

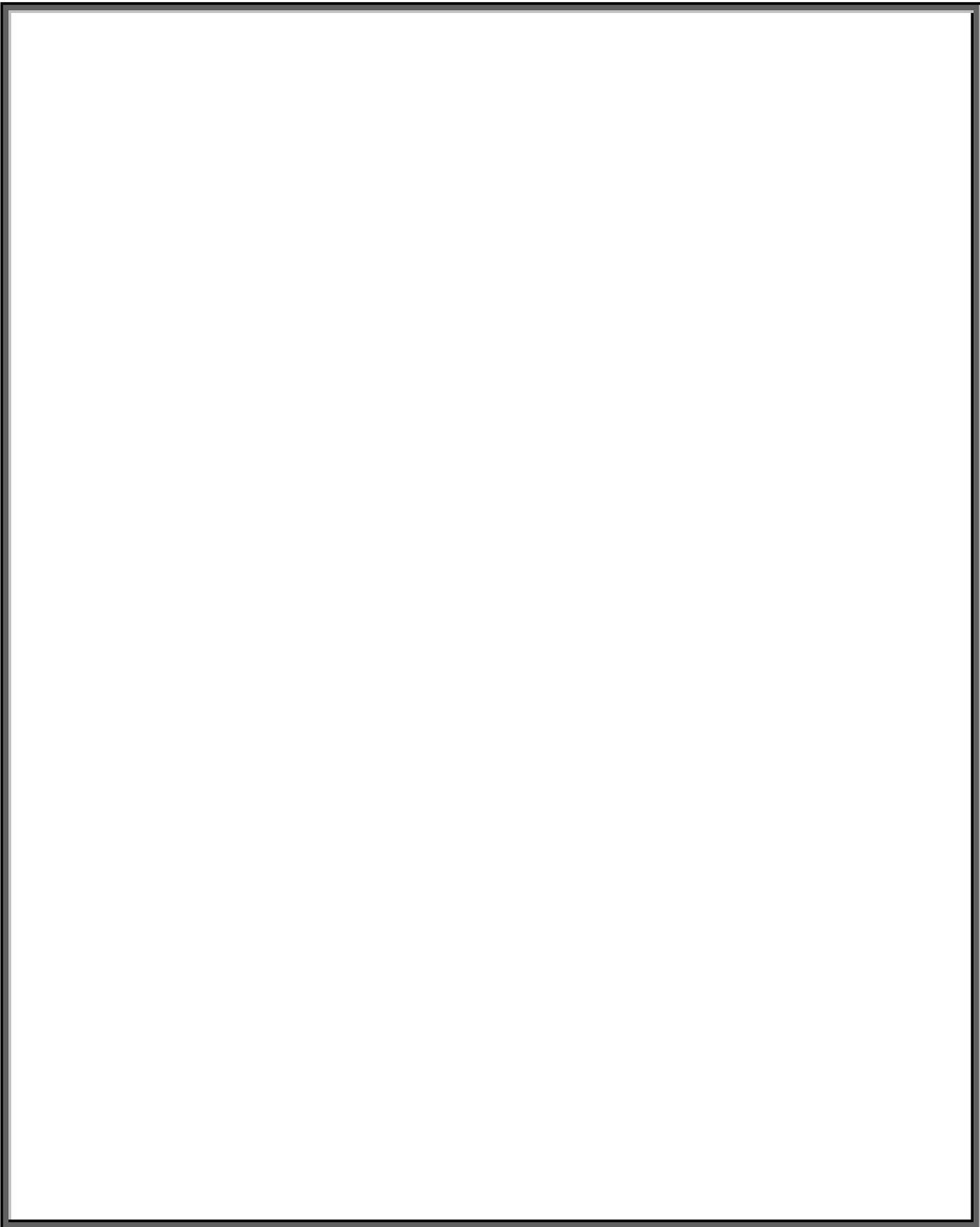
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COMPREHENSIVE PLAN

SECTION B, ELEMENT 10

Economic Development Element

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ELEMENT 10

ECONOMIC DEVELOPMENT ELEMENT

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10.1 INTRODUCTION

10.1.A Overview

San Juan County's share of the global *natural capital* is a rich, temperate and increasingly unique niche consisting of its geology, soils, air, water, and all living organisms. Its internal workings are of a complexity not well understood, supporting both agricultural and marine productivity. Its aesthetics, novelty of experience and opportunity for knowledge and contemplation, enhance domestic tranquility and the public peace.

These non-monetary benefits, more fundamental than money itself, also attract visitors, seasonal residents and investors who enhance the monetary economy. Preservation of the county's natural capital as a public good maximizes its availability for continuing commodification in support of the county's monetary economy, as well as preserves a high standard of living coupled with a rural quality of life.

The county's economy is measured in direct proportion to its aggregate monetary magnitude. The public recognizes that *priority* of this valuation inexorably diminishes natural capital and the rural quality of life that holds its inhabitants and draws visitors from near and far. That said, a high quality of life cannot be maintained without a vibrant and growing economy. Accordingly, this EDE is the product of the public's effort to develop and support such an economy in balance with the county's natural capital and its consequent rural character that only when in balance, provide the county's increasingly rare high quality of life.

For purposes of this Economic Development Element of the San Juan County Comprehensive Plan ("EDE"), the term "rural character" refers to the aesthetic and social experience of life in a primarily agricultural region interspersed with forest and uncultivated lands, qualified by reliance on a high and rising educational and technological infrastructure, and consequent standard of living. It is understood that inasmuch as the population of the county is rising and expected to continue to rise, preservation of rural character will inevitably require preservation of this aesthetic experience by some concentrations of population. This in turn may alter the social experience the quality of which will depend upon achieving the goals of the comprehensive plan as a whole.

10.1.A Overarching Goals

To maintain its share of natural capital and develop its human assets while achieving and enhancing a balanced county economy, four interrelated goals for this Economic Development Element (EDE) of the county's comprehensive plan have been identified. They are expanded upon in section 10.3.B.

Goal 1: CREATE LIVING WAGE JOBS: Establish and maintain a sound, stable, year-round, and locally-based diversified economy that creates living wage jobs in community and environmentally friendly industries consistent with rural character.

Goal 2: DEVELOP A BROADLY COMPETENT WORK FORCE: Train an indigenous work force to perform work otherwise done by imported labor and skills.

Goal 3: IMPROVE INFRASTRUCTURE AND COMMUNITY ASSETS AND SERVICES: Improve and maintain infrastructure such as but not limited to community assets, ferry service, and telecommunications infrastructure consistent with rural character.

