



CHAPTER 5. ECONOMIC DEVELOPMENT ELEMENT

1. Introduction

1.1 PURPOSE AND INTENT

The Economic Development Element provides a roadmap for Duvall's economic growth and vitality that will enhance the city's financial future and quality of life. Duvall has evolved from a rural, natural resource, and timber-based community into a growing residential community with diverse economic potential. The Element encourages the growth of new commercial and industrial businesses; provides guidance for balancing and diversifying light industrial, commercial, and residential activities; and promotes the revitalization and sustainability of existing businesses in Duvall. As Duvall continues to grow, an economic development plan must be in place to ensure a healthy business climate and develop a strong and competitive local and regional marketplace.

Duvall is an attractive, vibrant community with potential for a stronger local economy. Although many economic trends are beyond the City's control, it can work to attract and retain residents and businesses through goals and policies that promote economic development and a high quality of life. To ensure a strong and vibrant economic future, the Element includes goals and policies that aim to make Duvall a great place to live, work, recreate, and visit; promote a thriving and diverse local economy that provides opportunities in a variety of business sectors; encourage citywide economic growth while enhancing the Old Town business district; maintain Duvall's unique small-town atmosphere and build on local historic and natural assets within the community; encourage high-quality, mixed use, commercial and industrial development; create a balanced economic environment that attracts business growth while strengthening existing local businesses; and foster the development of private-public partnerships.

The following Goals and Policies are statements that reflect the community's vision, principals, and proposed course of action for Duvall's economic development. The Economic Development Element Analysis that follows contextualizes Duvall's regional economic position and provides employment and population forecasts and targets. In accordance with Growth Management Act (GMA) requirements and King County Countywide Planning Policies (CWPPs) (King County, 2012), it also summarizes Duvall's economic characteristics; its economic strengths and weaknesses; and identifies policies, programs, and projects to foster economic growth and development.

2. Goals and Policies

Goal ED1: Business creation, expansion, retention, and diversification; attractive employment opportunities; and a reliable and consistent tax base contribute to a healthy economic climate.

Policies

- ED .1 Establish and support incentives to encourage economic development, such as expedited permitting, public investment, and local partnerships, in return for public benefits.
- ED .2 Strengthen existing commercial areas and encourage new mixed-use and light-industrial development to promote jobs and business activity.
- ED .3 Promote the development of a mixed-use neighborhood consisting of larger-scale commercial, residential, light industrial, office, and institutional uses.
- ED .4 Allow flex space as a mechanism for promoting light manufacturing, research and development, office, and similar uses, consistent with surrounding character.
- ED .5 Support home-based businesses that do not impact the residential character of the neighborhood. Limit signs, parking and truck deliveries, and other potential adverse impacts.
- ED .6 Use flexible regulatory standards that enable businesses to expand, grow, or redevelop at existing locations.
- ED .7 Sustain and leverage the City's natural, cultural, artistic, and agricultural assets to attract businesses and consumers throughout the region.
- ED .8 Proactively recruit and promote the growth of target businesses and industries, including information technology, light industrial, manufacturing, and tourism that provide, at a minimum, cost-of-living wages and economic diversity.
- ED .9 Encourage private reinvestment in local shopping centers, and industrial and manufacturing establishments, to support revitalization and growth.
- ED .10 Review regulatory design standards for industrial facilities and provide further economic incentives, as needed, to promote private investment in start-up and relocating businesses to Duvall.
- ED .11 Support local, small business start-ups through the development of incubator spaces.
- ED .12 Increase local spending by residents by attracting drug and health services, food services, personal services, retailers, and specialty shop businesses.
- ED .13 Utilize tax and fee systems that are fair, equitable, and stable and that provide sufficiently predictable funds to provide for local services to protect and enhance the community.

Goal ED2: Collaboration with private and public agencies, community groups, and economic development groups maximizes the City's economic development potential.

Policies

- ED 2.1 Work with economic development groups, such as the Chamber of Commerce or Rotary, to coordinate business recruitment, marketing, and tourism in Duvall.
- ED 2.2 Collaborate with neighboring cities and agencies to develop economic strategies that promote diversification of business and industry throughout the region and emphasize Valley collaboration.
- ED 2.3 Coordinate with other jurisdictions to identify infrastructure deficiencies and plan for needed improvements to allow for regional economic growth.
- ED 2.4 Collaborate with other Snoqualmie River Valley cities to boost the Valley's tourism draw through unified marketing.
- ED 2.5 Cooperate with public and private agencies to improve infrastructure, utility systems, and facilities that support economic vitality.

Goal ED3: Diverse employment and training opportunities promote business development and economic success.

Policies

- ED 3.1 Support educational and training opportunities for residents to maintain a skilled workforce.
- ED 3.2 Cooperate with local schools, the Chamber of Commerce, and other organizations to provide educational opportunities for citizens of all ages within the community.
- ED 3.3 Support workforce training efforts of local colleges and public schools.
- ED 3.4 Support development of a regional education facility in the city, such as a satellite college, through collaborative public-private agreements.
- ED 3.5 Support a community mentoring program that provides training, resources, networking opportunities, and expertise to employees and small business owners.

Goal ED4: Old Town's distinctive identity holds economic value and contributes to its success as Duvall's cultural, historical, and retail center.

Policies

- ED 4.1 Support Old Town merchants, property owners, the Chamber of Commerce, and other groups in the continued revitalization of the downtown corridor through public and private investments and amenities.
- ED 4.2 Coordinate with Old Town business and property owners to evaluate the desirability of creating a Main Street business association.
- ED 4.3 Leverage natural amenities, such as McCormick Park and the Snoqualmie Valley Trail, to attract people and economic investment to the downtown corridor.

- ED 4.4 Continue to support and market community events that bring together residents, tourists, and retailers in Old Town.
- ED 4.5 Ensure that community banking services are available in Old Town.

Goal ED5: Duvall’s surrounding rural landscape, character, and quality of life are among its most important assets in sustaining economic vitality.

Policies

- ED 5.1 Develop an economic strategy that focuses on leveraging the Snoqualmie Valley’s attractions.
- ED 5.2 Partner with King County to plan for a regional center with recreational opportunities to support the tourism industry.
- ED 5.3 Provide linkages between Duvall’s business districts and the natural areas, such as McCormick Park and the Snoqualmie Valley Trail.
- ED 5.4 Continue to encourage building and aesthetically-pleasing site design that complement the natural environment and do not detract from the surrounding rural setting.
- ED 5.5 Maintain a unique and cohesive community identity while recognizing and enhancing neighborhood and subarea identities.
- ED 5.6 Actively promote the city’s natural, cultural, artistic, and agricultural assets.

Goal ED6: Duvall is a regional destination for visitors.

