a community with a large retirement population.

Projected Population Growth

Skagit County has prepared preliminary population forecasts and allocations under the requirements of the Growth Management Act. The county-wide forecast is based on an adjustment to the State medium forecast, and the allocations are based on recommendations by city and county planners. Final allocations will be approved by the County Commissioners. The preliminary figures for Urban Growth Areas (UGA's) and rural areas are shown in the following table.

Table 2. Planner Recommended Population Growth and Distribution for Skagit County and UGA's

| UGA | 2012 Population | 2012-2015 Population Growth Forecast | 2015-2036 Population Growth Forecast | 2015-2036 Population Growth Forecast Allocation Percent | 2036 Population Growth Forecast Allocation |
|----------------------|-----------------|--------------------------------------|--------------------------------------|---|--|
| Anacortes | 16,090 | 308 | 5,895 | 16.5% | 22,293 |
| Burlington | 10,393 | 71 | 3,808 | 10.7% | 14,272 |
| Mount Vernon | 33,935 | 1,034 | 12,434 | 34.8% | 47,403 |
| Sedro-Woolley | 12,431 | 83 | 4,555 | 12.7% | 17,069 |
| Concrete | 873 | 0 | 320 | 0.9% | 1,193 |
| Hamilton | 310 | 3 | 114 | 0.3% | 427 |
| La Conner | 898 | -1 | 329 | 0.9% | 1,226 |
| Lyman | 441 | 2 | 162 | 0.5% | 605 |
| Bayview Ridge | 1,812 | -1 | 72 | 0.2% | 1,883 |
| Swinomish | 2,489 | 15 | 912 | 2.6% | 3,416 |
| Rural (outside UGAs) | 38,277 | 238 | 7,150 | 20.0% | 45,665 |
| Total | 117,949 | 1,752 | 35,751 | 100.0% | 155,452 |

Notes: The figures apply to cities/towns including their associated UGAs.

Source: BERK Consulting 2014, Skagit County Growth Projections

The Anacortes UGA is projected to grow from 16,090 in 2012 to 22,293 in 2036, an average growth rate of 1.4% per year. This exceeds the average rate for the county as a whole of 1.2%.

Trade Area Population

Anacortes businesses serve a trade area that is larger than its urban growth area. Trade areas are determined by a combination of natural features, transportation facilities, population concentrations and competing development. Anacortes serves a trade area that includes all of Fidalgo Island and San Juan Island. The trade area does not extend south into Island County or east because of the competing commercial concentrations in Mount Vernon and Oak Harbor. The population of the trade area is shown in Table 3.

Table 3. Population of Anacortes Trade Area

| | 2010 | 2013 |
|-------------------------|---------------|---------------|
| Anacortes | 15,778 | 16,080 |
| Other Fidalgo (98221) | 4,561 | 4,740 |
| San Juan County | 15,769 | 16,000 |
| Total Trade Area | 36,108 | 36,820 |

Source: US Census Bureau, Washington Office of Financial Management and Property Counselors

EMPLOYMENT CONDITIONS

Employment drives population growth and provides the income levels necessary to support the local housing market and commercial businesses. Employment conditions are presented in terms of employment by industry, employee travel patterns, and projected employment growth.

EMPLOYMENT BY INDUSTRY

Employment data by sector for Anacortes, Skagit County and Washington State are compared in the following table.

Table 4. Employment and Average Wages for Anacortes, Skagit County and Washington State

| | Anacortes | | | Skagit County | | | Washington State | | |
|---|------------|------------|-----------|---------------|------------|----------|------------------|------------|----------|
| | Employment | % of Total | Avg Wage | Employment | % of Total | Avg Wage | Employment | % of Total | Avg Wage |
| Agriculture, forestry, fishing & hunting | 43 | 0.5% | \$126,575 | 2,801 | 6.1% | \$31,344 | 95,589 | 3.3% | \$26,273 |
| Mining, quarrying, and oil and gas extraction | * | | * | * | | | 1,938 | 0.1% | 58,817 |
| Construction | 476 | 6.0% | 45,654 | 2,497 | 5.5% | 58,911 | 129,802 | 4.5% | 53,038 |
| Manufacturing | 1,808 | 22.9% | 78,480 | 4,975 | 10.9% | 58,589 | 277,378 | 9.6% | 69,304 |
| Wholesale trade | 93 | 1.2% | 52,041 | 1,189 | 2.6% | 49,093 | 121,721 | 4.2% | 68,494 |
| Retail trade | 941 | 11.9% | 27,949 | 6,517 | 14.2% | 27,893 | 314,440 | 10.9% | 32,384 |
| Transportation warehousing and utilities | 234 | 3.0% | 43,398 | 1,108 | 2.4% | 40,739 | 87,520 | 3.0% | 52,740 |
| Information and financial activities | 346 | 4.4% | 56,195 | 2,240 | 4.9% | 43,384 | 235,673 | 8.1% | 95,025 |
| Professional & business services | 384 | 4.9% | 45,053 | 2,497 | 5.5% | 43,368 | 341,869 | 11.8% | 67,821 |
| Education & health services | 1,858 | 23.5% | 40,790 | 4,741 | 10.4% | 31,919 | 366,370 | 12.7% | 46,014 |
| Leisure & hospitality | 1,345 | 17.0% | 23,226 | 4,311 | 9.4% | 16,836 | 228,446 | 7.9% | 18,696 |
| Other services (excluding private household employm | 294 | 3.7% | 27,380 | 2,004 | 4.4% | 26,917 | 132,105 | 4.6% | 25,651 |
| Public administration | * | | * | 10,710 | 23.4% | 45,662 | 516,204 | 17.8% | 52,869 |
| Other | 72 | 0.9% | 104,793 | 211 | 0.5% | 81,219 | 45,357 | 1.6% | 25,293 |
| Total | 7,893 | 100.0% | \$46,840 | 45,801 | 100.0% | \$39,326 | 2,894,412 | 100.0% | \$51,964 |
| Employment / Capita 2012 | 0.49 | | | 0.39 | | | 0.42 | | |

Source: WA Department of Employment Securities, Property Counselors.

Anacortes had 7,900 jobs within the City in 2012, equivalent to .49 jobs per capita. That ratio is higher than the ratio for either the county or state. Anacortes is an employment center relative to its population.

The make-up of the employment base is shown in Table 4 and graphically in Figure 1. Anacortes has relatively high employment in manufacturing, health care, leisure and hospitality. This reflects the prominence of such employers as Island Hospital, Dakota Creek Industries, Trident Seafoods, and various small visitor oriented businesses. The employment base is well diversified.

The average wage rate in Anacortes was \$46,840 in 2012, greater than the average for Skagit County, but less than that for the State. The average wage by industry by is summarized in Figure 2. Overall the highest wages are reported for fishing, manufacturing, information and financial services, wholesale trade, construction, and professional and business services. Anacortes wages are higher than the State figures for fishing, manufacturing, and leisure/hospitality.

More detailed information has been provided by the State Department of Employment Security. This data provides additional insight into the employment levels and wages for subsectors within the major industrial categories. Manufacturing is the sector with the most variability among the subsectors. The three largest subsectors are materials manufacturing (NAICS 320 which includes petroleum refining), food processing and transportation equipment (ship and boat building). Materials manufacturing is the largest of the three sectors with over 800 employees. The other two sectors are similar in size with over 300 employees in each. The average wage for NAICS 320 was \$119,000 in 2012, food processing was \$26,639, and transportation equipment was \$62,099.

Figure 1.

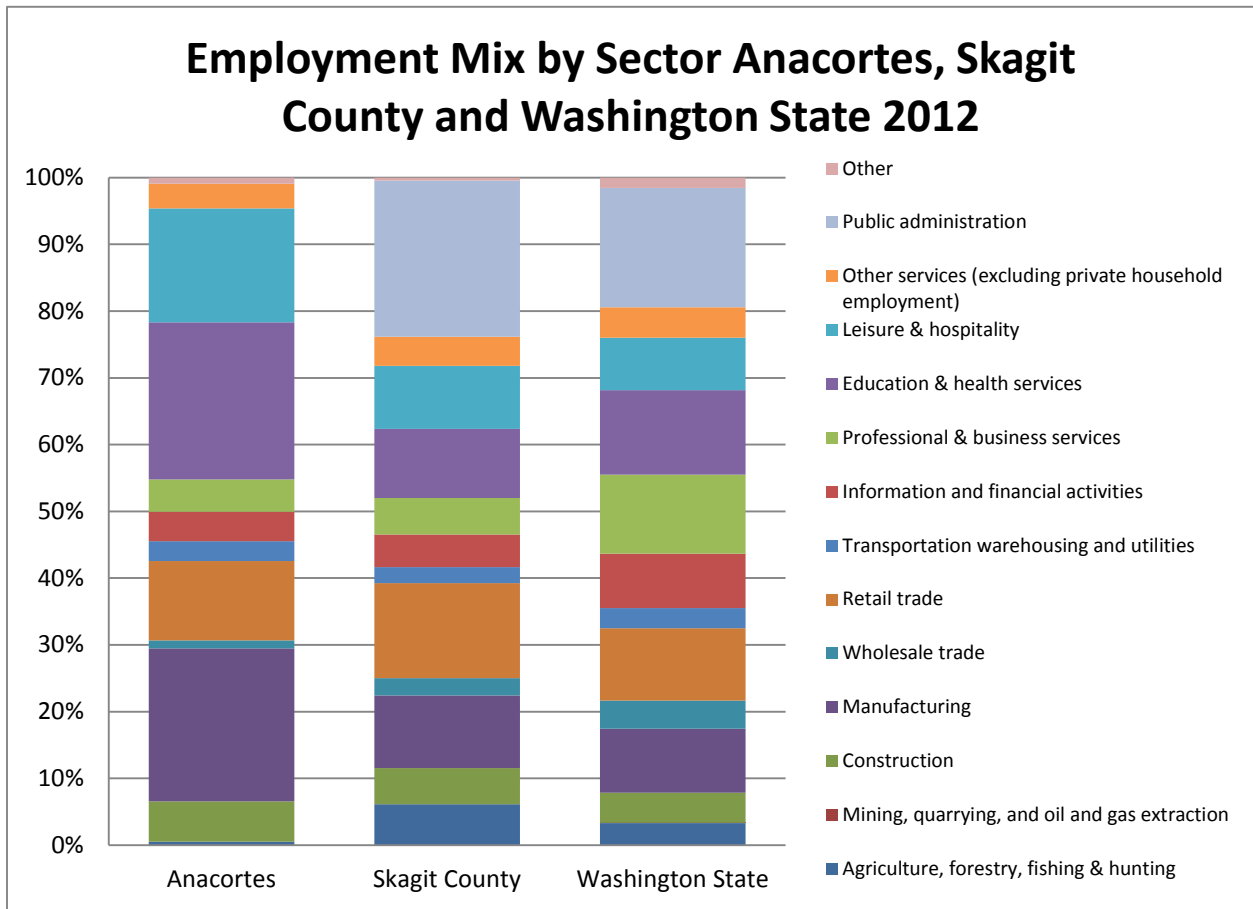
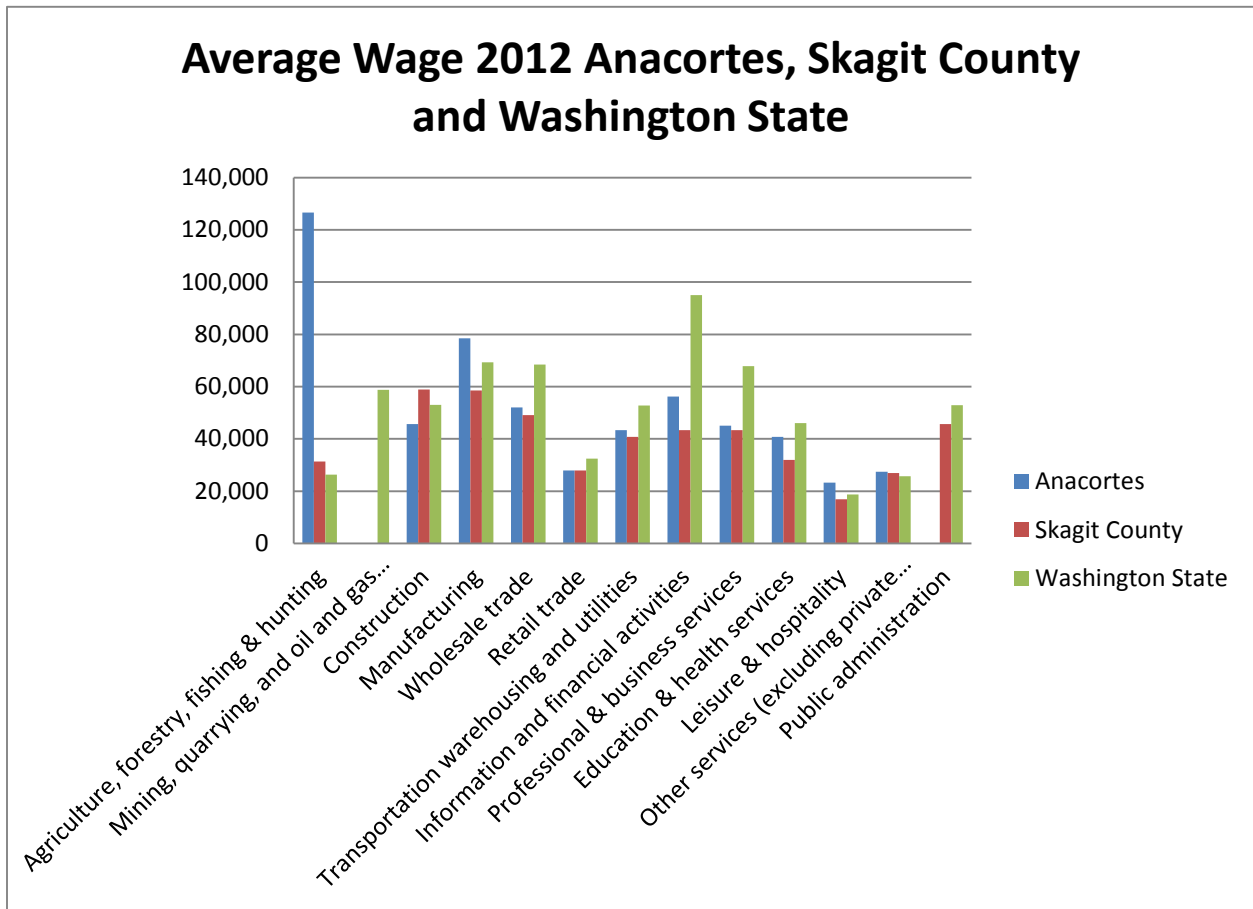


Figure 2.