Goal 4: ENHANCE ECONOMIC RESILIENCE: Enhance economic resilience in the face of climate, population density and external economic uncertainties.

10.2 AUTHORITY, PURPOSE and OTHER ELEMENTS

10.2.A Authority

This EDE is adopted pursuant to RCW 36.70A.070 (7) of the Washington Growth Management Act (GMA) which mandates that the county's comprehensive plan include: "[a]n economic development element establishing local goals, policies, objectives, and provisions for economic growth and vitality and a high quality of life." This is subject to an overarching instruction preceding this mandate relating specifically to the economic element: "Encourage economic development throughout the state that is consistent with adopted comprehensive plans, promote economic opportunity for all citizens of this state, especially for unemployed and for disadvantaged persons, and encourage growth in areas experiencing insufficient economic growth, all within the capacities of the state's natural resources, public services, and public facilities." RCW 36.70A.020(5). For

purposes of this EDE, this language regarding biological resources is interpreted to include and encourage only those activities or industries whose impact on those resources does not impair their sustainability.

10.2.B Purpose

The purpose of this EDE is to execute the legislative mandate set forth above by setting goals and establishing policies, objectives and actions to attain economic growth and vitality consistent with the distinctive quality of life in the county.

Economic development is the specific and concerted expenditure of time and money by communities and policy makers in order to create and maintain the economic viability of a region. Sound economic development seeks to foster sustainable wealth by creating jobs and infrastructure that sustain and enhance the quality of the workforce without net cost to the county's natural capital.

Proactive economic development seeks out business development opportunities based on an area's competitive advantages, market characteristics, and community values. Smart economic development recognizes that prosperity both depends upon and is coupled with benign reliance on the county's natural capital supporting its quality of life. In turn, sustaining the current structure, nature, and diversity of the county community will depend on maintaining and nurturing a successful economy.

Economic resilience is essential to the wellbeing of county residents. Its elements are: diversification of industries (particularly those less reliant on fluctuations in the local, regional and national economy); planning for foreseeable changes in the local and national economy, in population, in technology, and in the environment: and readiness for likely disasters. Economic resilience supports social resilience and the public peace. Economic resilience expressly includes provision for low-income housing for "unemployed and low income persons" as mandated by RCW 36.70A.020(5).

The economy of the San Juan Islands is inextricably linked to its environment. The county's economic plans are driven by county residents' goals for the future of the community itself as set forth in the Vision Statement of this comprehensive plan (<https://www.sanjuanco.com/1306/Comprehensive-Plan-Elements>).

10.2.C Relationship to Other Comprehensive Plan Elements

This EDE is intended to integrate with and govern the economic aspects of the other elements of this Comprehensive Plan. In addition, this EDE also provides a stand-alone action plan that recognizes that economic development affects the entire county including its marine areas, and that implementation responsibilities may be shared among the Town of Friday Harbor, San Juan County, and many other quasi- (e.g. ports, OPALCO) and non-governmental (e.g. private sector, non-profit) partners, while recognizing that the comprehensive plan's legal mandate is upon the county alone.

10.3 ECONOMIC VISION, FRAMEWORK & GOALS

10.3.A Economic Vision & Framework

Economic Vision

Strategic economic development provides a crucial mechanism for maintaining and enhancing community vitality and prosperity for the long-term, consistent with the community ethos (defined as the guiding beliefs and cultural and spirit within a community) embodied in the Vision Statement of the comprehensive plan (*ibid*). Initiatives to strengthen infrastructure, training programs, transportation, and communications networks benefit business, as well as resident and visitor populations. Efforts to create more high-quality employment opportunities are not only about creating jobs but also about enhancing a rich social network of healthy families and active community members.

Economic development must also sustain and strengthen the county's natural assets. These assets do not vote but do provide, without charge, significant environmental benefits and services that residents, visitors, and businesses depend upon. These components of the county economy require continuous balancing of the interests involved as conditions – natural, man-made and in combination – change over time. The comprehensive plan of which this EDE is a part looks only twenty years ahead. Planning with respect to natural

capital requires a far longer planning horizon than monetary economics. The failure to plan and regulate the use of the county's natural capital may take many generations to repair, while extinctions are irreparable with as-yet unknown future consequences.

Economic Development Framework

The county seeks to retain and enhance an economy that reinforces the county's diverse character and allows both capitalization on and conservation of its assets, including: pristine natural beauty, history and heritage, and the high educational attainment, diverse skills, cultural creativity, can-do attitude and problem-solving skills of its residents. The county seeks to maintain or encourage sustainability, the county's rural quality and natural resources, and its historical agricultural and maritime industries.

The goals and actions proposed below are founded in a core set of assumptions, as follows:

1. Most county residents would see economic growth as a controllable means for maintaining economic vitality and a high quality of life, while preserving what is dear: the rural character and natural characteristics of their county. All elements of the environment and the best qualities of the economy must be nurtured because together, they determine the quality of life. Quality of life is defined as the general wellbeing of individuals and communities, particularly in ecology, inclusiveness of economic opportunity, health and welfare, openness and civility of political society, and breadth and depth of culture.
2. The purpose of this EDE is to guide regulatory policy, decision-making, and private and government investment. Therefore, proposed strategies should be designed with the county, the Town of Friday Harbor, the ports, potential business investors, proposed urban growth areas and hamlets as the principal audience. Implementation of this EDE will entail participation by many entities and private sector partners in addition to the various municipal jurisdictions, all in a manner intended to benefit the people of the county.
3. Proposed economic development strategies must be based on island realities and be designed holistically, with a view to keeping an island-scale economy and the preservation and enhancement of each

island’s quality of life, rural character, and precious natural resources. In adopting policies consistent with these strategies, emphasis should be placed on the most promising, wage-generating, and locally appropriate economic emphasis areas consistent with the ethos embodied in the Vision Statement (*ibid*) and consistent with the character of the respective islands.

4. The San Juan County Council recognizes the limits of its authority to direct economic development, and further recognizes that economic development is ultimately determined by the tolerance for risk on the part of those with access to capital sufficient to start and maintain a business, however small. This EDE confirms the county’s government’s intention to cooperate with all toward developing an economy consistent with the Vision Statement.

10.3.B Economic Goals, Policies & Actions

The following goals, policies and their execution by the actions set forth below are intended to be consistent with the Vision Statement:

GOAL 1: CREATE LIVING WAGE JOBS

Goal: A sound, stable, year-round, and locally-based diversified economy that creates living-wage jobs in community and environmentally-friendly industries consistent with rural character.