Policies

- ED 6.1 Enhance the visitor experience with maps, directories, and signage to identify city trails and other points of interest.
- ED 6.2 Market opportunities for bed-and-breakfasts to locate in Duvall.

Goal ED7: Duvall invests in economic development planning, implementation, and monitoring.

Policies

- ED 7.1 Dedicate city resources to economic development planning and implementation by creating and maintaining a strategic economic development program for the city, creating and implementing a proactive marketing strategy identifying key audiences and messages, and designating a point-of-contact for economic development programs and to serve as a liaison to the business community.
- ED 7.2 Monitor and assess new commercial development’s cumulative effect on the economy using performance measures such as job and business creation, retention, and attrition, and changes in tax revenues.
- ED 7.3 Explore the creation of an economic development grant program for local businesses, including a façade grant program.

- ED 7.4 Monitor the financial impact of new programs, policies, and regulatory requirements on development feasibility.
- ED 7.5 Evaluate and refine employment growth and capacity projections, as necessary, to ensure alignment with the regional target allocations and available transportation infrastructure.

3. Economic Development Analysis

This section uses Census and statistical data to create an economic profile for the City, and summarizes its economic characteristics, trends, and potential within the context of local and regional conditions. The summary provides a foundation for understanding the forces that influence Duvall’s economic future, including local actions, economic relationships with nearby sub-regions, and connections to the region as a whole.

The analysis is presented in three sections:

- Economic Conditions, Forecasts, and Trends
- Economic Opportunities
- Competitive Position

This analysis supplements several previous economic studies conducted for the City, in particular, the adopted the Economic Development Strategic Action Plan (EDSAP): 2006-2011 (Berk and Associates, 2005). The strategy for moving forward is built upon the understanding that the City’s economy is intrinsically tied to its livability and quality of life, as well as the identity it presents to potential tourists, residents, and employers.

3.1 ECONOMIC CONDITIONS, FORECASTS, AND TRENDS

Economic conditions, forecasts, and trends provide insight into the potential opportunities available to the community.

3.1.1 Economic and Demographic Comparison

As a supplement to information provided in the Housing Element, **Table ED-1** provides a comparison of notable economic and demographic conditions between King County and Duvall. Compared to King County, families comprise a greater proportion of Duvall’s total population, median household income is greater, and the proportion of home ownership is greater.

Table ED-1. Comparison of Demographic Conditions, Duvall vs. King County 2010

	Duvall	King County
Population		
Total Population	6,695	1,931,249
Population in Households	6,656	1,894,118
Population in Families	6,049	1,409,526

	Duvall	King County
% of Population in Households	99.4%	98.1%
% of Population in Families	90.4%	73.0%
Households		
Total Households	2,224	789,232
Average Household Size	2.99	2.40
% of Households with < 18 yrs.	52.3%	29.2%
Age		
Median Age	34.4	37.1
% of Population 65+	4.5%	10.9%
% of Population < 18	33.8%	21.4%
Income		
Median Household Income	\$111,356	\$71,175
Housing Units		
Total Housing Units	2,315	851,261
% Occupied	96.1%	92.7%
% Owner-occupied	84.6%	54.8%
% Renter-occupied	11.4%	37.9%
Population by Race		
White	6,005	1,325,845
Black or African American	30	119,801
American Indian	33	16,147
Asian	178	282,075
Pacific Islander	3	14,486
Other	194	76,096
Two or More Races	252	96,799
Total	6,695	1,931,249
Population by Race % of Total		

	Duvall	King County
White	89.7	68.7
Black or African American	0.4	6.2
American Indian	0.5	0.8
Asian	2.7	14.6
Pacific Islander	0.0	0.8
Other	2.9	3.9
Two or More Races	3.8	5.0
Total	100.0	100.0

Source: US Census, 2010; Summary File 1. 2008-2012 American Community Survey.

3.1.2 Employment Forecasts and Targets

Puget Sound Regional Council (PSRC) provides employment and population forecasts at the regional and local level for use in regional transportation and land use planning. While these forecasts are not specific targets, they are considered in each county's growth target process. The most recent forecasts were published in April 2014. In addition to its baseline forecasts, PSRC provides a second set of forecasts that reflect target forecasts as summarized in **Table ED-2**.

Table ED-2. Comparison of Population and Employment Target Forecasts, King County and Duvall

King County	2010	2025	2030	2031	2035	2010-2035 % Growth
Residential						
Population	1,931,253	2,201,010	2,290,922	2,308,917	2,380,851	23.3
Employment						
Manufacturing	202,443	263,291	286,341	290,950	309,393	52.8
Retail Food Service	187,391	255,896	277,957	282,366	300,015	60.1
FIRE Services ¹	559,446	762,714	827,953	840,988	893,176	59.7
Government; Higher Education	129,634	141,753	145,883	146,710	150,009	15.7
K-12 Education	44,680	49,527	51,204	51,536	52,880	18.4
Construction Resource	57,943	121,584	142,279	146,420	162,972	181.3

King County	2010	2025	2030	2031	2035	2010-2035 % Growth
Total Employment	1,181,537	1,595,345	1,732,197	1,759,550	1,869,025	58.2
Duvall	2010	2025	2030	2031	2035	2010-2035 % Growth
Residential						
Population	6,868	8,404	8,919	9,022	9,434	37.4
Employment						
Manufacturing	88	159	176	179	192	118.2
Retail Food Service	283	378	417	425	456	61.1
FIRE Services ¹	563	820	904	921	989	75.7
Government; Higher Education	88	95	100	101	105	19.3
K-12 Education	212	240	250	252	260	22.6
Construction Resource	126	239	279	287	319	153.2
Total Employment	1,360	1,931	2,126	2,165	2,321	70.7

Source: Puget Sound Regional Council, April 2014 Forecasts. Land Use Targets.

¹ FIRE Services: Finance, Insurance, and Real Estate Services.

As shown, population and employment for Duvall are forecasted to grow at higher rates for the period 2010 to 2035 than for the county as a whole.

The PSRC forecasts are based on a regional growth strategy outlined in VISION 2040. The strategy calls for broad shifts in the way growth is allocated within the region. Areas are organized by regional geography: metropolitan cities, core suburban cities, larger suburban cities, small cities, urban unincorporated King County, and rural unincorporated King County. As described in the County's "Housing and Employment Growth Targets" document (King County Growth Management Planning Council, 2009), the strategy calls for:

- Increasing the amount of growth targeted to metropolitan cities and core cities;
- Increasing the amount of growth targeted to larger cities;
- Decreasing the amount of growth targeted to unincorporated areas and some small cities;

- Achieving a greater jobs-to-housing balance within the region by shifting projected population growth into King County and shifting forecasted employment growth out of King County.

Duvall is classified as a small city, as defined by PSRC’s VISION 2040 Regional Growth Strategy (PSRC, 2009). Small cities generally have populations less than 10,000 and are not targeted for the same level of growth as the more populated areas.