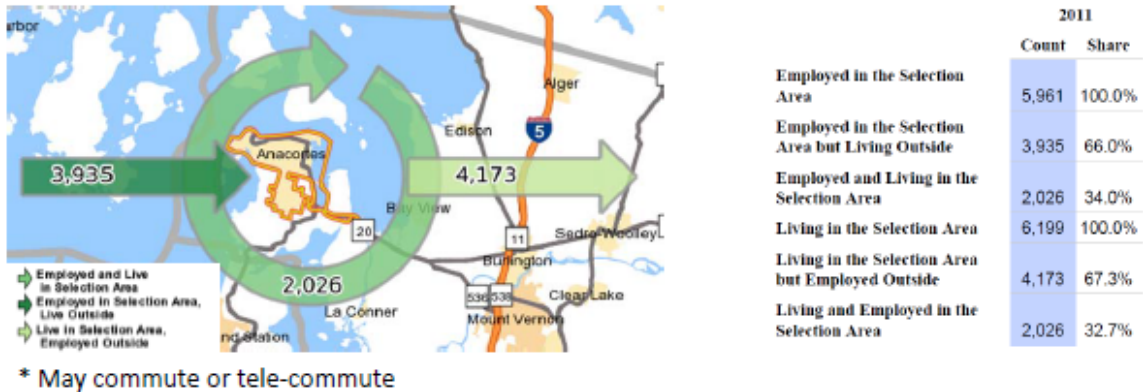


Employee Travel Patterns

While there are a relatively high number of jobs in Anacortes, there are also a large number of residents who commute to jobs outside the city. The relationship of workers traveling into and outside the city is summarized in Figure 3.

Figure 3. Travel Patterns of Anacortes Workers and Residents

- 6,199 Anacortes residents are employed
- 2,026 Anacortes residents live and work in town.
- 4,173 Anacortes residents have jobs out of town*
- 3,935 workers commute to jobs in Anacortes



67% of Anacortes residents work outside city limits

Source: US Census Bureau LED data

There is a rough balance with the number of workers commuting to Anacortes approximately equal to the number commuting out.

Employment Projections

The County has also prepared preliminary employment projections and allocations under the Growth Management Act. Preliminary allocations are provided for three scenarios. Anacortes would capture a higher share of employment growth under the Current Shares scenario, with a lower share under the two scenarios which allocate higher shares to I-5 Corridor communities. The average annual growth rates are 1.3%, .8 % and .9 % for the Current Shares, Corridor Trends Share, and Corridor Focus Shares, respectively.

Table 5. Preliminary Employment Projections and Allocations

| | 2012 | Net Growth 2012-2015 | Resource | Retail | Industrial | Services | Gov/Edu | Net Growth 2015-2036 | Total 2036 |
|------------------------|-------|----------------------|----------|--------|------------|----------|---------|----------------------|------------|
| Current Shares | 8,166 | 304 | - | 69 | 1,010 | 969 | 576 | 2,610 | 11,080 |
| Corridor Trends Share | 8,166 | 187 | - | 71 | 568 | 640 | 353 | 1,628 | 9,982 |
| Corridor Focus Share | 8,166 | 201 | - | 71 | 596 | 678 | 406 | 1,753 | 10,120 |
| Planner Recommendation | 8,166 | | - | 92 | 702 | 806 | 476 | 2,076 | |

Source: Berk and Associates, Skagit County Growth Projections, July 2014.

The additional jobs will require additional land to accommodate the new and expanding businesses. The land requirements can be estimated according to typical employment density factors.

The projections in Table 5 are based on allocations according to stated assumptions. In the case of retail employment, the projections don't explicitly reflect potential market opportunities for the city. As presented in the next section of this report, under a future scenario for retail expansion that includes significant recapture of current retail leakage, the City could support an additional 230,000 square feet of building area through the year 2035. That demand would support 460 retail jobs. The industrial employment number in Table 5 is lower than the moderate level projection in the Skagit County Industrial Land Study, prepared in March 2014 by ECONorthwest. The land requirement estimates in Table 6 reflect these higher employment numbers for the retail and manufacturing sectors. With the adjusted figures, the land requirements reflect a high total commercial industrial land requirement for purpose of considering the adequacy of the city's land base to meet employment targets.

Table 6. Projected Land Requirement for Employment

| | Projected Growth 2012-2036 | | | | |
|---|----------------------------|------------|----------|---------|-----------|
| | Retail | Industrial | Services | Gov/Edu | Total |
| Projected Job Growth * | 460 | 1,141 | 806 | 476 | 2,883 |
| Employment Factors | | | | | |
| Jobs per Acre | 21.8 | 7.8 | 33.5 | 33.5 | |
| Building Sq. Ft. per Employ | 500 | 1,000 | 325 | 325 | |
| Building Floor Area Ratio | 0.25 | 0.18 | 0.25 | 0.25 | |
| Land and Building Requirements | | | | | |
| Building Sq. Ft. | 230,000 | 1,141,000 | 261,950 | 154,700 | 1,787,650 |
| Land Area Acres | 21.1 | 146.8 | 24.1 | 14.2 | 206.2 |
| * Based on Property Counselors estimate for retail employment, EcoNorthwest estimates for industrial employment, and Berk and Associates for other sectors. | | | | | |

As shown, the projected employment levels would require 206 net acres of land and 1.8 million square feet of building area.

Retail Sales Conditions

Retail sales are an important part of the tax base of the community. They also represent an important element of the resources in the community available to serve local residents. Retail sales conditions are presented in terms of sales trends, retail leakage, and market opportunities.

Sales Trends

Taxable retail sales are reported by industry sector for cities and counties in the state. Sales for the period 2004 through 2013 are summarized in Table 7 on the following page. As shown, total taxable sales grew from \$313 million to \$360 million over the period, an average annual growth rate of .8%. The retail trade sectors actually declined over the period from \$153 million to \$139 million. All of that decline can be attributed to Motor Vehicles and Parts. RV, Boat and Motorcycle sales were a part of this category, but this subsector grew slightly over the period. The sectors showing the strongest growth were E-Commerce, General Merchandise, Apparel and Accessories, Food Services, Accommodations, Electronics and Appliance, Health and Drug, and Repair and Maintenance. In the case of General Merchandise and Apparel and Accessories, the sectors are small and growth rates can be deceptive.

Retail Inventory

The Community Advisory Committee oversaw the preparation of a commercial land use inventory for the city. Table 8 on the following page summarizes the number of parcels, parcel square footage, and building square footage for properties in the Central Business District and commercial zones. As shown, there are 139 parcels, 1.7 million square feet of commercial land, and 650,000 square feet of commercial buildings. The largest categories of business in terms of building area are restaurants, accommodations, grocery stores, building material stores, health and personal care stores, and used merchandise stores.

Table 7. Anacortes Taxable Retail Sales Trends

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Avg. Ann. |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| Industry | | | | | | | | | | | |
| Retail Trade | | | | | | | | | | | |
| Motor Vehicles & Parts | \$95,150,150 | \$84,243,729 | \$66,725,032 | \$77,589,350 | \$52,121,388 | \$44,696,227 | \$44,618,245 | \$42,678,209 | \$50,631,343 | \$59,570,173 | -7.6% |
| Furniture & Home Furnishing | 3,906,764 | 4,806,843 | 4,548,121 | 4,013,981 | 4,362,985 | 3,760,787 | 4,056,171 | 4,443,935 | 4,949,773 | 6,803,439 | 3.0% |
| Electronics & Appliances | 3,636,194 | 4,704,003 | 5,759,742 | 5,087,453 | 5,304,576 | 4,824,807 | 5,507,708 | 5,409,703 | 5,556,926 | 5,540,576 | 5.4% |
| Building Materials, Garden Equip & Supplies | 9,285,485 | 9,641,528 | 10,107,939 | 10,193,474 | 10,895,561 | 9,613,673 | 10,663,160 | 11,125,545 | 11,874,416 | 13,957,968 | 3.1% |
| Food & Beverage Stores | 16,086,184 | 15,967,786 | 16,889,833 | 17,953,207 | 18,162,549 | 17,026,872 | 16,948,605 | 16,703,059 | 17,340,895 | 17,505,812 | 0.9% |
| Drug/health Stores | 5,470,199 | 6,028,185 | 6,343,978 | 6,847,685 | 7,051,079 | 7,218,965 | 7,318,471 | 7,369,683 | 7,672,470 | 8,461,275 | 4.3% |
| Gas Stations & Convenience Stores W/pumps | 2,554,431 | 2,973,783 | 2,657,061 | 2,429,076 | 2,486,972 | 3,905,394 | 3,619,549 | 3,575,810 | 3,392,256 | 3,470,912 | 3.6% |
| Apparel & Accessories | 1,651,157 | 1,633,574 | 1,782,384 | 2,078,542 | 1,845,082 | 2,241,551 | 2,394,946 | 2,588,709 | 2,925,023 | 3,407,794 | 7.4% |
| Sporting Goods, Toys, Book & Music Stores | 2,533,485 | 2,278,369 | 2,389,532 | 2,418,937 | 2,603,599 | 2,585,767 | 2,581,575 | 2,722,921 | 2,597,462 | 2,620,466 | 0.3% |
| General Merchandise Stores | 453,501 | 497,229 | 460,150 | 1,190,648 | 1,653,485 | 1,314,050 | 1,288,741 | 1,002,822 | 929,297 | 972,426 | 9.4% |
| E-commerce & Mail Order | 1,253,747 | 1,653,936 | 1,539,300 | 1,782,737 | 2,009,620 | 2,337,608 | 2,964,929 | 3,548,135 | 4,366,404 | 5,199,530 | 16.9% |
| Miscellaneous Retailers | 11,067,005 | 12,839,028 | 15,274,879 | 15,743,971 | 14,039,379 | 12,780,442 | 12,515,164 | 13,496,142 | 12,234,516 | 11,835,644 | 1.3% |
| Total Retail Trade | \$153,048,302 | \$147,267,993 | \$134,477,951 | \$147,329,061 | \$122,536,275 | \$112,306,143 | \$114,477,264 | \$114,664,673 | \$124,470,781 | \$139,346,015 | -2.6% |
| Agriculture, Forestry, Fishing | 375,335 | 0 | 759,538 | 1,186,133 | 883,402 | 646,827 | 93,941 | 59,376 | 30,644 | 74,083 | -26.9% |
| Mining | 0 | 865,918 | 0 | 0 | 102,035 | 40,753 | 42,019 | 15,364 | 26,405 | 5,816 | |
| Utilities | 336,881 | 268,369 | 337,951 | 250,839 | 231,956 | 213,530 | 214,485 | 282,277 | 378,254 | 342,812 | 1.5% |
| Construction | 46,847,179 | 67,115,426 | 76,548,145 | 88,809,378 | 66,018,208 | 49,933,622 | 63,214,577 | 53,182,582 | 41,260,323 | 52,419,094 | -1.6% |
| Manufacturing | 17,787,155 | 29,655,065 | 26,562,611 | 20,774,550 | 15,704,787 | 11,720,455 | 13,223,892 | 14,397,005 | 16,458,474 | 17,051,852 | -1.0% |
| Wholesale Trade | 15,479,129 | 22,158,189 | 19,182,017 | 28,527,205 | 34,257,915 | 29,069,960 | 33,355,532 | 41,483,926 | 40,316,512 | 35,158,990 | 12.7% |
| Transportation & Warehousing | 6,021,062 | 7,111,818 | 8,880,038 | 8,680,132 | 10,475,460 | 10,691,233 | 12,110,150 | 11,427,873 | 10,973,377 | 11,259,496 | 7.8% |
| Information | 9,476,945 | 9,577,907 | 9,314,658 | 9,431,685 | 10,191,097 | 9,742,403 | 10,334,077 | 10,728,254 | 11,647,982 | 11,889,746 | 2.6% |
| Finance, Insurance | 1,921,521 | 1,761,770 | 1,356,079 | 1,363,124 | 1,383,565 | 1,042,178 | 1,057,327 | 1,563,257 | 1,208,888 | 1,449,741 | -5.6% |
| Real Estate, Rental/leasing | 9,361,737 | 11,982,894 | 13,559,589 | 12,060,514 | 11,565,057 | 9,370,646 | 9,196,838 | 8,353,665 | 10,203,869 | 11,073,031 | 1.1% |
| Professional, Scientific & Technical Services | 3,608,958 | 4,629,454 | 4,403,004 | 5,155,152 | 5,204,030 | 4,171,243 | 3,971,056 | 4,533,519 | 6,095,733 | 4,925,048 | 6.8% |
| Management, Education & Health Services | 5,353,248 | 6,675,071 | 8,257,690 | 9,751,643 | 7,866,049 | 9,623,391 | 9,791,306 | 9,333,474 | 9,415,432 | 10,119,749 | 7.3% |
| Arts, Entertainment & Recreation | 6,530,214 | 7,518,949 | 10,262,114 | 7,791,848 | 6,603,169 | 5,819,013 | 5,467,180 | 4,169,395 | 4,290,160 | 3,535,892 | -5.1% |
| Accommodations | 4,173,312 | 5,333,769 | 6,820,250 | 6,646,532 | 6,911,405 | 6,410,733 | 6,078,937 | 6,301,787 | 6,505,104 | 7,795,195 | 5.7% |
| Food Services | 21,285,548 | 23,140,651 | 25,561,154 | 26,651,558 | 27,824,605 | 27,308,232 | 29,122,884 | 33,905,825 | 34,840,024 | 36,997,255 | 6.4% |
| Repair & Maintenance | 7,917,961 | 7,760,268 | 9,200,054 | 10,827,356 | 8,793,365 | 8,572,765 | 9,378,183 | 10,157,060 | 10,841,639 | 12,965,917 | 4.0% |
| Personal Services | 2,717,238 | 2,853,337 | 3,046,935 | 3,094,113 | 2,806,659 | 3,008,374 | 2,993,081 | 3,118,541 | 3,074,674 | 3,304,472 | 1.6% |
| Religious, Civic & Other | 254,015 | 301,183 | 274,760 | 303,665 | 310,526 | 590,686 | 554,427 | 622,221 | 736,290 | 738,795 | 14.2% |
| Public Administration, Other | - | - | - | 13,559 | - | 6,290 | 24,120 | 1,141 | 9,248 | 43,343 | |
| Non-disclosed | 281,737 | 778,783 | 8,632 | 17,631 | 10,005 | 5,184 | - | 3 | - | - | -100.0% |
| Total All Industries | \$312,777,477 | \$356,756,814 | \$358,813,170 | \$388,665,678 | \$339,679,570 | \$300,293,661 | \$324,701,276 | \$328,301,218 | \$332,783,813 | \$360,496,342 | 0.8% |

