

# CHAPTER 4

## ECONOMIC DEVELOPMENT ELEMENT

### **Introduction**

In accordance with RCW 36.70A.070(7), the Town of La Conner has added an Economic Development Element to the Comprehensive Plan. La Conner is a noted tourist attraction, drawing visitors from around the U.S. and Canada. The Town's unique waterfront environment, vibrant arts and cultural community, and historical authenticity are important attributes that make La Conner a destination for visitors throughout the year. The Port of Skagit County has also built a strong marine related industrial base.

### **GOALS AND POLICIES**

#### **GOAL A**

*Promote a stable and diversified economy offering a wide variety of services and employment opportunities to the citizens of La Conner.*

#### **Policies**

- 4A-1 Encourage business investments that provide economic and employment opportunities to meet the employment needs of La Conner residents and those residing in nearby areas.
- 4A-2 Accommodate home-based businesses that are consistent with the character of adjoining properties and neighborhoods.
- 4A-3 Promote a collaborative, interdependent local economy.
- 4A-4 Encourage diversity in the range of goods and services to meet local and regional needs, including those of the traveling public.
- 4A-5 Continue to coordinate with and seek economic development assistance from the Economic Development Association of Skagit County (EDASC), Washington State Department of Commerce (COMM), La Conner Chamber of Commerce and other entities in the economic development area.

- 4A-6 Give special attention and a clear preference to identifying and promoting economic activities that are based on our area's economic traditions, including maritime and water related, agriculture, outdoor recreation and art.

**GOAL B**

*Achieve a balance between commercial and industrial interests to avoid over-concentration in one particular segment of the economy.*

**Policies**

- 4B-1 Expand and recruit additional commercial services that primarily serve the needs of the residents of the Town and surrounding areas.
- 4B-2 Encourage light industrial uses within designated zones.
- 4B-3 Encourage a diversity of uses within the industrial zone, with an emphasis on emerging technology based enterprises, as well as traditional industrial uses that have always been associated with La Conner.
- 4B-4 Encourage adaptive reuse of existing structures.
- 4B-5 Identify development impacts and appropriate mitigation measures.

**GOAL C**

*Encourage economic development that conserves natural resources and open space, protects environmental quality, and enhances our community's quality of life.*

**Policies**

- 4C-1 Buffering by means of landscaping, or by maintaining recreation and open space corridors should be done between incompatible adjacent uses, including commercial and industrial uses.
- 4C-2 Provide a townwide strategy to address weather and climatic impacts that would adversely impact residents and businesses of the Town.
- 4C-3 Ensure that business physically located within 200 feet of the shoreline are providing adequate public access in accordance with La Conner's Shoreline Master Program.

- 4C-4 Develop incentives for new commercial buildings to incorporate open public green space, renewable energy measures, and other climate related measures.

#### **GOAL D**

*Promote economic activities that increase the number of living wage or family wage jobs in La Conner and help to diversify the economy.*

##### **Policies**

- 4D-1 Encourage diverse job options for persons interested in full-time and part-time employment.
- 4D-2 Encourage diverse entrepreneurial opportunities for persons desiring to own their own business.
- 4D-3 Facilitate the retention and expansion of existing local business and start-up of new businesses, particularly those providing family-wage job opportunities.
- 4D-4 Ensure that industrial and commercial zones are sufficient to ensure substantial diversity in local economic activity.
- 4D-5 Encourage office uses within industrial and commercial zones.
- 4D-6 Encourage economic development that creates a net positive fiscal impact for the local community through analysis of all direct and indirect costs and benefits to the community, including consideration of public capital investment.
- 4D-7 Encourage collaboration with the ArtsWA, La Conner Chamber of Commerce, the La Conner Arts Commission, and other local groups to develop marketing techniques to enhance traffic to local businesses, including applying for state designations such as becoming a Creative District.

#### **GOAL E**

*Support La Conner as a visitor destination by preserving and enhancing the unique qualities of our community.*

##### **Policies**

- 4E-1 Preserve and enhance activities that rely on the area's traditional enterprises of maritime, agriculture, outdoor recreation and art.
- 4E-2 Support efforts to develop, refurbish, and maintain scenic open space.

- 4E-3 Support cultural and heritage resources that are attractive to both local residents and visitors.
- 4E-4 Support community and private efforts to improve visitor services.
- 4E-5 Encourage siting of visitor services at locations that can be served with the necessary public infrastructure and that are compatible with neighboring uses.