Comment: Living-wage jobs may also include trades businesses that serve residents, or high tech, engineering, scientific, or “knowledge work”¹ that brings in income from outside the County. However, this goal is not intended to diminish any existing business, enterprise, or trade. This category also includes the self-employed and the home, office or shop that may or may not have additional employees, and to that extent, this goal overlaps with GOAL 2, “DEVELOP A BROADLY COMPETENT RESIDENT WORK FORCE,” below.

¹ “Knowledge work” includes jobs (programming, writing, editing, scientific consulting, and many others) that can be done remotely because they do not involve making a physical product or require in-person contact.

A living wage is defined as net income that can meet a worker’s basic needs to maintain a safe, healthy and decent standard of full-time living within the community, as defined by *livingwage.mit.edu*.

- Policy A: Consider how changes in regulatory, permitting and zoning affect businesses and natural resources, maximizing business opportunities while conserving natural capital.
- Policy B: Seek to create an environment conducive to long-term job growth that encourages the creation of new businesses and retention and expansion of existing businesses within a framework that preserves the natural assets and rural character of the county.
- Policy C: Encourage locally-focused retention and expansion of the county’s business and employment base rather than seeking mainland or nationally-franchised businesses to (1) emphasize the county’s distinctive economy and lifestyle that attract visitors and hold its inhabitants, and (2) to avoid the “leakage” that occurs when profits and royalties are paid to out-of-county businesses and franchisors.
- Policy D: Encourage diversified and sustainable practices in the tourism and construction industries to mitigate effects that these industries may have on the natural assets that they, other industries, and residents depend upon.
- Policy E: Encourage workforce development to enhance the capacity of county inhabitants to attract and meet the needs of clients wherever located.
- Policy F: Address the local insufficiency of long-term healthcare to meet the needs of the increasingly large percentage of elderly among the population, resulting in an economy that fails to involve a growing segment of the county population, and so evicts from the county both the infirm and the attendant jobs.

Actions:

- Action A: Work with all three county ports, the Washington State Department of Commerce, Department of Ecology, and other entities to help support the development of underutilized and abandoned commercial properties.

- Action B: Increase the county's commercial goodwill by expanding local and regional markets through promotion of local branding such as through the *Island Grown* Program and supporting initiatives such as the San Juan Islands Made program that support distinctive local manufacturing and cottage/craft industries.
- Action C: Assist new farmers in acquiring access to agricultural land and encourage their success by supportive commissions.
- Action D: Inventory the county's total permanent and seasonal, resident and visitor carrying capacity of natural resources, consistent with their preservation. [For example, but not in limitation: make an inventory of the county's water supply and measure its carrying capacity in the face of population increases (including those resulting from climate change, emergency use or civil unrest)]. Using data from the inventory of each natural resource, enact a regulatory scheme for response and mitigation should those limits become or threaten to become immediately exceeded thereby impairing the public health, welfare and the public peace.
- Action E: Work to streamline the permitting process to make it easier and less expensive for businesses and contractors to plan and execute projects.
- Action F: Identify & implement policies that expand genetically modified organism (GMO)-free seed and crop production and promote those efforts to distinguish the county's historical agricultural character and create a market for its agricultural products.
- Action G: Support job skills training, training facilities, and mentoring and educational support to residents to strengthen and attract new industries and entrepreneurs that produce tangible goods, such as light manufacturing, marine transportation and resource industries, agriculture, trades and others by supporting education and training for the trade skills including licensing necessary toward that end.
- Action H: Support initiatives such as Launch San Juan Islands and Startup Washington, that support and encourage startup entrepreneurship.

- Action I: Enact feasible tax breaks, and code and zoning allowances to encourage light manufacturing in appropriate locations, cottage industries, software/online/remote businesses, and freelancing.
- Action J: Recruit entrepreneurs including remote workers.²
- Action K: Work to develop “encore entrepreneurs” – helping retired island entrepreneurs to create new businesses that would result in broader hiring and on-the-job training.
- Action L: Encourage and financially support tech and trades education in San Juan County schools and colleges.
- Action M: Map gaps in small businesses’ needs in order to create new jobs (e.g., do businesses collectively need more bookkeepers?).
- Action N: Work with Skagit Valley College, the Workforce Council, and San Juan County New Economy Fund and other organizations to improve workforce training opportunities.
- Action O: Work with the San Juan County Economic Development Council, the San Juan Islands New Economy Fund and other entities to improve the health of existing small businesses, including for example, creation of a resource center for small businesses.
- Action P: Enact a regulatory scheme to encourage individuals to start small-scale, low-impact business activities, including freelancing/consulting, small-scale farming/market stands, cottage manufacturing, food trucks, etc.
- Action Q: Permit more sustainable and environmentally friendly construction methods than standard or minimally required construction methods in order to both mitigate effects of construction on natural assets and encourage innovations that could be exported from the county.
- Action R: Enact zoning or regulatory changes that reduce the loss of contiguous stretches of agricultural, timber and undeveloped preservation land to single family housing and vacation homes.

² While attraction of outside entrepreneurs and skilled labor is necessary, this action must be matched by additional affordable housing for existing low and middle-income residents who will otherwise be priced out of the market for shelter. This EDE is expressly intended to prioritize the welfare and quality of life of county residents and natural assets over monetary increase in the county economy for its own sake.

- Action S: Implement those zoning and regulatory changes that would benefit both individual quality of life and the natural environment consistent and balanced with the economy envisioned in this EDE.
- Action T: Implement loan and grant programs or tax incentives for new business creation or existing business expansion when business creation/expansion is done in a manner that preserves and protects both natural assets and rural character.
- Action U: Cooperate with all three county ports, the Washington State Department of Commerce, Department of Ecology, and other entities to help support the development of underutilized and abandoned commercial properties.
- Action V: Develop and/or financially support programs to enhance cooperation, information sharing, and peer mentoring among local knowledge workers, corporations, and freelancers.
- Action W: Alone, or in cooperation with the Town of Friday Harbor or any other entity, study and execute a plan to enable the financially feasible development of one or more long-term healthcare facilities.
- Action X: Invest in the balanced long-term health of the primary economic sectors – construction, real estate and tourism consistent with preservation of natural capital and rural character of the locale involved.

GOAL 2: DEVELOP A BROADLY COMPETENT RESIDENT WORK FORCE

Goal: A versatile, educated and trained indigenous workforce which performs work and services currently done by imported talent. This workforce would be also ready to supplement and ultimately replace an aging talent pool, resulting in a local workforce sufficiently broad and deep to meet local needs and attract and hold industries and businesses within the county in harmony with the county’s natural resources.

Comment: This goal is a necessary counterpart to Goal 1, “CREATE LIVING WAGE JOBS,” above, as out-of-county labor causes “leakage” of local dollars. An untrained, unemployed/underemployed local population reduces economic productivity and drains public resources.