Source: Washington Department of Revenue, Quarterly Business Review.

Table 8. Anacortes Commercial Land Use Inventory Summary

| NAICS Categories | # Parcels | | Parcel sf | | Bldg sf | | Total # | Total Parcel | Total Bldg |
|--|------------|-----------|------------------|----------------|----------------|----------------|------------|------------------|----------------|
| | Commercial | CBD | Commercial | CBD | Commercial | CBD | Parcels | sf | sf |
| Grocery Stores | 3 | | 261,789 | | 100,606 | | 3 | 261,789 | 100,606 |
| Building Material and Supplies Dealers | 6 | | 173,854 | | 59,258 | | 6 | 173,854 | 59,258 |
| Health and Personal Care Stores | 3 | 1 | 101,709 | 3,000 | 31,992 | 1,058 | 4 | 104,709 | 33,050 |
| Used Merchandise Stores | 4 | 10 | 19,769 | 47,482 | 6,380 | 25,024 | 14 | 67,251 | 31,404 |
| Automotive Parts, Accessories, and Tire Stores | 4 | | 34,513 | | 26,759 | | 4 | 34,513 | 26,759 |
| Sporting Goods, Hobby, and Musical Instrument Stores | 2 | 6 | 10,249 | 18,146 | 3,687 | 18,922 | 8 | 28,395 | 22,609 |
| Clothing Stores | 1 | 6 | 6,000 | 23,425 | 3,184 | 14,640 | 7 | 29,425 | 17,824 |
| Other General Merchandise Stores | | 1 | | 50,830 | | 17,190 | 1 | 50,830 | 17,190 |
| Other Miscellaneous Store Retailers | 1 | 6 | 8,965 | 20,018 | 4,323 | 11,526 | 7 | 28,983 | 15,849 |
| Furniture Stores | 1 | | 17,972 | | 12,571 | | 1 | 17,972 | 12,571 |
| Gasoline Stations | 4 | | 49,490 | | 12,501 | | 4 | 49,490 | 12,501 |
| Office Supplies, Stationery, and Gift Stores | | 4 | | 15,875 | | 12,409 | 4 | 15,875 | 12,409 |
| Jewelry, Luggage, and Leather Goods Stores | | 2 | | 8,500 | | 10,958 | 2 | 8,500 | 10,958 |
| Electronics and Appliance Stores | 2 | 1 | 10,335 | 4,500 | 7,106 | 2,452 | 3 | 14,835 | 9,558 |
| Florists | 1 | 2 | 8,755 | 5,500 | 3,022 | 4,218 | 3 | 14,255 | 7,240 |
| Beer, Wine, and Liquor Stores | 1 | | 6,180 | | 4,099 | | 1 | 6,180 | 4,099 |
| Book Stores and News Dealers | | 3 | | 10,370 | | 2,084 | 3 | 10,370 | 2,084 |
| Other Motor Vehicle Dealers | 1 | | 2,700 | | 1,542 | | 1 | 2,700 | 1,542 |
| Specialty Food Stores | | 1 | | 1,875 | | 1,031 | 1 | 1,875 | 1,031 |
| Retail (NAICS 44 & 45) Sub-total | 34 | 43 | 712,280 | 209,520 | 277,030 | 121,513 | 77 | 921,800 | 398,543 |
| Restaurants and Other Eating Places | 26 | 15 | 389,804 | 68,418 | 83,388 | 52,302 | 41 | 458,222 | 135,690 |
| Drinking Places (Alcoholic Beverages) | 1 | 3 | 4,881 | 19,650 | 2,320 | 8,256 | 4 | 24,531 | 10,576 |
| Food Service & Drinking Places (NAICS 72) Sub-total | 27 | 18 | 394,685 | 88,068 | 85,708 | 60,558 | 45 | 482,753 | 146,266 |
| Traveler Accommodation | 10 | 6 | 194,085 | 48,547 | 66,802 | 36,872 | 16 | 242,632 | 103,674 |
| Rooming and Boarding Houses | | 1 | | 6,000 | | 2,116 | 1 | 6,000 | 2,116 |
| Accommodations (NAICS 71) Sub-total | 10 | 7 | 194,085 | 54,547 | 66,802 | 38,988 | 17 | 248,632 | 105,790 |
| Grand Total | 71 | 68 | 1,301,050 | 352,135 | 429,540 | 221,059 | 139 | 1,653,186 | 650,599 |

Source: Kirk Kennedy

The average building size by category is summarized in Table 9. As shown the largest average building size is for grocery stores at 33,500 square feet, followed by general merchandise at 17,200, furniture at 12,600, and building materials at 9,900 square feet. (The average for the grocery stores is distorted by the inclusion of a small convenience grocer. The full size supermarkets are 45,000 to 50,000 square feet.) These business sizes are well below the typical size of a Big Box retail store at 100,000 to 150,000 square feet. These sizes reflect both the scale of business operations, but also the physical scale and character of the business areas.

**Table 9. Anacortes Commercial Land Use Inventory
Average Building Size by Business Type (square feet)**

| | |
|----------------------------|--------|
| Grocery Store | 33,535 |
| Other General Merchandise | 17,190 |
| Furniture Stores | 12,571 |
| Building Materials | 9,876 |
| Health and Personal Care | 8,263 |
| Automotive Parts | 6,690 |
| Traveler Accommodations | 6,480 |
| Jewelry Luggage | 5,479 |
| Beer Wine Liquor | 4,099 |
| Restaurants | 3,310 |
| Electronics and Appliance | 3,186 |
| Gasoline Stations | 3,125 |
| Office Supplies | 3,102 |
| Sporting Goods | 2,826 |
| Drinking Places | 2,644 |
| Clothing Stores | 2,546 |
| Florists | 2,413 |
| Other Misc. Retailers | 2,264 |
| Used Merchandise | 2,243 |
| Rooming and Boarding House | 2,116 |
| Other Motor Vehicle | 1,542 |
| Specialty Food | 1,031 |
| Book Stores | 695 |

Source: Property Counselors

Retail Leakage

Retail leakage is the term for spending by local residents that occurs outside of their local community. A community that experiences high leakage does not offer commercial opportunities to its residents and is losing a source of tax revenues. Table 10 provides an estimate of retail leakage in retail and selected service sectors for 2013. Actual sales in the city are converted from reported taxable levels to gross sales using average factors for the state as a whole. Resident spending is estimated using per capita figures derived from state-wide data. The statewide figures should be adjusted for different spending patterns based on income levels, but the income level for the city and state are virtually the same as shown in Table 1.

The final column shows estimated leakage as the difference between resident spending and actual sales. Positive numbers reflect leakage, and negative numbers reflect a net attraction of spending from residents outside the City. As shown, the city is a net attractor of spending in the amount of \$55 million. There are several sectors that experience leakage, however. The largest sector experiencing leakage is General Merchandise. Other sectors experiencing leakages are Electronics and Appliance, Gas Station and Convenience Store, Apparel and Accessories, Sporting Goods, and Miscellaneous Retail.

Table 10. Retail Leakage Estimate City of Anacortes 2013

| | Anacortes Sales | | | Est. Anacortes Resident Spending | | Est. 2013 |
|--|----------------------|--------------|----------------------|----------------------------------|----------------------|-----------------------|
| | Taxable 2013 | Tax/Gross | Est. 2013 Gross | Per Capita | Total | Leakage |
| Retail Trade | | | | | | |
| Motor Vehicles & Parts | \$59,570,173 | 77.8% | \$76,610,591 | \$2,348 | \$37,753,370 | (\$38,857,221) |
| Furniture & Home Furnishing | 6,803,439 | 91.2% | 7,461,014 | 323 | 5,187,661 | (2,273,353) |
| Electronics & Appliances | 5,540,576 | 81.0% | 6,836,780 | 578 | 9,291,728 | 2,454,948 |
| Building Materials, Garden Equip & Supplies | 13,957,968 | 93.9% | 14,859,857 | 771 | 12,393,233 | (2,466,624) |
| Food & Beverage Stores | 17,505,812 | 24.7% | 70,921,367 | 2,089 | 33,587,584 | (37,333,783) |
| Drug/health Stores | 8,461,275 | 30.1% | 28,078,891 | 807 | 12,974,031 | (15,104,859) |
| Gas Stations & Convenience Stores | | | | | | |
| W/pumps | 3,470,912 | 15.4% | 22,498,880 | 1,497 | 24,066,799 | 1,567,919 |
| Apparel & Accessories | 3,407,794 | 81.7% | 4,173,607 | 721 | 11,601,489 | 7,427,882 |
| Sporting Goods, Toys, Book & Music Stores | 2,620,466 | 85.7% | 3,058,490 | 376 | 6,049,705 | 2,991,215 |
| General Merchandise Stores | 972,426 | 47.2% | 2,060,102 | 3,235 | 52,024,443 | 49,964,341 |
| E-commerce & Mail Order | 5,199,530 | 52.7% | 9,864,326 | 482 | 7,752,441 | (2,111,885) |
| Miscellaneous Retailers | 11,835,644 | 73.7% | 16,065,648 | 1,085 | 17,447,952 | 1,382,304 |
| Total Retail Trade | \$139,346,015 | 53.1% | \$262,489,551 | \$14,312 | \$230,130,436 | (\$32,359,116) |
| Selected Services | | | | | | |
| Arts, Entertainment & Recreation | \$3,535,892 | 93.1% | \$3,796,552 | \$188 | \$3,029,770 | (\$766,782) |
| Accommodations | 7,795,195 | 95.4% | 8,171,108 | - | - | |
| Food Services | 36,997,255 | 96.3% | 38,404,613 | 1,619 | 26,028,812 | (12,375,801) |
| Repair & Maintenance | 12,965,917 | 84.0% | 15,444,365 | 461 | 7,410,005 | (8,034,361) |
| Personal Services | 3,304,472 | 92.1% | 3,587,180 | 155 | 2,490,169 | (1,097,011) |
| Total Selected Services | \$64,598,731 | 93.1% | \$69,403,818 | \$2,423 | \$38,958,756 | (\$22,273,954) |
| Total Retail Trade and Selected Service | \$203,944,746 | 61.4% | \$331,893,370 | \$16,734 | \$269,089,191 | (\$54,633,070) |

Table 11 summarizes the results of a similar analysis for the larger trade area. The sales figures include sales in Anacortes and San Juan County, and the resident spending figures including spending by Fidalgo island residents and San Juan County residents. As shown the larger trade area total leakage is \$21 million. The amount of leakage exceeds that for the City leakage in every sector. These results are shown graphically in Figure4.