**GOAL F**

*Attract a diversified base of light industry consistent with local quality of life and environmental values.*

**Policies**

- 4F-1 Encourage value-added resource based products, particularly with agriculture, fisheries and marine activities.
- 4F-2 Encourage low cost, easily accessible, state-of-the-art telecommunications infrastructure in order to attract and maintain businesses relying on these facilities and to provide these services to residents.
- 4F-3 Encourage business recruitment and development of firms, which will diversify the local economy.
- 4F-4 Maintain sufficient industrial land to accommodate a mix of business, light industry that is consistent with market requirements, and other opportunities.

## **ECONOMIC TRENDS**

### **Commercial:**

This zone includes land used for retail and wholesale trade, offices, hotels, restaurants, service outlets, ~~gas stations~~, and repair facilities. Morris Street and First Street are the Town's high-density commercial areas. The Skagit Port facilities have a medium level of commercial density. Maple Avenue has some existing non-conforming commercial uses in the residential area.

Total Commercial Use: 54 acres (21% of total 255 acre land area).

Heavy Commercial Use: The historic central business district on First Street consists of approximately 3.5 acres along the Swinomish Channel. This area contains mixed use residential as a conditional use, retail sales establishments, restaurants, art galleries, a museum, and a post office. Morris Street consists primarily of retail shops, a grocery store, and restaurants; mixed with residential use; and service businesses.

Neighborhood Commercial Use: Approximately 3.4 acres are used for businesses along Maple Avenue. This does not take into account home-based businesses.

Economic Trends: Sales and Use Receipts in 2024 totaled \$652,828. Sales and Use receipts increased sharply between 2013 and 2015 as the region came out of the economic downturn that impacted the entire country. From 2016 to 2020, Sales and Use experienced decline, and officials were unable to determine if this was a trend, or a correction. In 2020, the county went into lockdown due to COVID-19, which resulted in the lowest Sales and Use receipts in over a decade. However, Sales and Use tax receipts rose by over 43% in 2021, and has not experienced a significant decline since then, although between the years of 2021 and 2024, Sales and Use receipts varied slightly. Similarly, the Hotel Motel revenues experienced a dip in 2020, which is attributed to COVID-19, but has been increasing during the same period. Appendix 4-A includes tables showing historic revenues from both Sales and Use and Hotel Motel.

Market Area: The Town draws some retail business from local residents and small neighboring towns, but the majority of retail income is generated by visitors from larger metropolitan areas, such as Seattle and Vancouver, B.C. La Conner is a noted tourist attraction, drawing visitors from around the U.S. and Canada throughout the year.

Potential Future Port Commercial: La Conner is currently working with the Port of Skagit to develop "port commercial" zoning that will allow the Port of Skagit to engage in more flexible economic activities, including developing live/work buildings, and workforce housing.

**Commercial-Transition Sub-Area Plan:** La Conner has developed a sub-area plan for the Commercial-Transition zone that abuts South First Street and serves as a transition space between residential and commercial space in La Conner. The sub-area plan is part of the Land Use Element of the Comprehensive Plan. Key elements include avoiding competition with the existing downtown nexus, creating additional community gathering, green, and open space, along with supporting affordable housing and incorporating climate change provisions.

**Industrial/Port Industrial:**

This category includes land used for light manufacturing, processing, and warehousing, as well as port activities. There is no heavy industry in La Conner.

**Total Industrial Land Use:** In south La Conner, the industrial environment is that shoreline area bounded on the west by the OHWM of the channel, on the south by the Town's southern boundary, on the north by the south side of Sherman Avenue and on the east to a point 200 feet landward of the OHWM of the Swinomish Channel.

**Total Port Industrial Land Use:** In the north end of town, from the north side of South Pearle Jensen Way north to the northernmost town boundary, and between the OHWM of the Swinomish Channel (including the OHWM of the north and south basins of the Port of Skagit County) on the west and a line 200 feet landward.

**Economic Trends:** Over the past 20 years the number of businesses in the industrial sector has changed very little. Development has been slow and limited by the availability of land. Consistent with the adopted Shoreline Management Program the industrial areas are intended to:

- Provide for the reasonable accommodation of fishing and boating related industrial activities focused in areas that are removed from the retail, residential, and historic portions of the Town's shorelands.
- Ensure that development, redevelopment and operations of uses in the industrial environment employ best practices to avoid or mitigate any adverse impacts on the ecological functions and values of the Town's marine shoreline.

The Port Industrial zone was added in 2023 to better provide areas for marine manufacturing and maritime services that require facilities and/or waterfront access available to port properties, with the goal to support a strong maritime economy.