Policies:

- Policy A: In all industries, local workers need to continually hone their skills to adapt to changes in the economy, climate, natural resources, and technology; therefore, support the education, training and counseling of county residents to expand their professional opportunities, emphasizing those areas of trade or practice currently served by imported talent.
- Policy B: Support the education, training and counseling of county residents toward internships in existing high wage local trades to supplement and replace an aging talent pool.
- Policy C: Support the study and analysis of areas of economic activity to target specific activities or employers the initiation or expansion of whose activities would be environmentally benign and economically beneficial to the community.
- Policy D: Support the training of county residents in those areas of high wage trade or practice in areas of economic activity targeted for initiation or expansion within the county.
- Policy E: Develop and sustain an infrastructure that enables low- and middle-income people to work and reside within the county [and see Goal 3: IMPROVE INFRASTRUCTURE AND COMMUNITY ASSETS & SERVICES].

Actions:

- Action A: Provide financial support for the education, training and counseling of county residents.
- Action B: Enact zoning or regulatory changes that reduce the loss of contiguous stretches of agricultural and undeveloped land to single family housing and vacation homes, while encouraging construction of multi-unit housing in zones created to preserve open space, forests and agricultural lands elsewhere.
- Action C: Support efforts of the San Juan County Health Department to encourage a healthy workforce through workforce wellness programs, community vaccination outreach, walkable spaces projects, and other programs.
- Action D: Whenever feasible, hire county residents at apprentice or trainee level to establish a pool to replace resigning or retiring members of the county work force.

- Action E: Whenever feasible, issue contracts providing for or permitting apprentice or trainee participation on the work contracted for.
- Action F: Seek approval from the appropriate union to authorize local apprenticeships in needed trades, and encourage local sponsorships toward that end.
- Action G: Seek necessary funding to supplement wages below state-mandated minimum wage in cases where a contractor is contributing training to nonunion apprentices or trainees whose room and board are otherwise provided for.
- Action H: Fund or implement workforce development initiatives in natural resource industries (agriculture, aquaculture, silviculture, pasturing, sustainable forestry, and others); trades (construction, marine tech, and manufacturing); and information/software/tech sectors.
- Action I: Fund or implement initiatives to encourage cross-industry and within-industry knowledge and resource sharing, including: mentoring and networking programs within industries (e.g. in scientific/engineering, information/software, or other types of knowledge work; agriculture, silviculture, etc; and trades); events/programs to encourage permanent and seasonal residents and visitors to meet; tool libraries; incubator spaces; etc.
- Action J: Fund and work with organizations that support workforce development, including local economic development organizations, the island libraries, local college/university branches, trade and community organizations, and others.
- Action K: Adjust land use regulations to encourage low and middle income clustered and multifamily housing developments that share and so reduce utility costs, sited and designed to be consistent with the available natural resources, infrastructure and rural character. Such housing may include housing designed to promote economic opportunities for unemployed or disadvantaged persons specifically designated by statute (RCW 36.70A.020(5)) as parties to be served, whose skills and talents may be developed to enrich the pool of talent available to the county economy.

GOAL 3: IMPROVE INFRASTRUCTURE AND COMMUNITY ASSETS & SERVICES

Goal: Support efforts to improve infrastructure that strengthens the economy, creates jobs, enhances economic and community resilience, and protects or enhances natural assets and the environmental services they provide.

Comment: This goal overlaps with Goal 4: ENHANCE ECONOMIC RESILIENCE with respect to infrastructure and services. *This goal also treats the county's natural capital as essential infrastructure much of which is owned or regulated by the county, the state of Washington, or the federal government.*

Policies:

- Policy A: Encourage provision of adequate infrastructure that is supportive of a healthy economy and environment while preserving those unique features valued by inhabitants and the subject of interest and pleasure to visitors, as well as those underlying natural features that underlie and support those features.
- Policy B: Analyze the costs of constructed infrastructure additions and improvements; determine whether the cost of the work would be subsidized by residents, in favor of tourists and visitors (thereby evidencing the net economic burden of tourism), or whether the cost would be subsidized by tourist and visitor income (evidencing the net benefit of the tourist economy).
- Policy D: Support high-speed broadband infrastructure that enables the creation of jobs and improved educational opportunities for islanders.
- Policy D: Encourage Washington State Ferries to improve San Juan Islands ferry service, vessels, and infrastructure including by encouraging the training and licensing of the necessary personnel.
- Policy E: Encourage planning for and prevention of oil spills within the County and oil spills elsewhere that threaten the county's natural capital, its economy, and the health and welfare of county residents.
- Policy F: Support alternative energy and increased redundancy of both power and telecommunications infrastructure, and in so doing, create a long-term, sustainable energy plan to offset increases in electric rates.

- Policy G: Encourage cooperation with US Customs and Border Patrol and other agencies to increase commerce and transportation between the county and Canada, including without limitation, scheduled flights, coupled with regulatory scheduling to prevent over-intensive surges of tourists.
- Policy H: Encourage development of reliable county-wide broadband speeds of 100Mbps or higher – or the current standard for urban regions of the U.S. – whichever is higher, to enable the San Juan County economy to retain and increase its competitiveness.

Actions:

- Action A: Maintain, protect and establish adequate infrastructure that is supportive of a healthy local economy and environment, including community facilities, and other assets emphasizing their use year-round.
- Action B: Design built infrastructure to incorporate natural environment as a part thereof to help fulfill its function and over time, reduce its financial and/or environmental costs.
- Action C: Provide adequate infrastructure and encourage zoning that is supportive of reliable community high-speed broadband infrastructure.
- Action : D: Encourage jobs and businesses that require few resources and/or bring revenues into the county, such as software, high-tech or small-scale manufacturing, and science/engineering businesses, or remote/online work by providing or encouraging the necessary infrastructure. [See footnote at Goal 1, Action J, page 14]
- Action E: Enact degrees of regulatory preference for those businesses that take affirmative steps to reduce their environmental impact, with specific preference for the quietest means of marine and overland propulsion, e.g. electric vehicle and vessel propulsion replacing internal combustion propulsion with special emphasis in the case of marine propulsion to those frequencies needed for cetacean communication.