These results are consistent with the results of a survey conducted in October 2014 by City staff and the Community Advisory Committee for the Comprehensive Plan Update. Surveys were mailed to 7,700 city utility customers, and an on-line survey was advertised in local publications. 2,072 survey responses were received. The major result was that only 23% of respondents were satisfied with the stores and merchandise available in Anacortes. 47% would like a general merchandise store such as Fred Meyer, but others would like a mix of smaller local stores. The latter respondents were concerned with possible impacts to existing businesses and loss of community character.

Figure 4

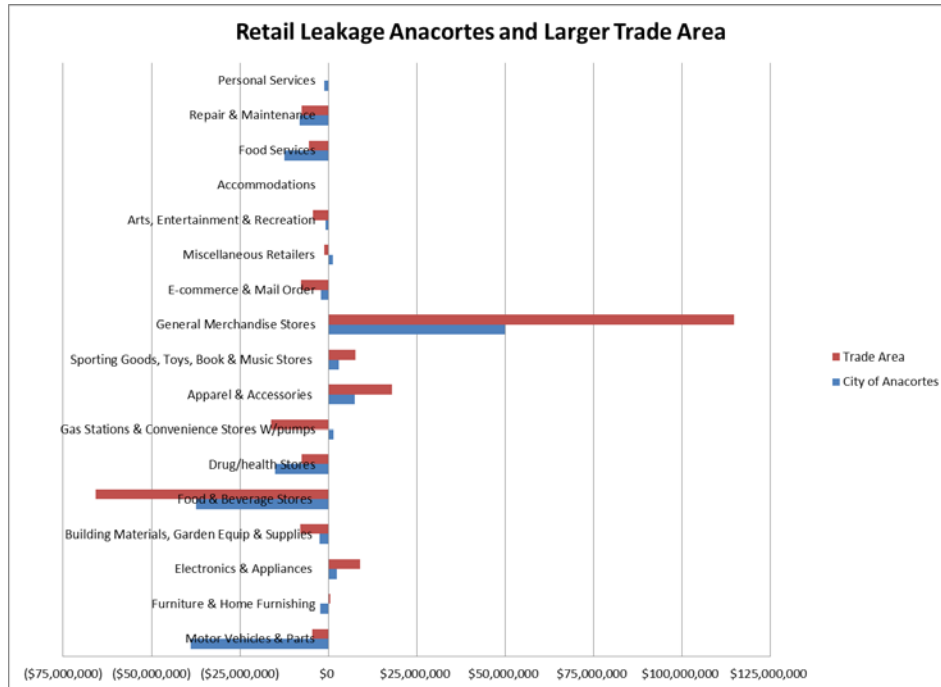


Table 11. Retail Leakage Estimate City of Anacortes and Anacortes Trade Area 2013

| | Anacortes City | Anacortes Trade Area |
|--|-----------------------|-------------------------|
| Retail Trade | | |
| Motor Vehicles & Parts | (\$38,857,221) | (\$4,584,922) |
| Furniture & Home Furnishing | (2,273,353) | 558,557 |
| Electronics & Appliances | 2,454,948 | 9,036,299 |
| Building Materials, Garden Equip & | (2,466,624) | (7,899,004) |
| Food & Beverage Stores | (37,333,783) | (65,803,661) |
| Drug/health Stores | (15,104,859) | (7,530,119) |
| Gas Stations & Convenience Stores | 1,567,919 | (16,244,687) |
| Apparel & Accessories | 7,427,882 | 17,939,915 |
| Sporting Goods, Toys, Book & Music | 2,991,215 | 7,715,089 |
| General Merchandise Stores | 49,964,341 | 114,726,902 |
| E-commerce & Mail Order | (2,111,885) | (7,739,765) |
| Miscellaneous Retailers | 1,382,304 | (1,075,365) |
| Total Retail Trade | (\$32,359,116) | \$39,099,238 |
| Selected Services | | |
| Arts, Entertainment & Recreation | (\$766,782) | (\$4,422,178) |
| Accommodations | 0 | 0 |
| Food Services | (12,375,801) | (5,494,316) |
| Repair & Maintenance | (8,034,361) | (7,551,653) |
| Personal Services | (1,097,011) | 204,206 |
| Total Selected Services | (\$22,273,954) | (\$17,263,941) |
| Total Retail Trade and Selected Servi | (\$54,633,070) | \$21,835,297 |

The leakage can also be summarized for only those sectors which experience net leakage, as shown in Table 12.

**Table 12. Anacortes Retail Leakage by Primary Sector
Gross Sales 2013**

| | Anacortes City | Anacortes Trade Area |
|------------------------------|---------------------------|---------------------------------|
| Retail Trade | | |
| General Merchandise Stores | \$49,964,341 | \$114,726,902 |
| Apparel & Accessories | 7,427,882 | 17,939,915 |
| Sporting Goods, Toys, Book & | 2,991,215 | 7,715,089 |
| Electronics & Appliances | 2,454,948 | 9,036,299 |
| Gas Stations & Convenience | 1,567,919 | |
| Miscellaneous Retailers | 1,382,304 | |
| Furniture & Home Furnishing | | 558,557 |
| Personal Services | | 204,206 |
| | | |
| Total | \$65,788,609 | \$150,180,967 |

Retail Market Opportunities

Not all of the retail leakage can realistically be recaptured. There are certain retail purchases that will typically occur in higher level retail settings with a larger amount and diversity of retail offerings. This behavior is evident from consideration of the hierarchy of retail centers and their consumer and performance characteristics. Table 13 summarizes the characteristics of nine types of retail shopping venues. The four centers in the right column are specialty venues. The five on the left represent a hierarchy of centers based on market size and support. The smallest venue is a convenience shopping center anchored by a convenience mart and gas service. The next venue is a neighborhood shopping center anchored by a grocery. The community, regional, and super regional centers are all anchored by one or more general merchandise stores. The trade area characteristics of Anacortes place it within the required range of support for a community scale shopping center. A center sized to serve such a population would offer 100,000 to 150,000 square feet, similar to a general merchandise retailer such as Fred Meyer.

The local market area will never have the population necessary to support a regional center or super regional center. Local residents are likely to patronize such regional venues in Burlington and Mount Vernon or super regional venues in Lynnwood, Bellingham, Bellevue, and Seattle with multiple full service anchor stores and diverse comparison shopping opportunities.

Table 13. Comparative Characteristics of Shopping Centers

| Convenience Shopping Center | | Lifestyle Center | |
|---|---------------------------------------|---|--|
| Anchors | Convenience grocery, drug store | Anchors | Specialty apparel, home and garden |
| Number of Stores | 3-20 stores | Number of Stores | 40-100 stores |
| Total Retail Space | 10,000-30,000 square feet | Total Retail Space | 150,000-500,000 square feet |
| Site Area | 1-3 acres | Site Area | 10-30 acres |
| Market Area Population | under 20,000 | Market Area Population | 100,000-250,000 people |
| Market Area Radius | under 2 miles | Market Area Radius | 8-15 miles |
| Neighborhood Shopping Center | | Off-Price Center | |
| Anchors | Supermarket and Drug Store | Anchors | Off-price/discount |
| Number of Stores | 10-40 stores | Number of Stores | 20-60 stores |
| Total Retail Space | 30,000-100,000 square feet | Total Retail Space | 100,000-500,000 square feet |
| Site Area | 3-10 acres | Site Area | 5-15 acres |
| Market Area Population | 10,000-30,000 people | Market Area Population | 80,000-250,000 people |
| Market Area Radius | 1-3 miles | Market Area Radius | 6-15 miles |
| Community Shopping Center | | Outlet Center | |
| Anchors | Junior department or discount | Anchors | Manufacturer's outlet store |
| Number of Stores | 25-80 stores | Number of Stores | 30-100 stores |
| Total Retail Space | 100,000-450,000 square feet | Total Retail Space | 200,000-800,000 square feet |
| Site Area | 10-30 acres | Site Area | 20-50 acres |
| Market Area Population | 30,000-75,000 people | Market Area Population | 200,000-600,000 people |
| Market Area Radius | 3-8 miles | Market Area Radius | Over 50 miles |
| Regional Shopping Center | | Power Center | |
| Anchors | 1 or 2 full-line department stores | Anchors | Large warehouse/discount retailers |
| Number of Stores | 50-100 stores | Number of Stores | 10-200 stores (mainly large retailers) |
| Total Retail Space | 300,000-750,000 square feet | Total Retail Space | 250,000-800,000 square feet |
| Site Area | 30-50 acres | Site Area | 20-50 acres |
| Market Area Population | 100,000-250,000 people | Market Area Population | 250,000-500,000 people |
| Market Area Radius | 8-15 miles | Market Area Radius | 12-50 miles |
| Super-Regional Shopping Center | | Sources: | |
| Anchors | 3 or more full-line department stores | Urban Land Institute, Dollars and Cents of Shopping Centers | |
| Number of Stores | 100-300 stores | Property Counselors | |
| Total Retail Space | 600,000-2,000,000 square feet | | |
| Site Area | 40-100 acres | | |
| Market Area Population | 250,000-600,000 people | | |
| Market Area Radius | 12-50 miles | | |
| Sources: Urban Land Institute, <i>Dollars and Cents of Shopping Centers</i> , Property Counselors | | | |

Impact of Large Format Retail

As identified in the results of the retail survey, citizens are generally dissatisfied with the stores and retail opportunities available in Anacortes and many are interested in attracting a larger general merchandise retailer such as Fred Meyer. The survey results also indicated that many respondents are concerned about possible impacts to existing businesses. This section addresses the likely impact of big box retail stores on retail sales generally and existing businesses in particular.

Characteristics of Large Format Retail

Large format retail stores are stores with floor areas ranging from 100,000 to 150,000 square feet. Such stores fall into one of two broad categories:

General Merchandise Stores offer a range of retail goods including groceries, apparel, home supplies, and electronics. Examples of such stores include Costco, Target, Fred Meyer and Walmart. Such stores are generally 100,000 to 150,000 square feet.

Specialty Stores offer a limited range of goods, but a wide range of brands and large inventories. Building material stores such as Home Depot and Lowe's are the largest of these stores in terms of floor area. Other examples are Toys (Toys 'R' Us), Office Supplies (Office Depot and Staples), Electronics (Best Buy, Fry's, Circuit City), and Sporting Goods (Cabela's, Bass Pro Shop, Sports Authority). Such stores vary in size according to type. The building material and large sporting goods stores are generally 100,000 to 150,000 square feet, while the other specialty retail stores are 50,000 square feet or smaller.

There has been an evolution within each of these categories. The large general merchandise retailers have diversified with new and smaller formats to fit smaller regional markets and urban sites. Walmart has a Neighborhood Market concept which primarily offers food and competes with grocery stores. Even the Walmart Superstores derive over half their sales from groceries. Target has also increased the amount of groceries offered in their stores. The grocery segment is particularly desirable because shoppers use these stores more frequently than other retail outlets.

The specialty big box stores are noteworthy for the intense competition and the shake-out of market over the past few decades. The market was not able to support all the participants and there has been consolidation in virtually all the specialty segments.

Potential Impact

The relevant big box scenario for a community the size of Anacortes would be a moderate-sized general merchandise retailer, rather than a specialty retailer. The proposed Fred Meyer development in Anacortes is representative of such a retailer. The interest of such a retailer is indication itself of the demand for such a use, but it also responds directly to the retail needs of a community this size as reflected in sales statistics and community surveys. The potential demand for such a use appears strong. The question is the extent to which a large format general merchandise store would attract new sales or simply shift them from existing stores in the community.

The best evidence of the impact of a new big box store is the experience of similar stores in other communities. The experience of the Town of Chelan after the opening of a Walmart in 2007 is relevant. While Chelan is smaller than Anacortes (population 3,955 in 2013), it is similar to Anacortes in that it has a strong visitor industry, it serves a somewhat remote trade area, and it is within a reasonable drive time of several competing retail centers. It also provides a good example because it is small enough to isolate the factors that contribute to sales results.