The King County growth targets were proposed in 2012 for the period 2006 to 2031. The targets were developed through a process that starts with regional totals from the State Office of Financial Management (OFM) (OFM, 2012) and PSRC (PSRC, 2014). Employment forecasts are allocated to King County jurisdictions based on VISION 2040 baseline forecasts (PSRC, 2009), accounting for factors such as recent growth trends and anticipated annexations. Duvall’s employment target is 840 additional jobs.

3.1.3 Employment Capacity

The 2014 King County Buildable Lands Report estimated Duvall’s employment capacity to be 1,600 jobs (King County Office of Performance, Strategy and Budget, 2014). During the 2015 Comprehensive Plan update, Duvall completed a revised capacity analysis which accounted for proposed changes to the UGA and future land use designations (Duvall, 2016). Duvall’s resulting employment capacity is estimated at 3,153 jobs. Duvall continues to have sufficient capacity to meet its employment target.

Table ED-3. Duvall Employment Target and Capacity

	King County Target	Capacity	Surplus/(Deficit)
Duvall	840	3,153 ¹	1,144

¹1,169 existing jobs plus employment capacity.

Sources: King County Buildable Lands Report, 2014; City of Duvall, 2016.

The information presented for 2035 growth is based on possible development of all commercial properties within City limits. This estimate is conservative (high) and does not consider site constraints such as critical areas or likely buildout of properties. The city currently has approximately 426,221 square feet of commercial floor area and 186,000 square feet of commercial floor area in the foreseeable pipeline (2015). The pipeline growth would result in a total employment of approximately 1,680 similar to the King County jobs target. There is a potential for additional employment growth of non-pipeline properties depending on zoning and parcel specific site constraints. The city will evaluate and refine employment growth and capacity projections, as necessary, to ensure alignment with the regional target allocations and available transportation infrastructure.

3.2 ECONOMIC OPPORTUNITIES

This section identifies realistic and attainable opportunities for growth in local jobs and tax base, including the economic potential of several uses. Duvall’s competitive position,

potential to absorb new market segments, and the appropriate scale of new uses are also identified.

3.2.1 Retail Opportunities

Duvall has stable retail tax that has shown steady growth over the past decade. As shown in **Figure ED-1**, taxable sales for retail and selected services (food services, personal services, and repairs) fell slightly with the recent recession, but recovered quickly and have shown strong growth in 2012. The largest sectors are food services (restaurants), food sales, building materials, miscellaneous retailers, furniture, repair and maintenance, and car sales and parts.

Figure ED-1. Growth in Duvall Taxable Retail Sales

Source: Washington Department of Revenue, *Quarterly Business Review*, Property Counselors, 2014.

The amount of sales can be compared to other communities on a per-capita basis. Duvall's sales per capita are similar to several smaller cities, but fall well short of cities such as North Bend, Stanwood, Snohomish, Woodinville and Covington. The differences can be attributed to a larger trade area (such as North Bend with a factory outlet on I-90, or Stanwood with nearby Camano Island) or a large visitor industry (like Snohomish and Woodinville), or both.

Figure ED-2. Comparison of Per Capita Taxable Retail Sales

Source: Washington Department of Revenue, *Quarterly Business Review*, Property Counselors, 2014

The relationship between size of trade area and retail scale and tenant mix is summarized in **Table ED-4** below.

Table ED-4. Comparison of Shopping Center Characteristics

U.S. Shopping Center Classification and Characteristics						
Type of Shopping Center	Concept	% Share of Industry (Gross Leasable Area)	Acres	# of Anchors	Typical Type of Anchors	Trade Area Size
General-Purpose Centers						
Super-Regional Mall	Similar in concept to regional malls, but offering more variety and assortment.	10.3	60-120	3+	Full-line or junior department store, mass merchant, discount department store and/or fashion apparel store.	5-25 miles
Regional Mall	General merchandise or fashion-oriented offerings.	4.7	40-100	2+	Full-line or junior department store, mass merchant, discount department store and/or fashion apparel store.	5-15 miles
Community Center ("Large Neighborhood Center")	General merchandise or convenience-oriented offerings. Wider range of apparel and other soft goods offerings than neighborhood centers.	25.4	10-40	2+	Discount store, supermarket, drug, large-specialty discount (toys, books, electronics, home improvement/ furnishings or sporting goods, etc.)	3-6 miles
Neighborhood Center	Convenience oriented	30.9	3-5	1+	Supermarket	3 miles
Strip/ Convenience	Attached row of stores or service outlets managed as a coherent retail entity. A convenience center is among the smallest of the centers, whose tenants provide a narrow mix of goods and personal services to a very limited trade area.	12.0	<3	Anchor-less or a small convenience store anchor.	Convenience store, such as a minimart.	<1 mile

U.S. Shopping Center Classification and Characteristics						
Type of Shopping Center	Concept	% Share of Industry (Gross Leasable Area)	Acres	# of Anchors	Typical Type of Anchors	Trade Area Size
Specialized-Purpose Centers						
Power Center	Category-dominant anchors, including discount department stores, off-price stores, wholesale clubs, with only a few small tenants.	13.1	25-80	3+	N/A	5-10 miles
Lifestyle	Upscale national chain specialty stores with dining and entertainment in an outdoor setting.	2.0	10-40	0-2	Large format upscale specialty	8-12 miles
Factory Outlet	Manufacturers' and retailers' outlet stores selling brand-name goods at a discount.	1.1	10-50	N/A	Manufacturers' and retailers' outlets	25-75 miles
Theme/Festival	Leisure, tourist, retail and service-oriented offerings with entertainment as a unifying theme. Often located in urban areas, they may be adapted from older--sometimes historic--buildings and can be part of a mixed-use project	0.3	5-20	Unspecified	Restaurants, entertainment	25-75 miles
Limited-Purpose Property						
Airport Retail	Consolidation of retail stores located within a commercial airport	0.1	N/A	N/A	No anchors; retail includes specialty retail and restaurants	N/A
Total Industry						
Total Industry	Traditional + Specialty + Special Purpose					

Source: International Council of Shopping Centers, U.S. Shopping Center Classification and Characteristics. December 2015.

As a relatively isolated community, Duvall has a limited natural trade area, and its retail position is limited to the profile of retailers that you would find in a neighborhood scale shopping center. To the extent that Duvall can increase its effective trade area by attracting more tourist visitors, it can support a broader mix of businesses.