A major loss of industrial employment in the south end of town was experienced in 1992 with the closure of Moore-Clark, a fish food processing plant with approximately 33 employees.

The Skagit County Port facilities currently have 15 businesses within the Port facilities.

Market Area: The market for industrial products is regional and worldwide, and is not dependent on the local population. Access to materials, transportation, markets, and suitable labor are the most important determinants of industrial location. La Conner is located 11 miles from the nearest interstate highway and four miles from a main arterial. The majority of the Industrial Zone lies within the La Conner Shoreline area. The Shoreline Management Act reduces the ability of the Town to attract non-marine industry to the area bordering the waterfront. New rules provided by WAC 173-16 offer prospects for water-enjoyment types of development.

## **Analysis of Economic Conditions**

### **Overall Economic Conditions**

Employment Trends by Industry: The Town has shifted away from a natural resource base (farming, fishing and forest products) economy towards retail, service industries, and light manufacturing.

Unemployment Rate: The 2000 unemployment rate was 1.9% for the Town of La Conner. By 2010 the rate had increased to 2.8% and grew to a high of 6.2% in 2014 during the economic downturn. The following chart shows the percentage unemployment rate as per the American Community Survey associated with that year for La Conner and Skagit County.

Year	La Conner Unemployment Rate - ACS	Skagit County Unemployment Rate - ACS
2016	3.6%	7.2%
2017	3.7%	6.4%
2018	2.0%	5.8%
2019	1.1%	5.5%
2020*	1.1%	5.1%
2021	0.6%	4.8%
2022	0.4%	5.1%
2023	0.7%	4.9%

Regional Employment Conditions: In 1999 Skagit County's unemployment rate fell to a historical low of 6.3% and remained relatively consistent rising to 6.4 by 2010. The economic downturn impacted Skagit County more significantly than the Town of La Conner with the County rate topping out at 9.8% in 2013. The 2016 rate for the County had fallen to 7.2%. Please see above for a comparison between La Conner and Skagit County unemployment. The county's economic base includes agriculture and food processing, marine-related industries such as fishing, fish processing, and boat building and repair, lumber and wood products, oil refining, and tourism. The county's location on Interstate 5 and proximity to the rapidly growing Seattle-Everett area should continue to be attractive to commuters and new development.



## **Economic Strengths and Weaknesses**

### **Strengths:**

1. Increasing hotel/motel receipts.
2. An attraction for visitors from throughout the Northwest, due to La Conner's unique waterfront environment, historical authenticity, and its variety of interesting shops and restaurants.
3. The many museums and galleries provide a rich cultural environment.
4. The smaller size and scale of the existing businesses and absence of Big Box stores and strip malls promotes a small town charm that visitors are expecting from the Town.
5. The Town's lack of traffic congestion makes it an attractive destination for tourists and neighboring towns.
5. The Town has promoted and encourages a pedestrian friendly orientation.
6. The Waterfront/Boardwalk is an important asset for the town.
7. The Town's designation on the National Register of Historic Places adds to its desirability as a tourist destination.
8. A wide range of educational opportunities are available that are both affordable and attuned to the needs of the area.

### **Weaknesses:**

1. Poor usage of the existing parking facilities and on-going controversy regarding quantity and availability of parking while available parking areas are underutilized.
2. Distance from major highway interchanges for shipping and transit inhibits attraction of more industrial businesses.
3. Town revenue dependence on tourism as the economic base for the Town.
4. Employees of La Conner businesses generally live outside of town limits.
5. Lack of infrastructure to host larger groups (corporate retreats) limits the Town's ability to fully realize its potential as a destination.
6. On line shopping is threatening brick and mortar businesses. The Town's reliance on small locally owned specialty shops is particularly vulnerable to this trend.
7. The Town's aging population makes it difficult to accommodate a robust workforce and tends to increase the cost of living for all residents.

### **Economic Activities Expected to Increase**

Commercial: Over the last 20 years La Conner has become a "destination town" known for its unique shops, waterfront ambience, and small town charm. The

Town's close proximity to the Swinomish Indian Reservation and the historic district also draw visitors from around the U.S. and Canada. Sales and Use Tax receipts along with Hotel/Motel tax receipts are expected to continue to increase, or remain the same in line with current trends.

Industrial/Port Industrial: The Port of Skagit County La Conner Marina has developed water-dependent light-industrial businesses in the north industrial area. As mentioned above, the Port has been successful in attracting several marine industries to La Conner, such as Pacific Mariner, TOMCO Marine Group, Maritime Fabrications, and ~~sixteen~~ other related or support industrial and commercial enterprises. While manufacturing has declined as a percentage of the total economy, there has been modest growth of industrial manufacturing capacity in Skagit County.