Chelan was similar to Anacortes in its retail sales patterns prior to the opening of Walmart. Chelan was a net attractor of sales because of the visitor activity and the surrounding trade area. But it experienced leakage in the general merchandise category. The recession of 2008 to 2010 distorted the sales picture somewhat, but county-wide sales returned to their 2006 levels by 2013. Accordingly a comparison of Chelan sales over the period 2006 to 2013 should reflect the impacts of the opening of the Walmart in 2007. The change in gross sales over the period is shown in Table 14.

As shown, total gross sales for retail trade and selected services increased by \$61 million over the period. Taxable sales for general merchandise stores increased by \$48 million over that period, from an initial level of only \$2 million. At the same time, sales dropped for food and beverage stores, building materials and garden equipment stores, electronics and appliances, e-commerce and mail order, and apparel and accessories. It's reasonable to conclude that much of the loss in sales in the grocery stores, hardware stores, and clothing stores was captured by Walmart. The loss in e-commerce sales could be explained by residents shopping in the store rather than on-line.

Table 14. Chelan Gross Retail Sales Changes 2006 to 2013

| | 2006 | 2013 | Change |
|--|---------------------|----------------------|---------------------|
| Retail Trade | | | |
| Motor Vehicles & Parts | \$5,263,841 | \$6,137,197 | \$873,356 |
| Furniture & Home Furnishing | 2,118,114 | 2,865,692 | 747,578 |
| Electronics & Appliances | 2,764,119 | 2,008,490 | (755,629) |
| Building Materials, Garden | 5,564,606 | 4,077,007 | (1,487,599) |
| Food & Beverage Stores | 26,652,099 | 23,755,376 | (2,896,723) |
| Drug/health Stores | 464,591 | 3,399,692 | 2,935,101 |
| Gas Stations & Convenience | 16,202,103 | 20,762,235 | 4,560,132 |
| Apparel & Accessories | 2,972,010 | 2,569,885 | (402,126) |
| Sporting Goods, Toys, Book & | 1,250,748 | 1,855,235 | 604,486 |
| General Merchandise Stores | 1,961,802 | 50,120,164 | 48,158,362 |
| E-commerce & Mail Order | 4,192,845 | 2,676,638 | (1,516,207) |
| Miscellaneous Retailers | 5,236,104 | 9,085,593 | 3,849,489 |
| Total Retail Trade | \$74,642,984 | \$129,313,203 | \$54,670,219 |
| Selected Services | | | |
| Arts, Entertainment & | \$2,024,072 | \$3,932,678 | \$1,908,606 |
| Food Services | 7,642,826 | 12,625,974 | 4,983,148 |
| Repair & Maintenance | 2,746,830 | 2,596,285 | (150,544) |
| Personal Services | 869,557 | 871,731 | 2,173 |
| Total Selected Services | \$13,283,285 | \$20,026,668 | \$6,743,383 |
| | | | |
| Total Retail Trade and Selected | \$87,926,269 | \$149,339,871 | \$61,413,602 |
| | | | |

Source: Property Counselors

Based on this experience, it would be reasonable to conclude that the development of a big box general merchandise store would have the following impacts on the Anacortes economy as a whole, and existing retail businesses.

- There will be a significant increase in sales in the general merchandise category as a major participant enters the market.
- Much of the increased sales in this category will be attributable to capture of sales that are currently being lost to stores in other jurisdictions.
- There will be some transfer of sales from existing retailers, particularly grocery stores, building material stores, electronics and appliances, and apparel.
- Overall retail sales will experience significant growth as sales currently lost to other jurisdictions are recaptured.

The businesses in the potentially affected categories will minimize the impacts if they can distinguish their shopper experience through unique product offerings and exceptional service. However, even if a large format retailer doesn't locate in Anacortes, the impacts could be the same if such a business were to locate near Anacortes but outside the City limits.

A smaller format general merchandise store might have a smaller impact on local businesses, but such formats typically emphasize the product lines, like groceries that have the greatest impact.

Projected Retail Demand

Given the likely retail opportunities as well as the impact of large format stores, it's possible to project the future level of retail sales in the city and the resultant amount of supportable development. The results of the projections are shown in Table 15. The existing sales and potential retail spending is based on the figures for the larger trade area described earlier in Table 11. Trade area resident spending by sector is projected to increase with population at a rate of 21% over the period (from 37,000 to 45,000). It's assumed that the City will increase its capture of general merchandise sales through the attraction of a large format store. Capture rates in other sectors will change based on the likely impacts described earlier.

As shown in the table, an additional 230,000 square feet of retail development is projected to be supportable under these conditions. The sectors showing the greatest growth are general merchandise and food services. Food stores will likely experience a decrease in demand as the general merchandise sector captures a portion of these sales.

Table 15. Projected Retail Demand Anacortes 2013 to 2035

| | Trade Area Spending | | Trade Area Capture | | Anacortes Sales | | | Supportable Retail | |
|---|----------------------|----------------------|--------------------|------|----------------------|----------------------|---------------------|--------------------|----------------|
| | 2013 | 2035 | 2013 | 2035 | 2013 | 2035 | Change | \$/Sq. Ft. | Net Sq. Ft. |
| Retail Trade | | | | | | | | | |
| Motor Vehicles & Parts | \$86,447,704 | \$114,285,076 | 105% | 95% | \$91,032,625 | \$108,570,822 | \$17,538,197 | 1,000 | 18,000 |
| Furniture & Home Furnishing | 11,878,710 | 15,703,821 | 95% | 90% | 11,320,153 | 14,133,439 | 2,813,286 | 250 | 11,000 |
| Electronics & Appliances | 21,276,208 | 28,127,445 | 58% | 40% | 12,239,909 | 11,250,978 | (988,931) | 250 | (4,000) |
| Building Materials, Garden Equip & Supplies | 28,378,038 | 37,516,164 | 128% | 115% | 36,277,042 | 43,143,588 | 6,866,546 | 300 | 23,000 |
| Food & Beverage Stores | 76,908,883 | 101,674,622 | 186% | 125% | 142,712,544 | 127,093,277 | (15,619,267) | 500 | (31,000) |
| Drug/health Stores | 29,707,950 | 39,274,326 | 125% | 100% | 37,238,069 | 39,274,326 | 2,036,257 | 400 | 5,000 |
| Gas Stations & Convenience Stores W/pumps | 55,108,181 | 72,853,787 | 129% | 100% | 71,352,868 | 72,853,787 | 1,500,919 | 250 | 6,000 |
| Apparel & Accessories | 26,565,101 | 35,119,436 | 32% | 25% | 8,625,186 | 8,779,859 | 154,673 | 250 | 1,000 |
| Sporting Goods, Toys, Book & Music Stores | 13,852,621 | 18,313,359 | 44% | 40% | 6,137,531 | 7,325,343 | 1,187,812 | 250 | 5,000 |
| General Merchandise Stores | 119,125,622 | 157,485,742 | 4% | 30% | 4,398,720 | 47,245,722 | 42,847,002 | 450 | 95,000 |
| E-commerce & Mail Order | 17,751,547 | 23,467,794 | 144% | 144% | 25,491,312 | 33,699,872 | 8,208,560 | - | - |
| Miscellaneous Retailers | 39,952,337 | 52,817,549 | 103% | 90% | 41,027,702 | 47,535,794 | 6,508,093 | 250 | 26,000 |
| Total Retail Trade | \$526,952,900 | \$696,639,119 | | | \$487,853,662 | \$560,906,808 | \$73,053,146 | | 154,000 |
| | | | | | | | | | |
| Selected Services | | | | | | | | | |
| Arts, Entertainment & Recreation | \$6,937,571 | \$9,171,566 | 164% | 150% | \$11,359,749 | \$13,757,350 | \$2,397,601 | 200 | 12,000 |
| Food Services | 59,600,799 | 78,793,092 | 109% | 100% | 65,095,115 | 78,793,092 | 13,697,977 | 300 | 46,000 |
| Repair and Maintenance | 16,967,436 | 22,431,188 | 145% | 120% | 24,519,089 | 26,917,426 | 2,398,337 | 200 | 12,000 |
| Personal Services | 5,701,991 | 7,538,112 | 96% | 90% | 5,497,786 | 6,784,301 | 1,286,515 | 200 | 6,000 |
| Subtotal | 89,207,798 | 117,933,959 | | | 106,471,739 | 126,252,169 | 19,780,430 | | 76,000 |
| Total Retail and Selected Services | \$616,160,698 | \$814,573,078 | | | \$594,325,401 | \$687,158,977 | \$92,833,576 | | 230,000 |

Source: Property Counselors

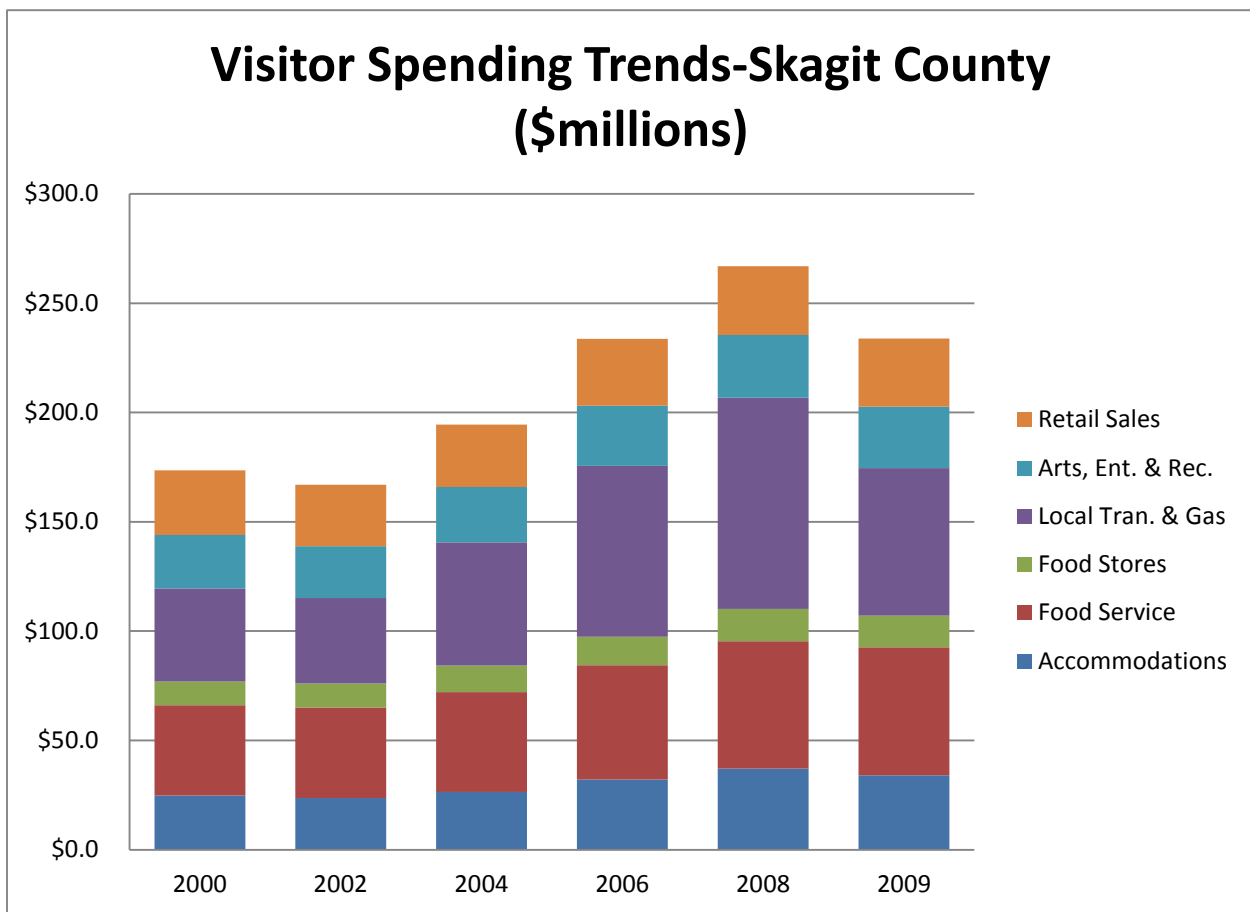
Visitor Industry Conditions

As presented earlier, leisure and hospitality is an important sector in the Anacortes economy. Conditions in this sector are considered in this section in more detail in terms of county-wide spending levels, activity in other tourist communities, and local attractions.

Skagit County Visitor Spending

The visitor industry contributes to businesses throughout the economy, and particularly lodging, local transportation / gas, and food services. Visitor spending estimates are available at the county level through 2009. On a per capita basis, annual visitor spending in Skagit County was higher than the State-wide average at \$2,004 versus \$1,812 in 2009. Spending by sector is shown in Figure 5. The largest sectors are food services and local transportation.

Figure 5.