As with other small communities, Duvall loses a portion of the spending by local residents to other communities with higher level retail centers, such as Woodinville, Redmond, and Bellevue. The amount of this leakage is estimated in **Table ED-5**. Leakage is defined as the difference between retail spending by local residents and gross sales captured by local businesses. Gross sales are derived from taxable sales data reported by the Washington Department of Revenue with an adjustment using the average ratio of taxable to gross sales statewide. Resident spending is estimated on a per capita basis using gross sales for the state as a whole, with an adjustment for the higher income in Duvall. According to data from the Bureau of Labor Statistics Consumer Expenditure Survey (Bureau of Labor Statistics, 2012), households with incomes at the level of Duvall spend approximately 60 percent more per household than households with incomes at the level of the State of Washington (with differences by retail sector). As shown in **Table ED-5**, Duvall businesses capture \$83 million of the estimated total resident spending of \$176 million for retail goods and selected services. The associated leakage is \$93 million, or 53 percent of resident spending.

Table ED-5. Duvall Retail Leakage 2012

	Duvall Sales		Est. Duvall Resident Spending		Est. 2012
	Taxable	Gross	Per Capita	Total	Leakage
Retail Trade					
Motor Vehicles & Parts	\$2,230,600	\$2,869,251	\$3,408	\$23,513,046	\$20,643,795
Furniture & Home Furnishing	2,660,968	2,944,732	474	3,268,406	323,674
Electronics & Appliances	1,380,191	1,716,236	915	6,313,408	4,597,173
Building Materials, Garden Equip & Supplies	5,418,396	5,789,226	1,123	7,751,864	1,962,638
Food & Beverage Stores	8,468,006	34,435,399	2,778	19,166,140	(15,269,259)
Drug/health Stores	395,372	1,345,267	1,102	7,600,864	6,255,597
Gas Stations & Convenience Stores W/pumps	1,077,681	7,373,640	2,404	16,586,752	9,213,113

	Duvall Sales		Est. Duvall Resident Spending		Est. 2012
	Taxable	Gross	Per Capita	Total	Leakage
Apparel & Accessories	898,126	1,109,512	1,136	7,836,712	6,727,200
Sporting Goods, Toys, Book & Music Stores	484,118	561,387	577	3,978,021	3,416,633
General Merchandise Stores	458,437	947,832	5,034	34,735,094	33,787,262
E-commerce & Mail Order	2,893,932	5,977,369	685	4,727,630	(1,249,739)
Miscellaneous Retailers	3,542,702	4,795,513	1,894	13,065,616	8,270,103
Total Retail Trade	\$29,908,529	\$69,865,363	\$21,528	\$148,543,553	\$78,678,190
Selected Services					
Arts, Entertainment & Recreation	\$696,378	\$743,520	\$287	\$1,981,712	\$1,238,192
Accommodations	0	-	-	-	-
Food Services	8,847,229	9,200,994	2,581	17,811,307	8,610,313
Repair & Maintenance	2,531,873	3,120,187	832	5,741,551	2,621,364
Personal Services	483,620	533,243	270	1,862,420	1,329,177
Total Selected Services	\$12,559,100	\$13,597,944	\$4,572	\$27,396,991	\$13,799,047
Total Retail Trade and Selected Services	\$42,467,629	\$83,463,307	\$26,100	\$175,940,544	\$92,477,237

Source: Property Counselors, Duvall Economic Profile. April 2014.

The obvious retail opportunity is to recapture a portion of that leakage, while attracting residents and visitors from outside the city. However, it is not possible to recapture all retail leakage, particularly for a small town -- residents will always spend a portion of their income on goods and services available only in the higher level retail centers. For example, Duvall cannot recapture spending in sectors such as general merchandise, electronics and appliances, or motor vehicles; however, it can recapture spending in drug/ health services, food services, personal services, miscellaneous retailers, and selected specialty shops.

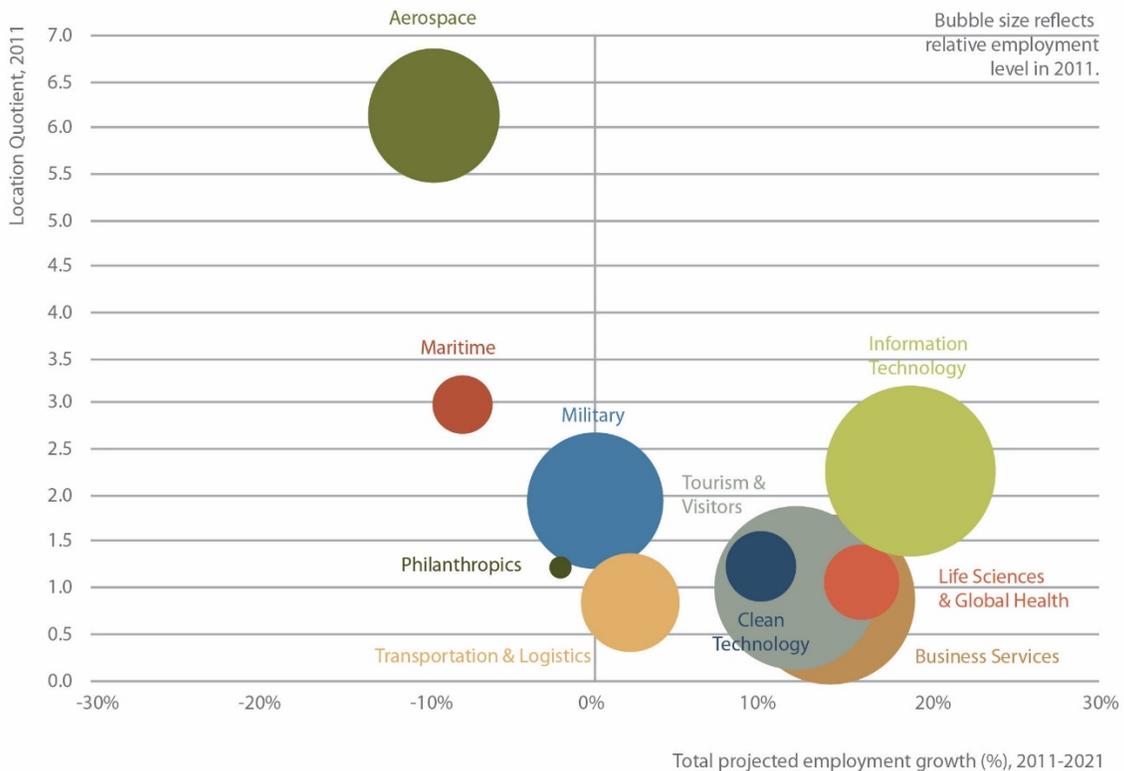
3.2.2 Manufacturing and Industrial Opportunities

The Land Use Target Forecasts in **Table ED-2** show a high growth rate for manufacturing jobs in Duvall starting from a small base. Manufacturing and industrial jobs are sought after because they generally pay high wages. The average annual wage for King County employment in 2012 varied by sector as follows:

- Manufacturing \$79,048
- Retail \$41,123
- Information \$154,005
- Health Care \$52,479
- Accommodations and Food Service \$21,990

The underlying objective of any economic development program is to target sectors that are both high wage and high growth, and for which the community has a competitive advantage, often reflected in a high location quotient (a high concentration of such jobs). The 2012 Regional Economic Strategy for the Central Puget Sound Region identified ten economic clusters as the centerpiece for an economic development program. **Figure ED-3** summarizes the relationship between the overall size of each cluster, its location quotient, and its growth rate.