Public Sector: With the exception of La Conner School District employment, very little change is expected in employment opportunities in this sector over the next 20 years.

### **Economic Activities in Decline**

Industry: The Town experienced a decline in light industry and manufacturing in its south industrial area. One of the largest employers, Moore-Clark, shut down in 1992 resulting in the loss of medium to high wage jobs. This in turn generated a negative multiplier effect on local service industries, and resulted in a net loss of retail sales tax receipts to the Town from products that Moore-Clark formerly sold at retail. The south end industrial area has had difficulty attracting marine related industry. In the north end, the Skagit County Port properties have successfully attracted marine related industries in recent years, which have helped the Town recover from the Moore-Clark losses. The Town is off the main transportation corridor, 11 miles from the nearest freeway. In addition, more convenient and less expensive manufacturing facilities are available in areas closer to Interstate 5.

## APPENDIX 4-A

### DATA AND ANALYSIS

#### **Active La Conner Business License Data<sup>1</sup>**

Type	Number	Description
La Conner General Business	119	Business licenses for business within Town limits. This includes sales, professional businesses, food establishments, industrial activities, and all other mercantile activities excluding renting rooms for rent, within the Commercial and Industrial zones of La Conner.
La Conner Non-Resident	575	All business and individuals located outside of Town limits that engage in sales or services within the Town limits of La Conner.
La Conner Rental	11	Business or individuals that rent out rooms to other for sleeping or short-term rental purposes. This includes inns, hotels, motels, and B&Bs.
La Conner Home Occupation	13	Business or individuals that run a business out of a dwelling unit that they own, or rent but have obtained the owners permission to run the business, in a Residential area of La Conner, or within a dwelling unit that was previously zoned for residential use within the Commercial zone.
Total Active Business Licenses	718	

<sup>1</sup> As of January 16, 2025

Sales and Use Tax Revenues

<b>Sales &amp; Use Tax Revenues</b>		
<b>Year</b>	<b>Revenue</b>	<b>Delta</b>
1995	\$303,660	
1996	\$317,912	4.7%
1997	\$317,977	0.0%
1998	\$352,904	11.0%
1999	\$375,191	6.3%
2000	\$371,959	-0.9%
2001	\$326,839	-12.1%
2002	\$347,563	6.3%
2003	\$357,497	2.9%
2004	\$379,173	6.1%
2005	\$429,177	13.2%
2006	\$445,588	3.8%
2007	\$424,421	-4.8%
2008	\$421,146	-0.8%
2009	\$368,054	-12.6%
2010	\$353,893	-3.8%
2011	\$359,267	1.5%
2012	\$371,322	3.4%
2013	\$411,348	10.8%
2014	\$478,017	16.2%
2015	\$557,170	16.6%
2016	\$480,461	-13.8%
2017	\$460,868	-4.1%
2018	\$496,882	7.8%
2019	\$486,559	-2.1%
2020*	\$439,566	-9.7%
2021	\$630,832	43.5%
2022	\$677,922	7.5%
2023	\$630,453	-7.0%
2024	\$652,828	3.5%

\*Indicates the year COVID-19 caused a local and nation-wide shut down.

<b>Hotel &amp; Motel Tax Revenues</b>		
<b>Year</b>	<b>Revenue</b>	<b>Delta</b>
1995	\$47,640	
1996	\$50,111	5.2%
1997	\$95,189	90.0%
1998	\$105,334	10.7%
1999	\$100,571	-4.5%
2000	\$118,016	17.3%
2001	\$102,031	-13.5%
2002	\$96,643	-5.3%
2003	\$93,797	-2.9%
2004	\$116,993	24.7%
2005	\$118,950	1.7%
2006	\$122,054	2.6%
2007	\$128,551	5.3%
2008	\$133,692	4.0%
2009	\$108,284	-19.0%
2010	\$145,758	34.6%
2011	\$144,536	-0.8%
2012	\$122,787	-15.0%
2013	\$136,002	10.8%
2014	\$126,351	-7.1%
2015	\$130,025	2.9%
2016	\$139,215	7.1%
2017	\$150,416	8.0%
2018	\$151,519	0.7%
2019	\$149,561	-1.3%
2020*	\$102,779	-31.3%
2021	\$175,000	70.0%
2022	\$196,404	12.0%
2023	\$195,784	-0.3%
2024	\$200,676	2.0%

\*Indicates the year COVID-19 caused a local and nation-wide shut down.