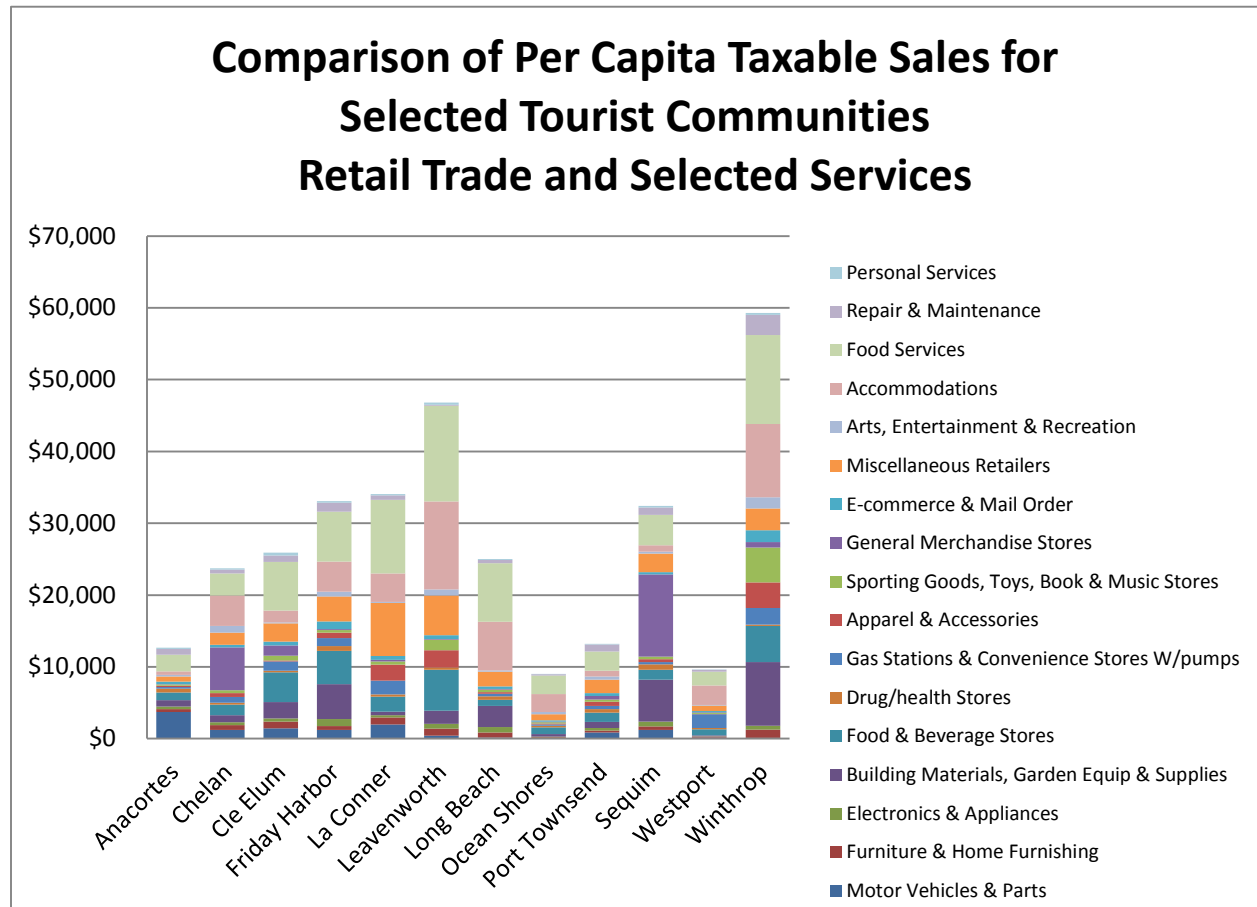


Source: Dean Runyan and Associates, *Washington State County Travel Impacts, 1991 to 2009*.

Experience of other Tourist Communities

Taxable sales levels in Anacortes can be compared to levels in other communities that are considered to be tourist attractions. Figure 6 provides a graphical comparison of retail and selected service sectors on a per capita basis. As shown taxable sales per capita in Anacortes are lower than in many of the communities shown. Much of this result is due to the small size of the other communities: ranging from 405 for Winthrop to 6,855 for Sequim. However, Sequim has higher absolute sales in these categories, due largely to a concentration of larger retailers in the area. Accommodation sales are much lower in Anacortes on a per capita basis than other cities, while food service sales are more comparable.

Figure 6.



Visitor Attractions

There are three major activity generators that provide support for the local visitor industry: San Juan ferry travelers, recreational boaters, and Deception Pass State Park visitors.

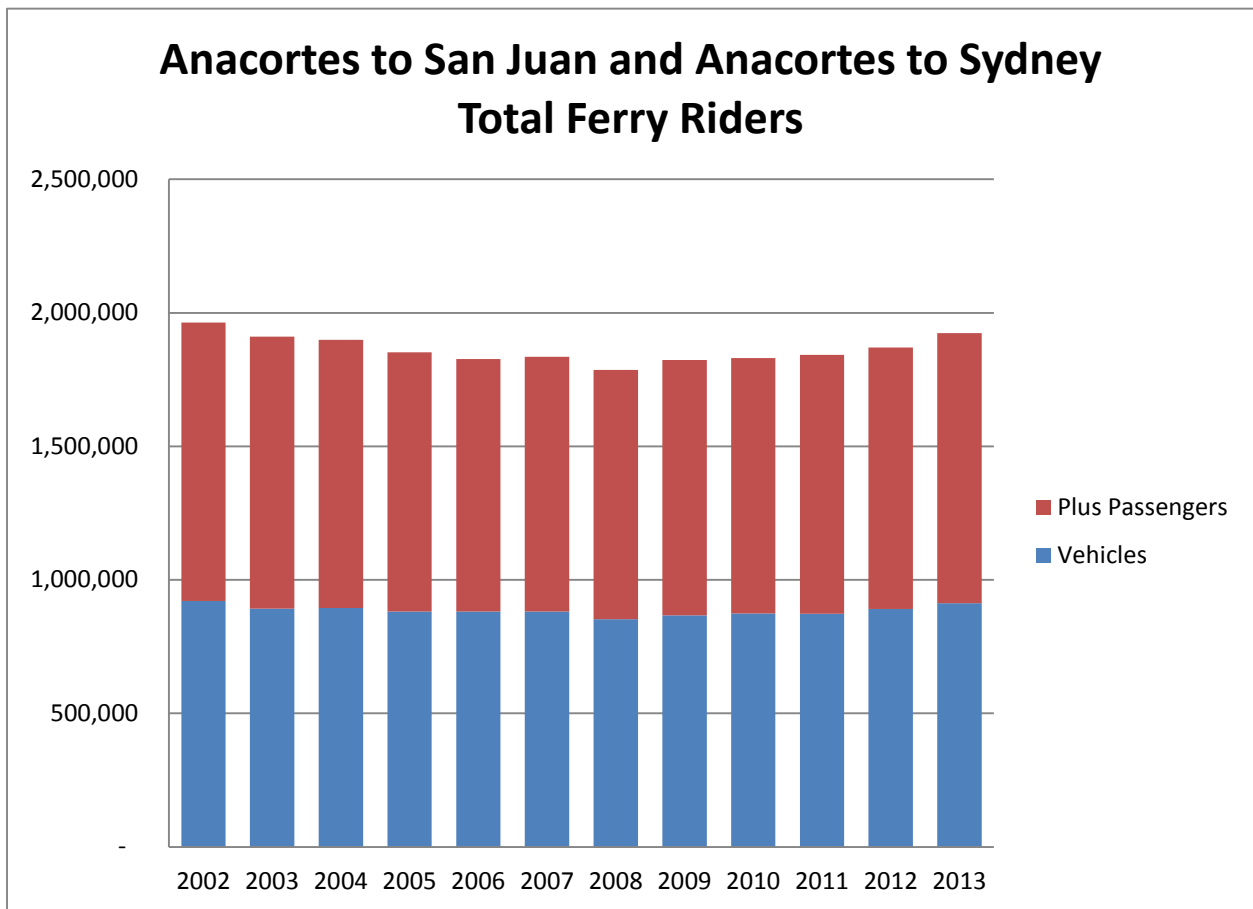
The Washington State Ferry serving the San Juan Islands and Sydney British Columbia serves almost two million passengers per year as shown in Table 16 and Figure 7. Activity has grown steadily since 2008, and the share of total system activity has increased. The obvious opportunity is to intercept some of that traffic and capture the associated spending in Anacortes. The challenge is that these travelers may be focused on their destination as they arrive and depart Anacortes

Table 16. Washington State Ferry Vehicle and Passenger Volumes

| | Anacortes San Juan/Sydney | | System Total | | Anacortes as Percent | |
|------|---------------------------|------------------|--------------|------------------|----------------------|------------------|
| | Vehicles | Total Passengers | Vehicles | Total Passengers | Vehicles | Total Passengers |
| 2002 | 921,406 | 1,963,499 | 11,009,262 | 25,141,467 | 8.4% | 7.8% |
| 2003 | 892,178 | 1,910,471 | 10,819,196 | 24,376,276 | 8.2% | 7.8% |
| 2004 | 894,682 | 1,899,013 | 10,828,312 | 24,092,236 | 8.3% | 7.9% |
| 2005 | 881,593 | 1,851,687 | 10,801,196 | 23,817,366 | 8.2% | 7.8% |
| 2006 | 881,688 | 1,827,129 | 10,850,232 | 23,937,546 | 8.1% | 7.6% |
| 2007 | 882,086 | 1,835,000 | 10,674,166 | 23,709,097 | 8.3% | 7.7% |
| 2008 | 852,398 | 1,786,297 | 10,010,841 | 22,732,734 | 8.5% | 7.9% |
| 2009 | 866,621 | 1,823,063 | 10,064,294 | 22,737,710 | 8.6% | 8.0% |
| 2010 | 874,237 | 1,830,902 | 10,101,190 | 22,451,404 | 8.7% | 8.2% |
| 2011 | 873,482 | 1,842,685 | 9,977,372 | 22,230,041 | 8.8% | 8.3% |
| 2012 | 890,865 | 1,870,498 | 9,974,874 | 22,201,496 | 8.9% | 8.4% |
| 2013 | 912,735 | 1,923,619 | 10,028,448 | 22,537,029 | 9.1% | 8.5% |

Source: Washington State Ferry System

Figure 7.

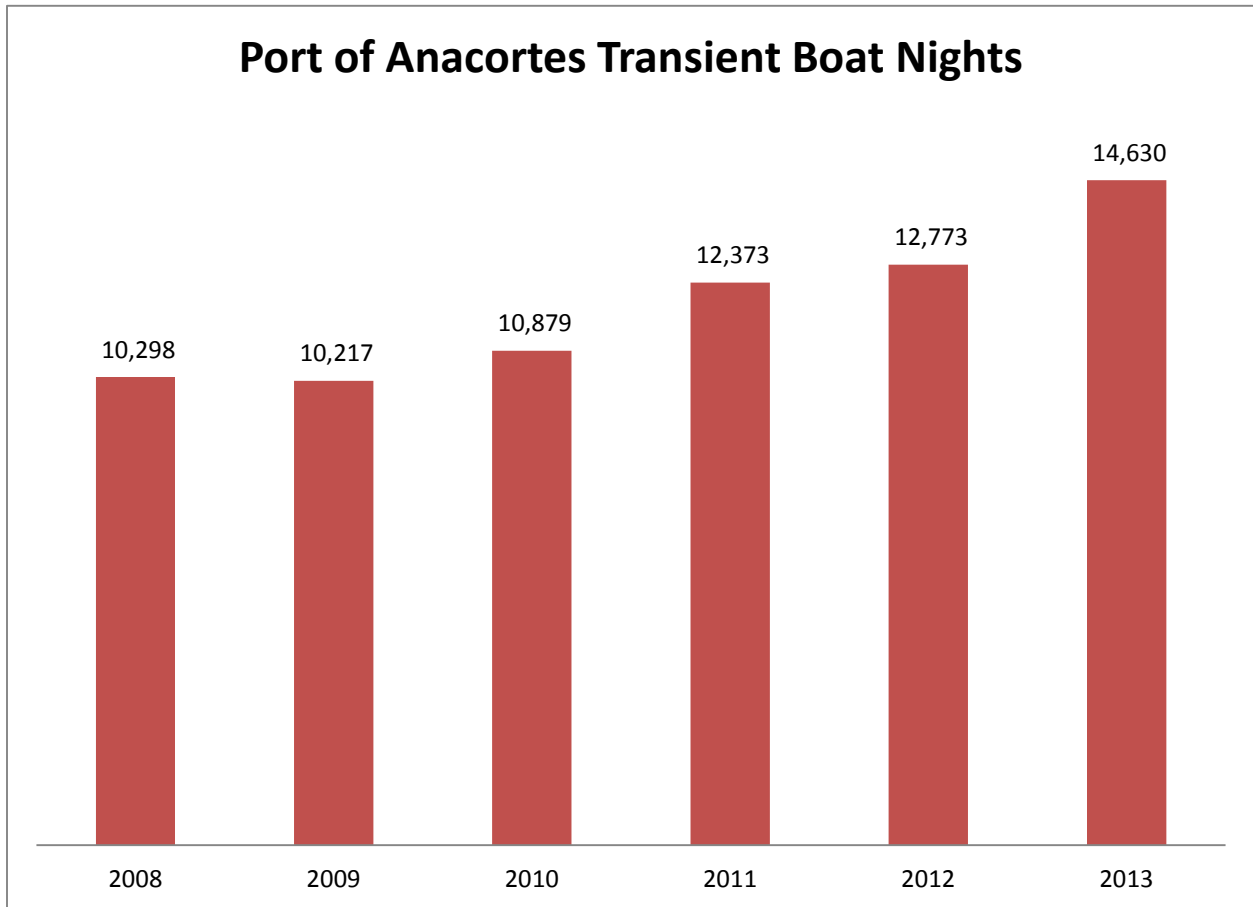


Deception Pass State Park is the most-visited park in Washington with over 2 million visitors each year. The Park has a number of recreational opportunities, including three campgrounds, several hiking trails, beaches, and tide

pools, several miles of the Pacific Northwest Water Trail, the Cornet Bay Retreat Center, boat launches and fishing opportunities, and an interpretive center. These visitors may be attracted to Anacortes during their stay.