Figure ED-3. Central Puget Sound Cluster Employment Dynamics



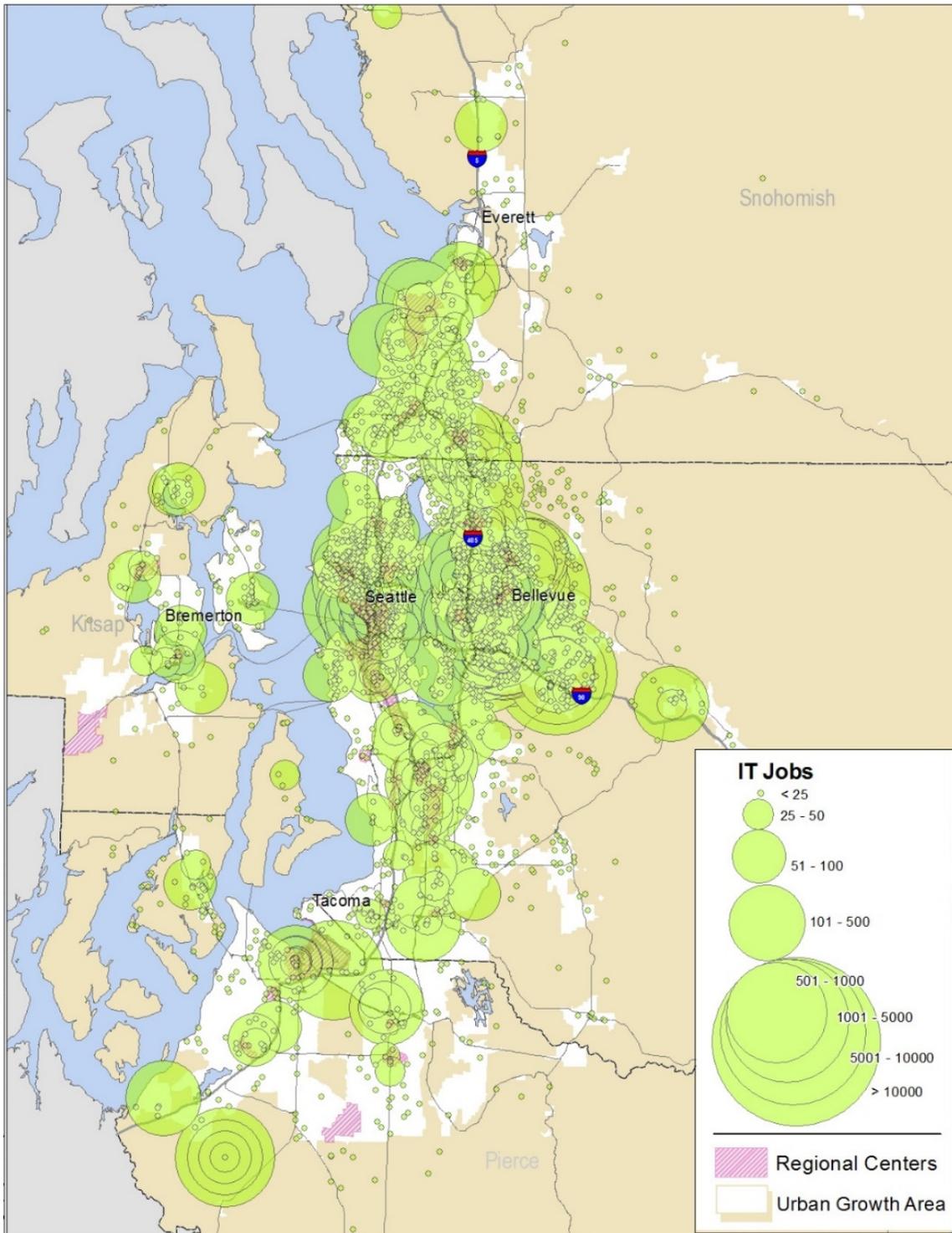
Source: Prosperity Partnership, Regional Economic Strategies for Central Puget Sound Region. July 2012.

These clusters can also be evaluated for their potential in Duvall. Generally, manufacturing and industrial uses have similar locational requirements:

- Proximity to sources of inputs;
- Proximity to markets or users;
- Proximity to qualified labor force;
- Proximity to transportation facilities and services.

These requirements are reflected in the current distribution of jobs in the central Puget Sound area. While the distribution patterns differ somewhat for each cluster, the information technology (IT) cluster provides some evidence of location suitability. **Figure ED-4** summarizes the job distribution as identified in the regional strategy.

Figure ED-4. Information Technology Jobs by Location Central Puget Region



Source: Data, Employment Security Department/PSRC, 2010; Map, Prosperity Partnership, Regional Economic Strategies for Central Puget Sound Region. July 2012.

Employment is concentrated in the regional centers; however, smaller businesses (fewer than 25 employees) outside of regional centers in communities like Duvall exist. Information technology is somewhat special in that it involves high value products or services that do not require a large labor force or transportation advantages. Furthermore, IT and other technology businesses historically locate according to the founder's personal requirements. The strongest opportunity for Duvall is to nurture emerging businesses by entrepreneurs who may currently commute to other cities in the region. The ongoing challenge will be to retain those businesses as their staffing requirements and logistical needs increase over time.

3.2.3 Tourism Opportunities

Duvall has a variety of amenities that attract new residents as well as visitors. The Duvall Visitor Guide identifies some of the attractions as follows:

OUTDOOR ACTIVITIES

- Hiking Trails
- Wildlife Viewing
- Duvall Parks
- Farm Tours

ARTS AND CULTURE & COMMUNITY EVENTS

- Duvall Days
- Summer Music in the Park
- Art in Bloom
- Sandblast Festival for the Arts
- Cascade Community Theater
- Duvall Art and Wine Walk
- Public Art
- Northwest Art Center

These attractions match the interests of many potential visitors. The Washington Tourism Alliance and its predecessor, the Washington State Tourism Office, provide a variety of information on visitor activity in the State. **Figure ED-5** summarizes trends in visitor spending in the State over the past decade. As shown, visitor spending showed strong growth through 2008 but declined with the national recession. After a brief decline, spending began to grow again and has exceeded previous levels. Overnight travel represents almost 80 percent of total visitor spending.

Figure ED-5. Washington State Visitor Spending 2002-2011 (\$1000)

Source: Dean Runyon Associates, Travel Impacts and Visitor Volumes, 1991-2011.