- Action F: Using cost-benefit analysis including social and environmental costs, ensure that tourism infrastructure and facilities (including way-finding signs) are updated and improved to a level only sufficient to serve the existing tourist industry unless a greater level is required for residents.
- Action G: Identify facilities for water-borne transportation for tourism and export.
- Action H: Support efforts of the San Juan County Health Department to encourage a healthy community through wellness programs, community vaccination/immunization outreach, walkable spaces projects, and other programs.
- Action I: Support development of infrastructure, such as commercial hubs and cold storage facilities, necessary for the production and distribution of agricultural products and related value-added products on San Juan, Orcas and Lopez Islands.
- Action J: Support the development of public base infrastructure in Eastsound, Friday Harbor, Lopez Village and the other urban growth areas, including parking, garbage, sewer, and water.
- Action K: Research the full extent of county powers to protect its natural capital in response to changed or newly discovered conditions; seek state legislation to authorize necessary powers toward that end to permit the county to protect its natural capital and thereby its economy, and its rural quality of life.
- Action L: Enact and enforce local legislation to protect the county's and state's natural capital as authorized by legislation sought pursuant to Action K, above.
- Action M: Ensure that villages and roads are kept attractive by landscaping empty land such as the gravel pit property, and by encouraging innovative leases for empty storefronts.
- Action N: Cultivate low-impact tourism by encouraging ecotourism and the building of low-impact building of appropriate scale tourism venues, and specifically promoting ecotourism rather than promotions aimed at all markets; enforce regulations that protect those features that attract those visitors.

- Action O: Ensure that view corridors and scenic roads are preserved, with due consideration for owners' property rights, traffic safety, and emergency response; actively enforce laws, regulations and rules protecting the county's natural capital.
- Action P: Encourage arts tourism attractions – e.g. visual arts, writers, cuisine, music – that will provide activities for both residents and visitors and showcases for locally produced artistic works.
- Action Q: Encourage county staff, residents and visitors to use “leave no trace” principles by signage with appropriate regulatory warnings and identification of county projects directed to environmental protection or enhancement to encourage unity of purpose among all parties.
- Action R: Improve waterfront infrastructure and access, particularly barge landing access throughout the county, by renovating existing barge landings and creating new landing sites if found necessary, all consistent with preservation of the environment, working with the ports and other entities.
- Action S: Use permeable asphalt or concrete as top layer paving or deeper, to allow drainage from roadways (which themselves act as collectors and stormwater conduits in the denser areas) to penetrate into base soil to slow storm drain rate of flow and allow breakdown of soaps, detergents, agricultural, petrochemical and other toxics to dilute and decompose before reaching drinking water and the Salish Sea. By expressly including the portions of county roads and barge sites so constructed or treated as municipal stormwater control facilities, provide for financial contribution by the existing storm water utility to defray the cost of such work.

GOAL 4: ENHANCE ECONOMIC RESILIENCE

Goal: Support efforts to improve resilience to natural and economic perturbations, both rapid (natural disasters, drought, recessions, etc.) and long-term (climate change, resource limitation, long-term economic or industry shifts, changing property values).

Comment: This goal is an integral part of Goals 1, 2 and 3 to which this goal is an essential component for each of their long-term success.

Policies:

- Policy A: Identify and support opportunities to diversify economy among and within sectors.

- Policy B: Include disaster management planning in infrastructure and economic development programs.
- Policy C: Identify and encourage means to reduce the cost of living and doing business in the County.
- Policy D: Encourage the reduction and/or substitution of fossil fuel consumption to reduce the competitive handicap suffered by businesses and work force alike due to the cost of importing such fuels into the county.
- Policy E: Encourage community and governmental disaster preparedness for infrastructure on which industries depend.

Actions:

- Action A: Identify high impact ways to increase economic diversity, such as investing in programs to support small local industries that provide county exports (e.g. agriculture and natural resource industries, or software and high-tech manufacturing).
- Action B: Maintain and support a regularly meeting joint inter-agency, inter-non-governmental organizational body to coordinate preparedness for and actions in response to assure communications, evacuations, medical treatment and sustenance in case of natural disaster, acts of war, civil unrest or catastrophic accident coupled with appropriate inter-local and other agreements to carry out this mission.
- Action C: Involve local citizens in disaster preparedness including by emphasizing the county's vulnerability to transportation and communications interruptions, and proximity to heavy vessel traffic carrying fossil fuels and their derivatives.
- Action D: Define the county as an oil spill landfall oil boom staging area with a 4 hour response time within the county, coordinated with state and federal (particularly concerning but not limited to shoreline managed by the federal Bureau of Land Management) and other county, state, federal and Canadian efforts in the event of any spill within or threatening the county. This may require paid professional spill response personnel and their equipment to be resident in the county, so that they can

be onsite anywhere in the county within that time period and seek cost-sharing contribution from the state and federal governments.

- Action E: Enact appropriate land use regulations to encourage distributed energy generation and cooperate with OPALCO and to encourage the use of electric energy from local providers as an economically favorable alternative to fossil fuels.
- Action F: Continue and increase county acquisition of fully electric vehicles for its own use as and when financially advantageous over the life of the vehicle, and advertise by published notices or bulletins the savings realized by to encourage residents to obtain similar savings.
- Action G: Increase support for and protection of victims of domestic violence to ensure the welfare of the workforce and their children who constitute the future workforce.
- Action H: Enact regulatory incentives for guest accommodation businesses to maintain supplies of food, water, generators, and/or fuel as appropriate for guests and seasonal workers in case of natural disaster.
- Action I: Enact regulatory incentives for energy efficient housing and commercial construction such as but not limited to permitting taller multi-floor terraced sod-roofed construction that maximizes natural light to its environs while increasing the productive volume over a smaller footprint.
- Action j: Develop alternative and improved transportation to move goods and services between the islands and the mainland for necessary resilience.
- Action I: Work with organizations and private capital sources to encourage, enable, and support safe, adequate, environmentally-friendly and affordable housing, especially multi-resident buildings, to maintain a viable labor and trades force within the county.
- Action J: Identify drivers of high rent and land prices and adopt policies and actions to reduce or compensate for those drivers.

SPECIFIC PROJECTS:

Key to achieving these five overarching goals will, among other things, be by implementation of specific projects, including but not limited to the following list compiled and approved by San Juan County Council in May of 2018. For projects to be eligible for funding, they must be designed to increase capacity and not address a deficiency, unless that deficiency is a direct impediment to economic development.

Notwithstanding the foregoing, nothing in the following list is intended to limit the action items set forth above in this EDE.