Anacortes is the gateway to the recreational boating resources of the San Juan Islands and other areas. The Port of Anacortes' Cap Sante Marina is the largest marina in the city with 950 slips, 150 to 200 of which are held for transient moorage. As shown in Figure 8, the Port served almost 15,000 transient boat nights in 2013.

Figure 8.



Transient boaters will spend money in local communities during their trips.

Table 17. Estimated Boater Spending per Trip

| | Marina Powerboat | Sailboat |
|----------------------|---------------------|----------|
| Food Lodging | \$141 | \$151 |
| Retail | 39 | 28 |
| Entertainment | 39 | 22 |
| Local Transportation | 22 | 17 |
| Total | \$241 | \$218 |

Source: Boating 2000, A Survey of Boating Spending in Maryland. Adjusted to 2013 dollars.

Fiscal Conditions

Fiscal conditions are the revenue and cost relationships for provision of public services. A strong economy will provide a strong tax base. Quality public facilities and services will make the community attractive to residents, employees, and visitors. The fiscal conditions are presented in terms of fiscal trends, comparison to similar communities, and factors affecting future revenues and expenses.

Trends

Trends in revenues and expenses can be derived from data compiled for local governments by the Washington State Auditor’s Local Government Financial Reporting System (LGFRS). The LGFRS data is provided in a standard format with any duplication removed. Operating revenues and expenses are identified for operating funds, defined as the general fund and special revenue funds. Special revenue funds cover regular public services, but are funded by targeted revenue sources. Table 18 presents operating revenue and expense data for the period 2003 to 2012. Figure 9 summarizes trends in operating revenues for Anacortes for the period 2003 to 2012. The data in Figure 9 are shown on a per capita basis to isolate changes related to population growth. The three largest sources of revenue are general property taxes, retail sales and use tax, and business taxes (primarily taxes on utilities). Property taxes and business taxes have grown slowly over time, but retail sales and use tax has varied over time. This tax is particularly cyclical, with notable declines during economic slowdowns, as consumer spending declines somewhat, but new construction declines dramatically. Retail Sales and Use Tax is a major source of revenue, but a very volatile one.

Figure 9.

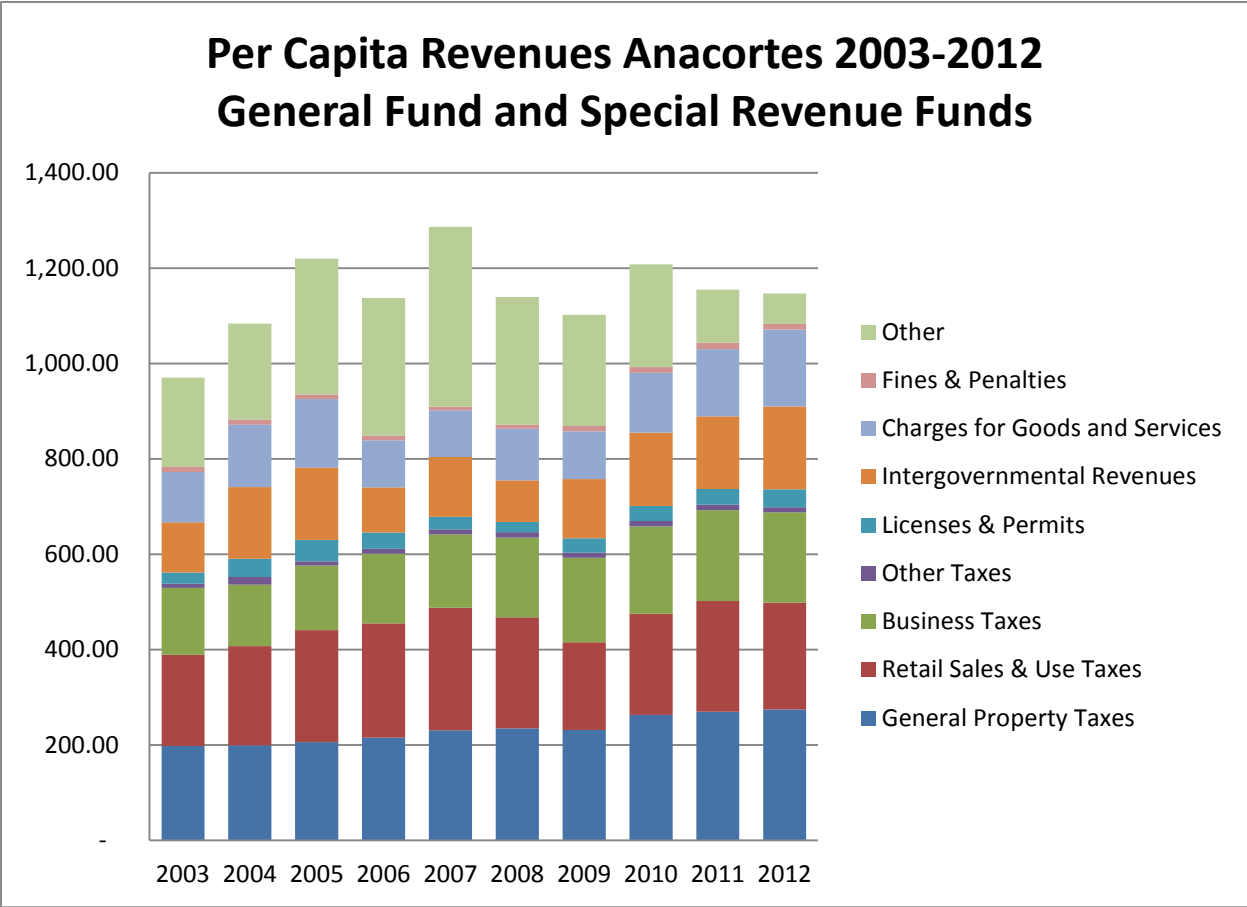
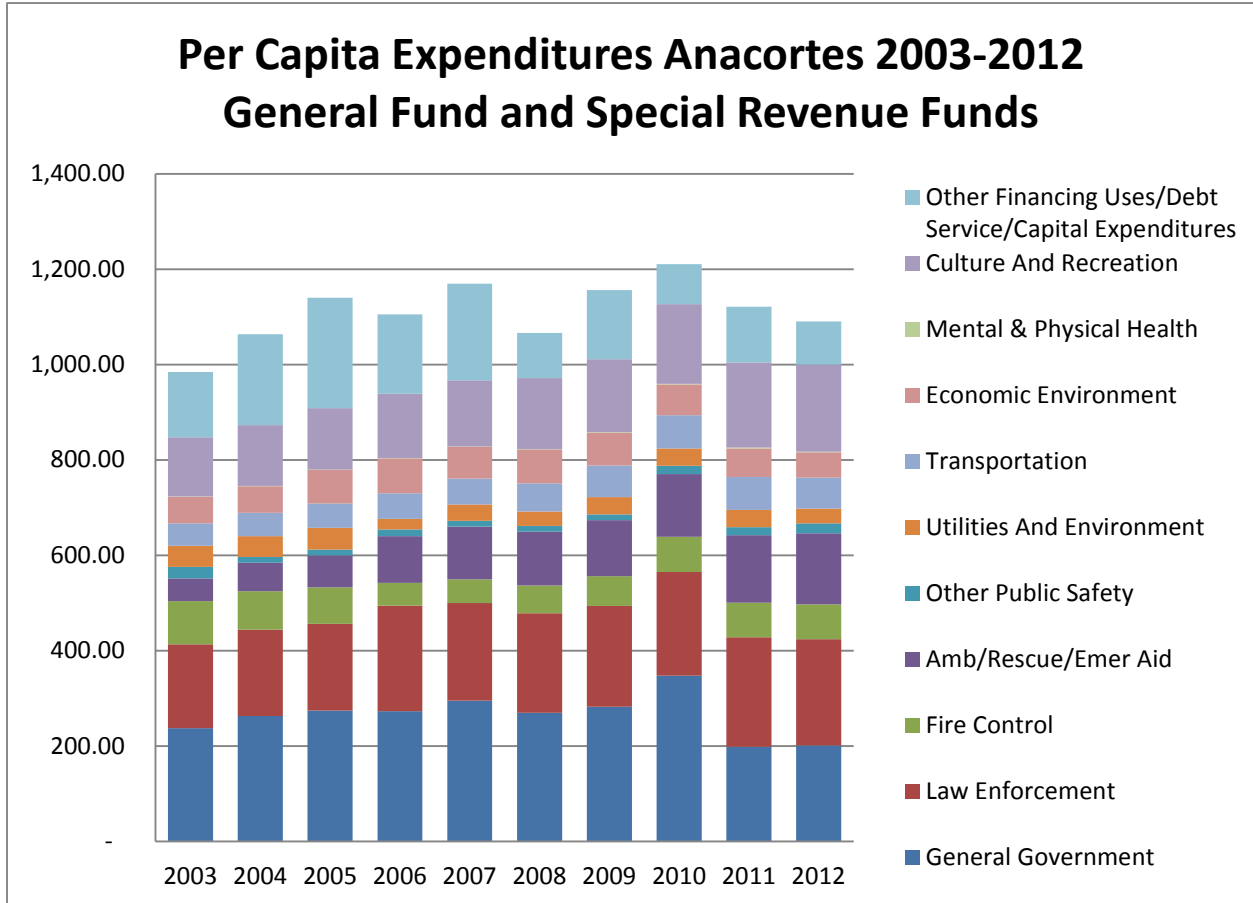


Table 18. City of Anacortes Revenue and Expense Trends General Fund and Special Revenue Funds