Visitor spending can be estimated from survey results related to spending factors and trip characteristics, which are summarized in **Table ED-6**. Spending factors include the volume of visitors (i.e.: “travel party” consisting of all visitors or persons traveling together; “person” consisting of an individual traveler; and “party size,” or the number of individuals that are traveling together and sharing costs). Overnight visits are broken down by type of accommodation. Additional information is provided for party size and trip length.

Table ED-6. Washington State Visitor Spending Factors and Overnight Visitor Volumes

	Hotel/Motel	Private Home	Other Overnight	All Overnight
Spending Factors				
Travel Party				
Average expenditure per day	\$451	\$121	\$156	\$230
Average expenditure per trip	\$1,135	\$426	\$522	\$715
Person				
Average expenditure per day	\$200	\$55	\$57	\$101
Average expenditure per trip	\$494	\$187	\$190	\$307
Party Size	2.3	2.2	2.7	2.3
Washington Visitor Volume (000s)				
Length of Stay	2.5	3.5	3.3	3.1
Person Nights	34,562	61,451	13,387	109,400
Party Nights	15,312	27,798	4,864	47,974
Person Trips	13,981	17,939	4,000	35,920
Party Trips	6,090	7,887	1,454	15,431

Source: Dean Runyon Associates, Travel Impacts and Visitor Volumes 1991-2011p, 2012.

As shown, visitors staying in hotels spend considerably more money per day than visitors staying in other accommodations. Similarly, studies have shown that day visitors spend approximately the same amount as overnight visitors staying in private homes. Therefore, providing visitor experience that justifies an overnight stay is an economic development opportunity for Duvall.

Previous studies surveyed visitors' activities and interests. No visitor profiles have been prepared in recent years; however, a 1997 study identified the types of activities that visitors participated in during their visits in Washington (see **Table ED-7**). The results are fairly consistent by type of visitor. Relaxing/sightseeing and visiting friends/relatives are the two most popular general activities. Popular specific activities, like shopping in a small community, visiting restaurants, attending a fair or carnival, visiting a museum or historic site, visiting a microbrewery, hiking, viewing wildlife, and attending a concert, match experiences that Duvall offers. Packaging and promoting these activities to attract visitors for a full day or an extended stay provides economic opportunities for the city. The City should cooperate with neighboring communities in this effort, as the combined resources can provide a more complete visitor experience.

City of Duvall

A challenge to attracting overnight visitors is the provision of overnight lodging. Sustaining a small commercial lodging operation (50 rooms) would require year round business with commercial travelers and groups, as well as tourists. This level of customer use is not likely to exist in the foreseeable future. However, bed and breakfast establishments can operate on a smaller seasonal scale and should be encouraged.

Table ED-7. Trip Activities by Type of Visitor

Activity	Washington Resident		Non-Resident
	Day Trip	Overnight	
Just relax, sightsee	45%	63%	52%
Visit friends or relatives	40%	57%	46%
Go to restaurant or clubs	34%	43%	37%
Visit a state park	31%	48%	38%
Shop in a small community	32%	45%	37%
Visit a national park	28%	36%	31%
Shop in a metropolitan area	24%	30%	26%
Attend fair, carnival	26%	26%	26%
Visit a zoo, aquarium	30%	19%	25%
Visit museum or historic site	18%	29%	22%
Visit a winery/micro-brewery	19%	21%	20%
Hiking	13%	30%	19%
Camping	9%	35%	18%
Wildlife Viewing	11%	23%	15%
Attend concert, artistic event	12%	17%	14%

Source: Washington State Tourism Office, Washington State Visitor Profile. March 1997.

3.2.4 Mixed Use Development Opportunities

Mixed use development is a form of development that combines uses within a project to take advantage of mutual benefits of construction efficiencies and/or mutual market support. Residential over commercial development is a common mixed use form, as is office over retail. But mixed use development can be horizontal (side by side) as well as vertical (stacked). Mixed use development has been identified in the Comprehensive

Plan as desirable for accommodating new economic development. Market and feasibility issues affect whether it is realistic for all uses and locations.

Duvall offers several examples of mixed use development. The Riverview Plaza is a two story complex with offices over retail. Another example is Copper Hill Square, a two story commercial building with 23,423 square feet of retail space and 7,341 square feet of office space, organized as a commercial condominium. Eighty-five residential condominium units are provided adjacent to the commercial units, located in 18 two story buildings with carport parking. This configuration is an example of horizontal mixed use. The Copper Hill Square condominiums were completed in 2002 and marketed during the housing boom of the mid 2000's. With the market softening after 2006, values dropped, and several of the units were foreclosed.

Economic indicators suggest that demand for multifamily residential development exists. The market response has favored two story buildings with carports, and apartment demand is currently stronger than condominium demand. The type of mixed use development that is evident in many of the more urban cities of the region is apartments over retail with underground parking, but this form of mixed use is more expensive to build and requires a higher rent or sales price.

Table ED-8 summarizes apartment market conditions in fall 2013 for King County as a whole and the Woodinville/Totem Lake submarket as defined by Dupre+Scott Apartment Advisors. The latter market is immediately west of Duvall and may be somewhat indicative of the potential apartment market in the city. As shown in the table, average rents in Woodinville/Totem Lake apartments were \$1.49 per square foot per month for all units and \$1.62 per square foot for buildings 2008 and newer. Vacancy rates were higher in the newer buildings. In comparison, rates for King County as a whole were roughly the same for all units at \$1.50 per square foot per month, but much higher at \$2.16 per square foot for buildings 2008 and newer.

Apartments in mixed use buildings with three or more floors of residential above a floor of commercial space and one or more levels of underground parking cost from \$175,000 to \$200,000 to develop and require monthly rents of \$1.70 to \$1.90 per square foot per month. This range is higher than the current average rate for new buildings in Woodinville/Totem Lake. It is also higher than potential levels of rents in Duvall for a similar product.

Based on these results, it is likely that mixed use apartments above commercial and underground parking are not feasible at this time. It would be unrealistic to require or even expect such a form of development. However, it is realistic to expect that horizontal mixed use development, such as at Copper Hill, would be feasible and is a suitable form for expanded multifamily development in Duvall.