Agriculture/Aquaculture/Timber

Product processing facilities, such as: commercial kitchens, seed production facilities, timber mills, silviculture land

Product sales, marketing and distribution facilities, such as: Food hubs, farmers' markets

Alternative Energy

Energy production, storage and distribution facilities

Economic Development Projects

Shared workspaces, business incubators, trades & business training facilities, business parks

Personnel in economic development (ADO) offices

Health Care

Public hospitals and/or Long-term care facilities

Maritime Industries

Marine research facilities

Boat building, repair facilities

Marine industry incubators and/or training facilities

Telecommunications

Broadband/communication infrastructure, such as: cell/communication towers, fiber optic installations, joint use wireless facilities

Tourism

Park and/or event facilities, such as: public pools, public restrooms and signage

Public access to shorelines and/or trails

Transportation

Roads including intersection improvements

Public transportation improvements, such as: bridges, non-motorized pathways, public parking, and boardwalks

Public marina improvements, such as: barge landings, boat launches, docks

Public airport improvements, such as: buildings, emergency medical transportation infrastructure

Ferry landing and parking improvements

Utilities

Water, wastewater and stormwater systems

Solid waste, recycling and composting facilities

10.4 ECONOMIC PROFILE OF SAN JUAN COUNTY

10.4.A Key Opportunities & Challenges

Overview

San Juan County stands at a crossroads. Its equable climate is nationally recognized. Its vistas appear in national and international real estate and travel materials. It is remote, yet it is within a day's surface travel to Seattle, Portland Oregon and Vancouver British Columbia. It hosts not only varied plants and wildlife, including the iconic Southern Resident Killer Whales, but an enterprising and well-educated human population.

Old-timers remember when the rural quality of life was in their opinion better, and newcomers, having left behind a faster-paced life, are more than satisfied with the then prevailing quality of life they find when they arrive. The view of each generation reflects the different conditions that existed either as they grew up or arrived, or conditions of where they came from. This has resulted in philosophical disputes and litigation involving property rights, the resilience of natural resources, and public tolerance of the erosion of the county's

natural capital upon which the county economy ultimately depends. Legal tools, present and future, are only as effective as there is the political will to create and use them.

The provisions that follow necessarily focus on monetary economics, but in San Juan County, the monetary economy discussed below has value only to the extent that the county's natural capital is nurtured at a greater rate than it is depleted, an example being the iconic (yet declining) Southern Resident Killer Whales, themselves a substantial collective economic driver of the county economy. If the county is successful in conserving and nurturing its natural capital, the people of the county should profit from longer, richer and more peaceful lives.

Environmental Components

Preservation of San Juan County's ecosystem is essential to maintenance of all of the region's key industries. According to the San Juan Islands Visitor Study, the most important reason for both visiting and living on the San Juan Islands is "Natural/Rural Scenery"³. Tourism, the real estate industry, agriculture, marine industries, and the quality of life are maintained when the natural surroundings are preserved, protected, and affirmatively supported.

Tourism- Tourism is a major driver of the county economy, which also depends upon natural assets while posing risks to those assets. Marine mammals (particularly Orcas) are one of the major draws for tourists and residents alike⁴; however, the Southern Resident Killer Whales are under stress from multiple factors⁵ There are other potential draws – such as bioluminescent seas, exceptional biodiversity of intertidal and pelagic ecosystems, dark skies, etc. – that are not currently focuses of advertising campaigns and tour companies.

These are also quite sensitive to damage, but a leave-no-trace approach to diversifying visitor activities may reduce the stress on marine mammals and popular attractions, while providing awareness and incentives to protect natural characteristics that people do not think about as frequently.

³ Whittaker et al, San Juan Islands Visitor Survey (www.sanjuanco.com/1391/San-Juan-Islands-Visitor-Study), June 2018.

⁴ *Ibid.*

⁵ *Southern Resident Orca Task Force Report and Recommendations, November 16, 2018*

This EDE takes it as axiomatic that a settled human presence inherently detracts from the status quo of the natural environment, and the presence of an overabundance of humans – through tourism or settlement – inherently detracts further from that as well as from the rural character of the islands. Accordingly, this EDE recognizes the necessity for affirmative countervailing actions and regulations.⁶

Factors relating to tourism have been summarized as follows⁷:

Social Benefits

- Brings in outside dollars to support community facilities and services that otherwise might not be developed.
- Encourages civic involvement and pride.
- Provides cultural exchange between hosts and guests.
- Encourages the preservation and celebration of local festivities and cultural events.
- Facilities and infrastructure developed for tourism can also benefit residents.
- Encourages the learning of new languages and skills.
- Tourism-related funds have contributed towards schools.

Social Costs

- May attract visitors whose lifestyles and ideas conflict with the community's. An example may be the visitors' use of drugs and alcohol or just the pace of behavior.
- May change individual behavior and family relationships.
- May lead to an increase in diseases.
- Loss of traditional values, culture and rural character through imitation of visitor behavior, or cultural diffusion resulting from faster-paced interaction.
- May create crowding and congestion.
- May compete with residents for available services, facilities, and existing recreation opportunities.
- May result in harassment of visitors perceived to be wealthy and an increase in crime.
- Can involve violation of human and property rights when visitors trespass upon and abuse private property.

Environmental Benefits

- Can foster conservation and preservation of natural, cultural and historical resources.
- Encourages community beautification and revitalization.
- Could be considered a clean industry.

Environmental Costs

- May threaten specific natural resources such as Orcas, endangered plants and animals and historical sites.
- May increase litter, noise, and pollution.
- Brings increased competition for limited resources such as water and land, resulting in land degradation, loss of wildlife habitats and deterioration of scenery.
- Directly contributes to sewage, solid waste and visual pollution.

Economic Benefits

- Helps diversify and stabilize the local economy.

⁶ *The New Biological Economy*, Eric Pawson and The Biological Economics Team, Auckland University Press, 2018

⁷ Substantially derived from work of *Barcelona Field Studies Centre S.L.* <https://geographyfieldwork.com/TourismProsCons.htm>

- Provides governments with extra tax revenues each year through accommodation and restaurant taxes, airport taxes, sales taxes, park entrance fees, etc..
 - Creates local jobs and business opportunities. These include those jobs directly related to tourism (hotel and tour services) and those that indirectly support tourism (such as food production and housing construction).
 - The **multiplier effect**:
 - Brings new money into the economy. Tourist money is returned to the local economy as it is spent over and over again.
 - Helps attract additional businesses and services to support the tourist industry.
 - Is labor-intensive. Earns valuable out-of-county income.
 - Emissions generated by forms of transport are a serious environmental problem of tourism.
- Economic Costs***
- Tourism development of infrastructure (airports, roads, etc.) can cost the local government a great deal of money.
 - May inflate property values and prices of goods and services.
 - **Leakages**:
 - If outside interests own the tourism development, most of the economic benefits will leave the community.
 - Considerable amounts of revenues leak back out of the local economy for tourism-related imports. This would, however, encourage local production of these goods.
 - Employment tends to be seasonal. Workers may be laid off for the fall, winter and spring seasons.
 - Many jobs in the tourism industry are poorly paid. This is a problem particularly in less-developed areas where the local workforce lacks the skills to fill better-paid positions.
 - Tourism as an industry is particularly susceptible to fluctuations in the state, national and global economy; numbers can be adversely affected by events beyond the control of the destination e.g. terrorism, economic recession.
 - Badly-managed tourism follows a "product life cycle", with a final stage of decline, where the destination no longer offers new attractions for the tourist, and the quality has diminished with the rise of competition and tourist saturation.