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| All Revenues | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| General Property Taxes | \$2,995,348 | \$3,087,433 | \$3,233,255 | \$3,479,615 | \$3,786,991 | \$3,913,417 | \$3,883,698 | \$4,150,982 | \$4,279,143 | \$4,375,994 |
| Retail Sales & Use Taxes | 2,884,391 | 3,215,793 | 3,683,753 | 3,877,622 | 4,208,628 | 3,874,454 | 3,087,314 | 3,348,229 | 3,686,230 | 3,581,280 |
| Business Taxes | 2,117,768 | 1,990,713 | 2,128,674 | 2,360,683 | 2,527,468 | 2,778,436 | 2,979,709 | 2,886,842 | 3,020,463 | 3,025,397 |
| Excise Taxes | 138,953 | 248,345 | 144,828 | 162,877 | 176,090 | 190,079 | 183,411 | 184,631 | 175,884 | 168,837 |
| Subtotal: | 8,136,460 | 8,542,284 | 9,190,510 | 9,880,797 | 10,699,177 | 10,756,386 | 10,134,132 | 10,570,684 | 11,161,720 | 11,151,508 |
| Licenses & Permits | 345,250 | 595,397 | 706,401 | 556,487 | 431,863 | 348,664 | 496,402 | 498,816 | 525,260 | 602,320 |
| Intergovernmental Revenue | 1,594,647 | 2,326,002 | 2,372,073 | 1,527,058 | 2,053,633 | 1,452,273 | 2,093,486 | 2,421,961 | 2,412,293 | 2,767,394 |
| Charges for Goods and Ser | 1,598,313 | 2,025,426 | 2,264,039 | 1,602,666 | 1,608,892 | 1,799,987 | 1,670,121 | 1,976,567 | 2,234,387 | 2,570,145 |
| Fines & Penalties | 162,045 | 163,941 | 144,651 | 157,351 | 118,116 | 149,901 | 193,269 | 193,208 | 214,097 | 196,337 |
| Miscellaneous Revenues | 2,350,894 | 2,605,426 | 2,863,085 | 3,040,988 | 3,327,422 | 3,025,751 | 2,696,495 | 3,124,781 | 875,974 | 579,706 |
| Other Financing Sources | 476,244 | 506,495 | 1,608,177 | 1,624,330 | 2,860,500 | 1,428,182 | 1,217,455 | 270,436 | 895,492 | 433,525 |
| Total: | \$14,663,853 | \$16,764,971 | \$19,148,936 | \$18,389,677 | \$21,099,603 | \$18,961,144 | \$18,501,360 | \$19,056,453 | \$18,319,223 | \$18,300,935 |
| All Expenditures/Expenses | | | | | | | | | | |
| General Government | \$3,587,405 | \$4,070,346 | \$4,304,724 | \$4,419,400 | \$4,845,934 | \$4,482,171 | \$4,741,826 | \$5,486,493 | \$3,144,031 | \$3,207,822 |
| Public Safety | | | | | | | | | | |
| Law Enforcement | 2,653,706 | 2,800,273 | 2,861,921 | 3,573,351 | 3,346,431 | 3,483,345 | 3,553,562 | 3,423,223 | 3,644,113 | 3,555,435 |
| Control | 1,371,572 | 1,249,585 | 1,197,022 | 769,600 | 820,147 | 964,825 | 1,043,189 | 1,171,710 | 1,148,241 | 1,175,165 |
| Detention And Correction | 90,578 | 104,990 | 95,588 | 136,383 | 89,331 | 101,776 | 95,873 | 170,573 | 167,253 | 230,161 |
| Emergency Services | 29,466 | 31,838 | 34,520 | 28,725 | 48,035 | 31,441 | 30,843 | 31,105 | 28,313 | 20,990 |
| Amb/Rescue/Emer Aid | 716,275 | 917,546 | 1,056,293 | 1,593,197 | 1,810,243 | 1,875,026 | 1,975,778 | 2,075,164 | 2,247,030 | 2,371,313 |
| Comm Alarms & Dispatch | 254,051 | 50,928 | 55,038 | 58,097 | 68,480 | 69,272 | 75,339 | 74,956 | 74,791 | 80,835 |
| Subtotal: | 5,115,648 | 5,155,160 | 5,300,382 | 6,159,353 | 6,182,667 | 6,525,685 | 6,774,584 | 6,946,731 | 7,309,741 | 7,433,899 |
| Utilities And Environment | 669,215 | 673,419 | 719,909 | 357,693 | 563,588 | 500,416 | 610,597 | 566,009 | 569,829 | 499,068 |
| Transportation | 707,759 | 761,553 | 796,120 | 863,496 | 883,885 | 984,218 | 1,109,158 | 1,101,641 | 1,102,947 | 1,030,357 |
| Economic Environment | 839,868 | 858,480 | 1,110,694 | 1,186,608 | 1,087,808 | 1,179,692 | 1,149,727 | 1,022,191 | 944,290 | 849,849 |
| Mental & Physical Health | 10,096 | 12,798 | 13,866 | 17,124 | 20,507 | 20,481 | 21,409 | 17,121 | 26,339 | 26,117 |
| Culture And Recreation | 1,872,351 | 1,969,749 | 2,019,666 | 2,173,549 | 2,275,114 | 2,478,953 | 2,573,708 | 2,639,896 | 2,833,662 | 2,911,965 |
| Other Financing Uses/Debt | 2,074,241 | 2,954,226 | 3,637,875 | 2,697,895 | 3,318,359 | 1,568,775 | 2,428,653 | 1,320,939 | 1,857,345 | 1,446,815 |
| Total: | \$14,876,583 | \$16,455,731 | \$17,903,236 | \$17,875,118 | \$19,177,862 | \$17,740,391 | \$19,409,662 | \$19,101,021 | \$17,788,184 | \$17,405,892 |

Figure 10 presents operating expenditures on a per capita basis for the same period. Public safety-law enforcement, fire control, and emergency services-represents over half of total operating expenditures. Public safety expenditures have grown in recent years while general government expenditures have declined on an absolute and per capita basis.

Figure 10.



Comparison to Similar Communities

LGFRS data can also be used in a comparison of Anacortes to other communities. The Association of Washington Cities has a classification scheme for cities based on size, property value, activity, growth, and geography (west or eastern Washington). Anacortes is classified as a Non-metro Regional Center based on its size as largest in non-metro area, moderate property value, commercial activity, and growth. Figure 11 compares per capita revenues for the ten Non-metro Regional Centers. Anacortes has very high per capita property taxes reflecting its strong employment base. It also has relatively high business taxes, and intergovernmental revenues. Overall, revenues are well above the average for the ten, and exceed all but three.

Figure 11.

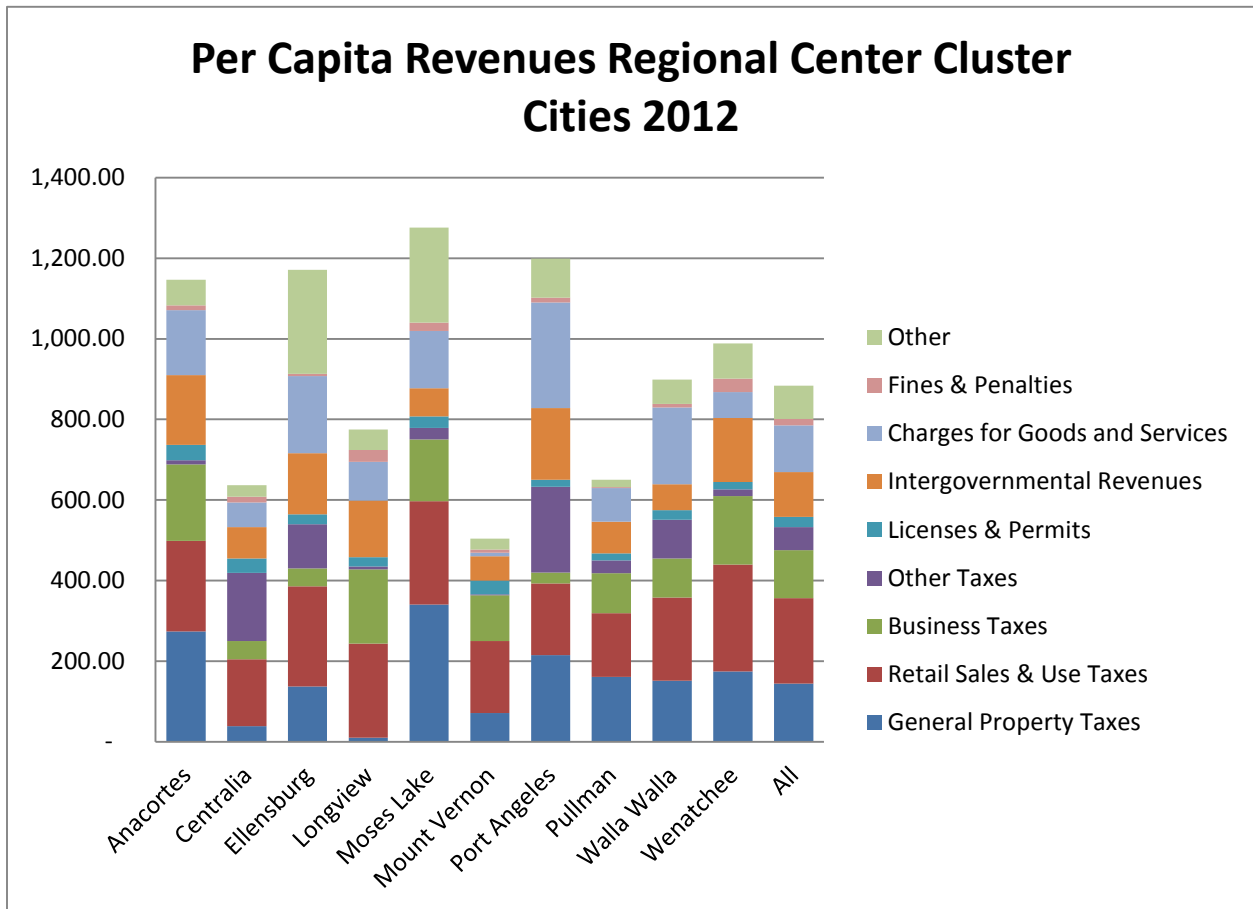
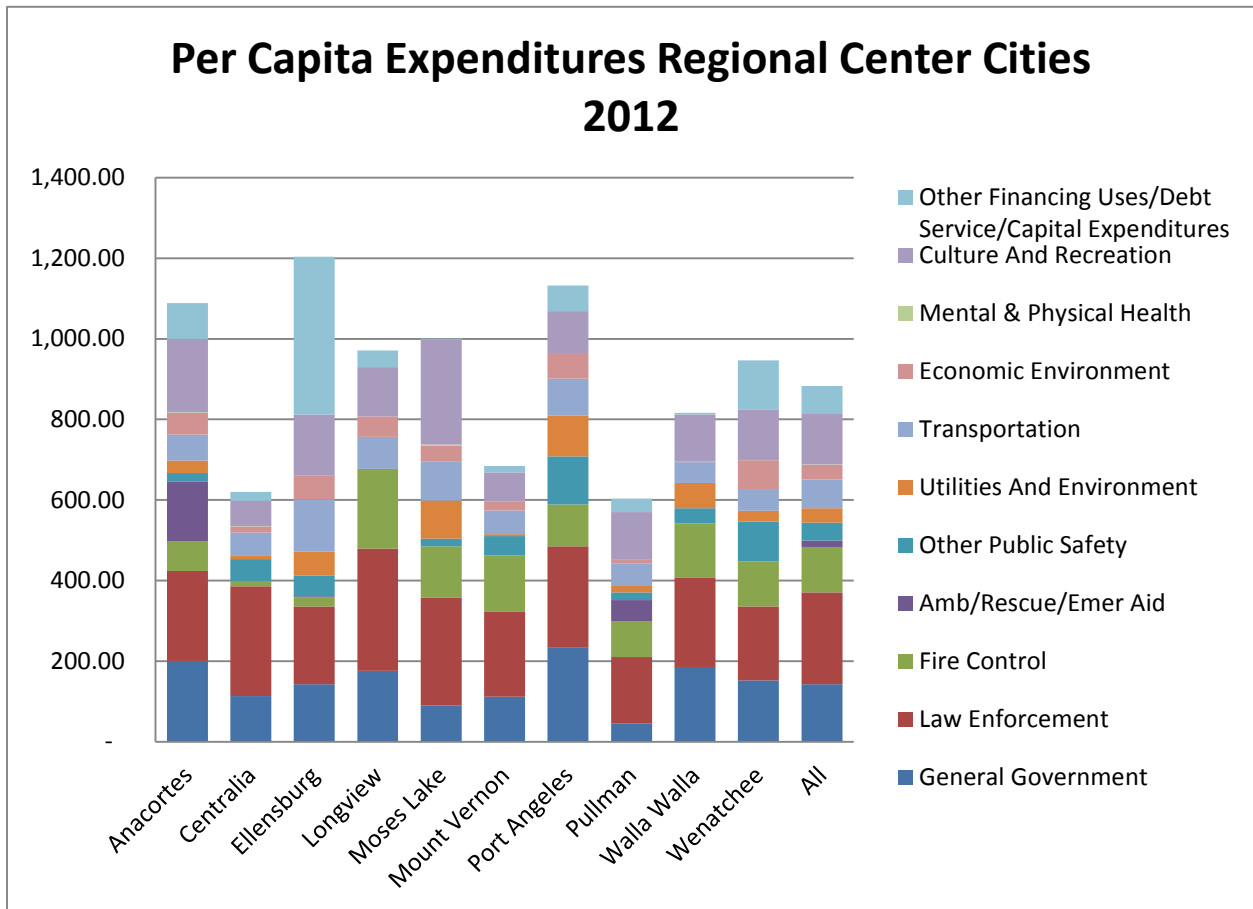


Figure12 compares per capita revenues for the ten Non-metro Regional Centers. Overall expenditures are well above average for the ten cities. The most notable differences are the high emergency services, low fire control, and high culture and recreation expenditures.

Figure 12.



Factors Affecting Future Revenues and Expenses

There are several factors that drive future revenues and expenses beyond public policy. Expenditures grow with population growth, inflation, demands for more sophisticated services, and efficiencies through economies of scale. Revenues grow with new development, consumer spending, and inflation. Retail sales tax is the most volatile source because of the importance of sales tax on construction and its associated business cycle. Further, property taxes are limited by state statute to a 1% increase annually plus taxes on new development. As a result, the property tax rate is driven down during times of strong growth in real estate values, and pushed up during times of slow or no growth. This phenomenon is reflected in the pattern of change in the City's property tax rate over the past 14 years as shown in Figure 13. Note that the increase in 2001 was a result of a bond levy for the library.

The combination of factors affecting revenues emphasizes the importance of a mix of revenue sources. In particular, strong retail sales can be an important source of funds, although they can be volatile.

Figure 13.