Table ED-8. Comparative Apartment Market Conditions-Fall 2013

	All	Studio	1 Bed	2 Bd/1 Bath	2 Bd/2 Bath	3 Bd/2 Bath
Woodinville/Totem Lake						
All Years Built						
Market Vacancy	5.3%	8.3%	5.4%	3.8%	5.5%	5.0%
Actual Rent	\$1,235	\$932	\$1,084	\$1,240	\$1,473	\$1,604
Actual Rent/NRSF	\$1.49	\$1.89	\$1.58	\$1.41	\$1.45	\$1.31
Avg. NRSF	829	493	686	879	1,016	1,224
Buildings 2008 & Newer						
Market Vacancy	7.6%	n/a	7.5%	7.0%	8.1%	8.3%
Actual Rent	\$1,466	n/a	\$1,273	\$1,527	\$1,805	\$1,814
Actual Rent/NRSF	\$1.62	n/a	\$1.70	\$1.62	\$1.58	\$1.39
Avg. NRSF	905	n/a	749	943	1,142	1,305
King County						
All Years Built						
Market Vacancy	3.8%	3.6%	3.4%	3.7%	4.2%	5.3%
Actual Rent	\$1,227	\$1,013	\$1,129	\$1,160	\$1,446	\$1,536
Actual Rent/NRSF	\$1.50	\$2.13	\$1.66	\$1.33	\$1.39	\$1.23
Avg. NRSF	818	476	680	872	1,040	1,249
Buildings 2008 & Newer						
Market Vacancy	4.3%	4.1%	4.0%	4.5%	5.1%	5.5%
Actual Rent	\$1,733	\$1,264	\$1,619	\$1,895	\$2,269	\$2,316
Actual Rent/NRSF	\$2.16	\$2.45	\$2.24	\$2.18	\$1.98	\$1.62
Avg. NRSF	802	516	723	869	1,146	1,430

Source: Dupre+Scott, Apartment Vacancy Survey. 2013.

3.3 COMPETITIVE POSITION

Given the characteristics of the city described in the preceding profile, the city's competitive position can be summarized in terms of strengths, weaknesses, opportunities, and threats.

3.3.1 Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis

STRENGTHS

- Desirable residential community;
- Strong population growth;
- Attractive physical setting;
- Strong local-serving retail developments;
- Capacity for residential and commercial growth.

WEAKNESSES

- Isolated from population centers and major regional transportation routes;
- Shortage of high paying professional jobs;
- Shortage of affordable workforce housing;
- Lack of regional healthcare and cultural facilities;
- Lack of high profile tourist destinations;
- Lack of facilities that support visitors, especially lodging;
- Lower revenues to fund local public services than comparable cities, as designated by Association of Washington Cities (AWC).

OPPORTUNITIES

- Commercial support needed for residential growth;
- Commercial and residential uses can co-locate in mixed use developments with attractive pedestrian oriented settings;
- Information based primary employment can locate in somewhat remote sites;
- Rural towns are popular destinations for visitors from urban areas.

THREATS

- Other communities compete for the same employers and visitors;
- Commuters face increasing challenges related to regional travel, given congestion and cost;
- Increasingly scarce funding challenges necessary infrastructure improvements.

Goals and policies in the Economic Development Element build on the strengths, address weaknesses and threats, and pursue opportunities.

3.3.2 Fiscal Conditions

Fiscal conditions are the revenue and cost relationships for the provision of public services. A strong economy will provide a strong tax base, funding new public facilities and improvements. 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.

3.3.3 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 ED-9** presents operating revenue and expense data for the period 2007 to 2012. This period includes the years before the recent recession, the recession, and the subsequent recovery.

Table ED-9. City of Duvall Revenue and Expense Trends , General Fund and Special Revenue Funds

Resources	2007	2008	2009	2010	2011	2012
Taxes						
General Property Taxes	\$1,109,154	\$1,180,218	\$1,272,254	\$1,292,031	\$1,322,536	\$1,227,367
Retail Sales & Use Taxes	811,836	747,009	676,763	692,681	750,155	817,110
Interfund Taxes	186,974	207,779	202,424	200,373	224,796	260,479
Business Taxes	673,272	699,418	664,699	648,573	595,848	627,684
Excise Taxes	22,616	13,295	13,707	18,539	18,392	19,403
Subtotal	2,803,852	2,847,719	2,829,847	2,852,197	2,911,727	2,952,043
Licenses & Permits	239,808	246,611	190,221	246,033	462,561	452,328
Intergovernmental Revenues	859,229	845,820	875,757	919,651	875,475	846,239
Charges for Goods and Services	292,896	277,090	218,852	265,972	240,622	251,571
Fines & Penalties	12,170	3,576	1,657	606	389	55,105
Miscellaneous Revenues	214,401	188,442	117,668	117,205	86,365	108,562
Other Financing Sources	-	19,940	14,850	1,552	1,078	641
Total	\$4,422,356	\$4,429,198	\$4,248,852	\$4,403,216	\$4,578,217	\$4,666,489
Expenditures	2007	2008	2009	2010	2011	2012
General Government	\$724,534	\$723,621	\$659,437	\$609,362	\$617,994	\$776,033
Public Safety						
Law Enforcement	2,012,130	2,244,937	2,264,759	2,243,954	2,204,797	2,250,017
Fire Control	-	-	-	-	533	-

Resources	2007	2008	2009	2010	2011	2012
Detention And Correction	97,763	93,642	103,311	113,078	104,222	55,249
Emergency Services	54,912	4,618	22,296	4,096	4,181	4,727
Subtotal	2,164,805	2,343,197	2,390,366	2,361,128	2,313,733	2,309,993
Utilities And Environment	251,966	213,334	207,985	172,694	155,587	223,020
Transportation	396,667	485,488	460,061	433,208	651,940	417,995
Economic Environment	795,595	841,299	478,215	490,693	467,449	410,856
Mental & Physical Health	1,349	1,360	1,419	1,493	1,584	1,749
Culture And Recreation	332,057	292,702	256,183	241,515	224,294	248,565
Other Financing Uses/Debt Service/Capital Expenditures	587,355	242,349	17,233	143,581	1,006	39,046
Total	\$5,254,328	\$5,143,350	\$4,470,899	\$4,453,674	\$4,433,587	\$4,427,257

Source: Washington State Auditor's Office, Local Government Financial Reporting System, Property Counselors, 2014.

Figure ED-6 summarizes Duvall's revenue trends graphically. The four largest sources of revenue are general property taxes, retail sales and use tax, intergovernmental revenues (revenues shared by the state and federal governments), and business taxes (primarily taxes on utilities). Total revenues dropped during the recession, but have since passed pre-recession levels. Revenue funds have been fairly stable in Duvall, including the retail sales tax. Most communities experience highly cyclical trends. Revenue funds generally decline during economic slowdowns, as consumer spending and new construction declines.

Figure ED-6. City of Duvall General Fund and Special Revenue Funds Trends

Source: Washington State Auditor's Office, Local Government Financial Reporting System, Property Counselors, 2014.

Figure ED-7 presents operating expenditures for the same period. Expenditures exceeded revenues in 2007 and 2008 as the city drew down its fund balances. In subsequent years, expenditures dropped to levels equivalent to revenue collections. Public safety, primarily law enforcement, represents over half of total operating

expenditures. Public safety expenditures have remained constant over the period while general government expenditures have grown. During this period, Duvall provided police coverage to Carnation on a contract basis. That contract ended at the end of 2013. Expenditures to serve Carnation were approximately \$520,000 to \$550,000 per year. “Economic Environment” which includes planning and community development, declined over the period, as did “culture and recreation.”

Figure ED-7. City of Duvall General Fund and Special Revenue Funds Expenditure Trends

Source: Washington State Auditor’s Office, Local Government Financial Reporting System, Property Counselors, 2014.

3.3.4 Comparison to Similar Communities

The LGFRS data can also be used to compare Duvall to other communities. The AWC has a classification scheme for cities based on size, property value, activity, growth, and geography (western or eastern Washington). Duvall is included in AWC Residential Cluster 8, along with similar small- to medium-sized cities that have seen high growth over the 1990s with low commercial activity, and have a relatively high median household income. Duvall is classified as a “metro area residential” city based on its medium size, high property value, moderate commercial activity, and high growth. **Table ED-10** compares per capita revenues and expenditures for Duvall and AWC Residential Cluster 8 city averages. Duvall has relatively low per capita property taxes reflecting lower property values than other residential communities in the residential cluster. It has comparable retail sales and business taxes. It has high levels of intergovernmental revenues, at least partly due to the previous contract with Carnation for police services. Overall, total per capita revenues are well below levels in the other communities.

On the expenditure side, the City has total per capita expenditures equal on average to the other residential cities. However, some of those cities provide fire protection. Duvall law enforcement expenditures are much higher than the other cities. Much of this difference is due to the costs of serving Carnation under a previous contract. Culture and recreation expenditures are lower on a per capita basis.

These relationships are shown graphically in **Figures ED-8** and **ED-9** for revenues and expenditures respectively.

Table ED-10. Comparison of Per Capita Revenue and Expenses for General and Special Revenue Funds, Duvall and AWC Residential Cities 2012

Resources	Duvall (\$)	AWC Residential Cluster Averages (\$)
Taxes		
General Property Taxes	177.88	253.70
Retail Sales & Use Taxes	118.42	116.96
Interfund Taxes	37.75	8.30

Business Taxes	90.97	85.93
Excise Taxes	2.81	27.18
Other Taxes	-	0.21
Penalties & Interest On Delinquent Taxes	-	0.21
Subtotal	427.83	492.48
Licenses & Permits	65.55	45.57
Intergovernmental Revenues	122.64	66.68
Charges for Goods and Services	36.46	79.98
Fines & Penalties	7.99	12.15
Miscellaneous Revenues	15.73	24.61
Other Financing Sources	0.09	42.89
Total	676.30	764.36

Expenditures	Duvall 2012 (\$)	AWC Residential Cluster 2012 (\$)
--------------	------------------	-----------------------------------

General Government	112.47	128.39
--------------------	--------	--------

Public Safety

Law Enforcement	326.09	182.61
-----------------	--------	--------

Expenditures	Duvall 2012 (\$)	AWC Residential Cluster 2012 (\$)
--------------	------------------	-----------------------------------

Fire Control	-	64.22
--------------	---	-------

Detention And Correction	8.01	11.56
--------------------------	------	-------

Protective Inspections	-	2.22
------------------------	---	------

Emergency Services	0.69	1.73
--------------------	------	------

Amb/Rescue/Emer Aid	-	17.16
---------------------	---	-------

Comm Alarms & Dispatch	-	9.38
------------------------	---	------

Subtotal	334.78	288.88
----------	--------	--------

Utilities And Environment	32.32	23.13
Transportation	60.58	58.21
Economic Environment	59.54	49.50
Mental & Physical Health	0.25	3.29
Culture And Recreation	36.02	62.02
Other Financing Uses/Debt Service/Capital Expenditures	5.66	24.68
Total	641.63	638.10

Source: Washington State Auditor's Office, Local Government Financial Reporting System, Property Counselors, 2014; Association of Washington Cities, 2014

Figure ED-8. Comparison of Per Capita Revenues General Fund and Special Revenue Funds 2012

Source: Washington State Auditor's Office, Local Government Financial Reporting System, Property Counselors, 2014.

Figure ED-9. Comparison of Per Capita Expenditures General Fund and Special Revenue Funds 2012

Source: Washington State Auditor's Office, Local Government Financial Reporting System, Property Counselors, 2014.

3.3.5 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. However, revenue sources can be volatile, and depending on their proportion of the revenue stream, can impact the City's economic status. For example, retail sales tax is an important source of funds, but also the most volatile because of its reliance on construction sales tax on and the associated business cycle. Conversely, property taxes are a relatively consistent source of revenue but are limited by state statute to a 1 percent 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. The combination of factors affecting revenues emphasizes the importance of a mix of revenue sources.

4. References

- Association of Washington Cities (AWC). 2014. Cluster 8 Residential Communities. Olympia, WA. Available: https://www.awcnet.org/stateofthecities/soc05/profiles/2005_cluster_profile_08.htm
- Bureau of Labor Statistics. 2012. Consumer Expenditure Survey. Available: <http://www.bls.gov/cex/>.
- City of Duvall. 2016. Memorandum, *City of Duvall 2015 Capacity and Transportation Analysis Study/EIS Alternatives*. Dated January 15, 2016. <http://www.duvallwa.gov/DocumentCenter/Home/View/2687>
- Berk and Associates. 2005. *Economic Development Strategic Action Plan (EDSAP): 2006-2011*. December. Prepared for City of Duvall, Duvall, WA.
- King County Growth Management Planning Council. 2009. *Housing and Employment Growth Targets (2006-2031)*. Available: https://www.kingcounty.gov/property/permits/codes/growth/GMPC/MeetingArchive/~/_media/property/permits/documents/GMPC/2009/2009OctRptTargets.ashx
- King County Growth Management Planning Council. 2012. *Countywide Planning Policies*. December. Seattle, WA.
- King County Office of Performance, Strategy and Budget. 2014. *The King County Buildable Lands Report 2014*. July. Seattle, WA.
- Puget Sound Regional Council. 2009. *VISION 2040*. December. Seattle, WA.

Property Counselors. 2014. *City of Duvall Comprehensive Plan Update - Economic Element - Economic Profile*. April. Seattle, WA.

Puget Sound Regional Council. 2014. *Land Use Targets Workbook*. April. Seattle, WA.

U.S. Census Bureau. 2010. Census 2010 General Demographic Characteristics (Population, Age, Sex, Race, Households, and Housing Information) from American Fact Finder. Washington, D.C. Available:
http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml.

Washington State OFM (Office of Financial Management). 2012. *Washington State Growth Management Population Projections for Counties: 2010-2040, 2012 Medium Series Projections*. Available:
<http://www.ofm.wa.gov/pop/gma/projections12/projections12.asp>.