In terms of the ultimate intended beneficiaries of a tourist economy, one study indicates that as tourism comes to provide over 25% of retail sales (and presumably services) revenue which is the case for San Juan County, the desirability of additional tourism development decreases significantly and the favorability of special tourism taxes increases. R. Perdue, Richard & Long, Patrick & Allen, Lawrence. (1987). Rural Resident Tourism Perception and Attitudes. *Annals of Tourism Research*. 14. 420-429. 10.1016/0160-7383(87)90112-5.

<https://www.researchgate.net/publication/223643569_Rural_Resident_Tourism_Perception_and_Attitudes>

Real Estate- Real estate transaction earnings support many brokers and agents active in an area where many people desire to live. Transaction taxes from these activities provide substantial county revenues. Because the county's desirability as a place to live and visit is regionally and nationally known, the segment of the county economy concerning real estate is largely driven by regional and national factors and so is not amenable to county policies or actions beyond land use including environmental regulations.

However beneficial to the county itself, the involvement of county real estate in the regional and national markets has distorted the local market resulting in a lack of low and middle-income housing, in turn limiting the county's ability to gain and retain lower- and middle-class participants necessary to broaden the county economy. The large proportion of high-end properties has consumed much of the space for development, resulting in a shortage of building trades workforce, which in increases the cost of real estate development for the lower tiers of the economy, exacerbating a housing shortage faced by a full-time workforce. Although this EDE seeks to respond to this challenge, the distortion of the local housing market imposed by the regional and national markets remains a challenge.

Further information concerning real estate can be found at pp. 39-40 below. See also **Housing**, at p. 38 below and the Housing element at Section B, Element 5 of this comprehensive plan.

Construction – Construction is a key industry that provides both living-wage jobs and housing – it is driven by people's desire to live in the county due to the its natural beauty; however, clearing, shoreline modification, and water use can degrade the natural and rural character that draw people to reside here. Water rights and use, garbage and recycling services, low-impact transportation, and land clearing all have a profound effect on the islands. Maintaining a construction industry over the long term will depend on identifying ways to balance continued construction with preservation of natural resources and assets and rural character. The policies and actions outlined above (Goal 1) seek to identify approaches for doing so.

Further information concerning construction can be found at pp. 39-40 below.

The climate and natural environment continue to draw new residents to the county; the strength of this draw is likely to increase due to climate change and crowding in nearby metro areas and their suburbs. Net immigration puts additional stress on environmental services, housing, and infrastructure; however, immigration of skilled workers and entrepreneurs brings income from out of the county, provides skills that are in short supply, and provides a customer base to sustain year-round activity in other industries.

The local climate (specifically the rain shadow) provides opportunities for solar and distributed power on the islands; however, if climate change reduces rainfall, it may increase stress on water resources for residents, visitors, agriculture, and natural habitats.

Population

Education: The San Juan County populace is highly educated (Figure 10.1)⁸: a substantially higher percentage (47 %) of people have bachelor's degrees or higher in San Juan County than the state (34 %) and national (30 %) averages. The San Juan County population's educational attainment is comparable to King County's (49 %) despite the absence of a university or 4-year college in the islands. High school degree rates are also high relative to other geographic areas.

⁸ U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates via American Fact Finder: https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml

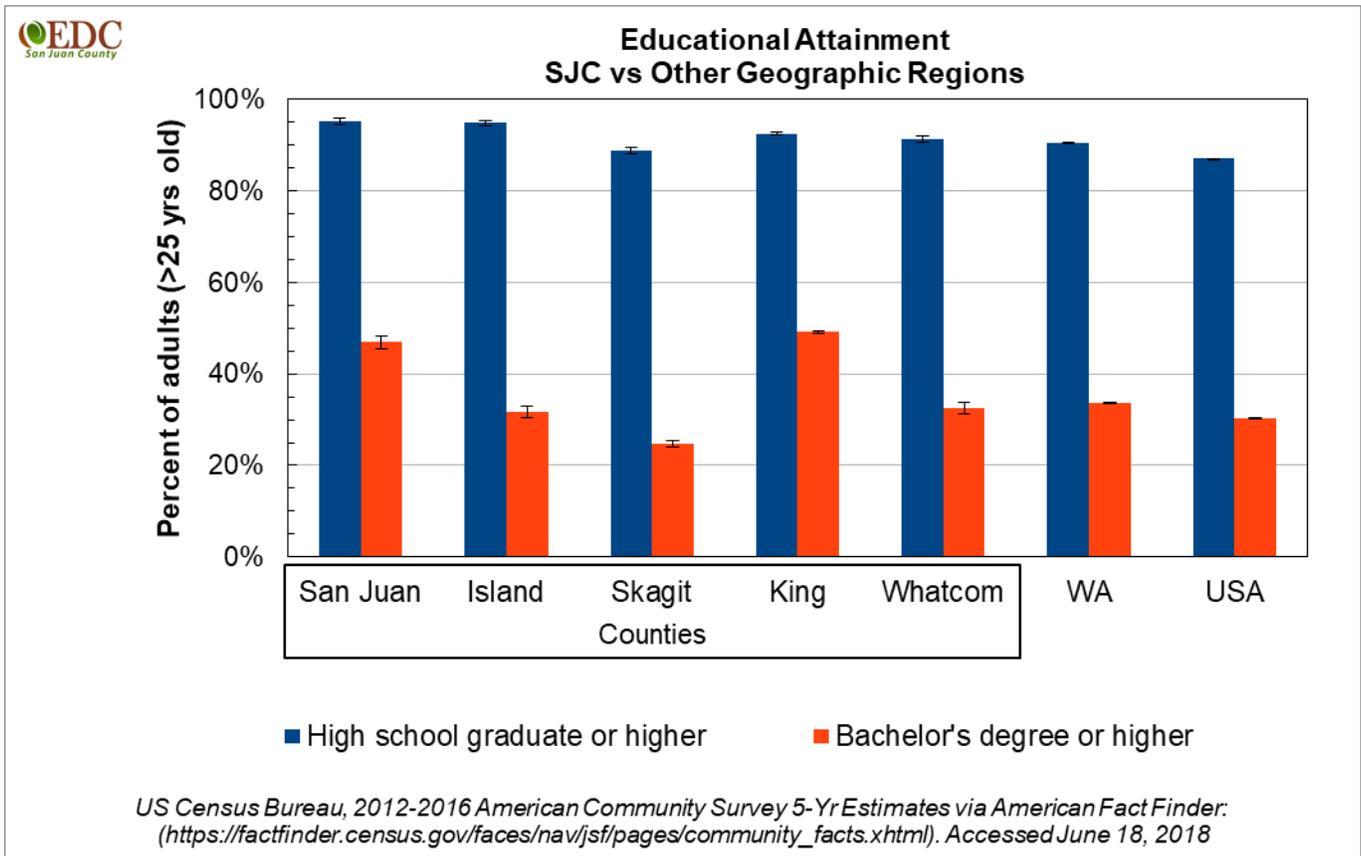
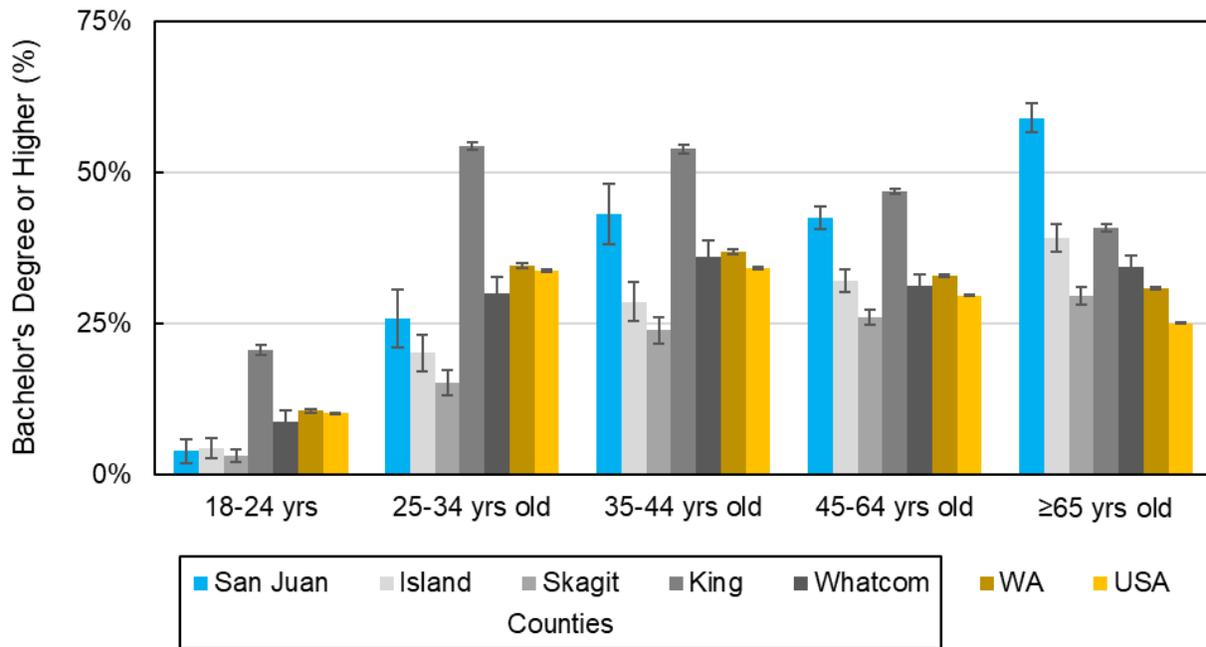


Figure 10- 1

Although the educational level for the population as a whole is high, it is skewed towards older residents, particularly those over 65 (Figure 10.2). The percentage of younger San Juan County residents (18 – 34 yrs old) who have bachelor’s degree or higher is substantially lower than the state or national average. This may pose a challenge for developing high tech and knowledge work sectors. The small population of the county, and difficulty travelling among islands, presents an additional barrier to interactions that could catalyze thriving high-tech, scientific/engineering, and related knowledge worker sectors (based on discussions at the EDC’s Knowledge Worker meetup, Oct. 24th, 2018). Attendees comments at the EDC’s first Knowledge Worker Network meeting (Oct. 24, 2018) suggest that the perception of competition for small numbers of local clients provides another barrier to cooperation among local knowledge and tech workers. Programs to connect local knowledge/tech workers with local and out-of-county businesses, or encourage cooperation (e.g. with finders fees, meet ups, or mentoring programs) might help catalyze growth in this sector.

Education by Age SJC vs Other Geographic Regions



US Census Bureau, 2012-2016 American Community Survey 5-Yr Estimates via American Fact Finder: (https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml). Accessed June 18, 2018

Figure 10- 2

Income, employment, and community service: The following two charts show the contrast between personal income per capita in 2016 versus average annual wage income, with a comparison between neighboring and King counties.

Per capita income is quite high in San Juan County in comparison to most nearby counties, or the state as a whole (Figure 10.3); per capita income in San Juan County is second only to King County.⁹ “Personal income” is defined as *all* income, aggregated, including passive income such as investment and pension income, and wage income. “Personal income per capita” means the aggregate of income earned in San Juan County, divided by all residents San Juan County (man, woman and child). Personal income includes \$25,058 of “dividend, interest and rental income” per capita, meaning the aggregate of *dividend/interest income*, divided by all residents of (man, woman and child). The county’s retired and semi-retired residents may account for the high personal income per capita. The beauty of the archipelago has attracted many retirees from around the

⁹ Data: Washington Employment Security Department, accessed June 25, 2018.

nation. This provides a potential pool for investment – of both capital and knowledge – in local businesses that the county could tap into with actions that encourage engagement between part-year, retiree, and working residents.

In contrast to income, wages are quite low in San Juan County relative to the rest of the state (Figure 10.4). “Wage income” is defined as income earned through work. Average annual wage income is \$33,890, among the lowest in Washington state (state average is \$59,073, King County is \$76,830). Average pay in all the top sectors (except government and utilities) is quite low, and wages have not kept up with inflation.¹⁰ “Average” means the aggregate of all wage income, divided by the number of workers. One reason that wages are low in San Juan County is that many jobs here are seasonal and part-time, and jobs in unskilled service sectors predominate in the economy (Figure 10-15).

As a consequence of the low wages, islanders frequently have multiple jobs in multiple industries. This, combined with extensive participation in volunteer organizations, would be expected to facilitate cross-industry communication and might be leveraged to encourage innovative new business ventures.

¹⁰ *Ibid*

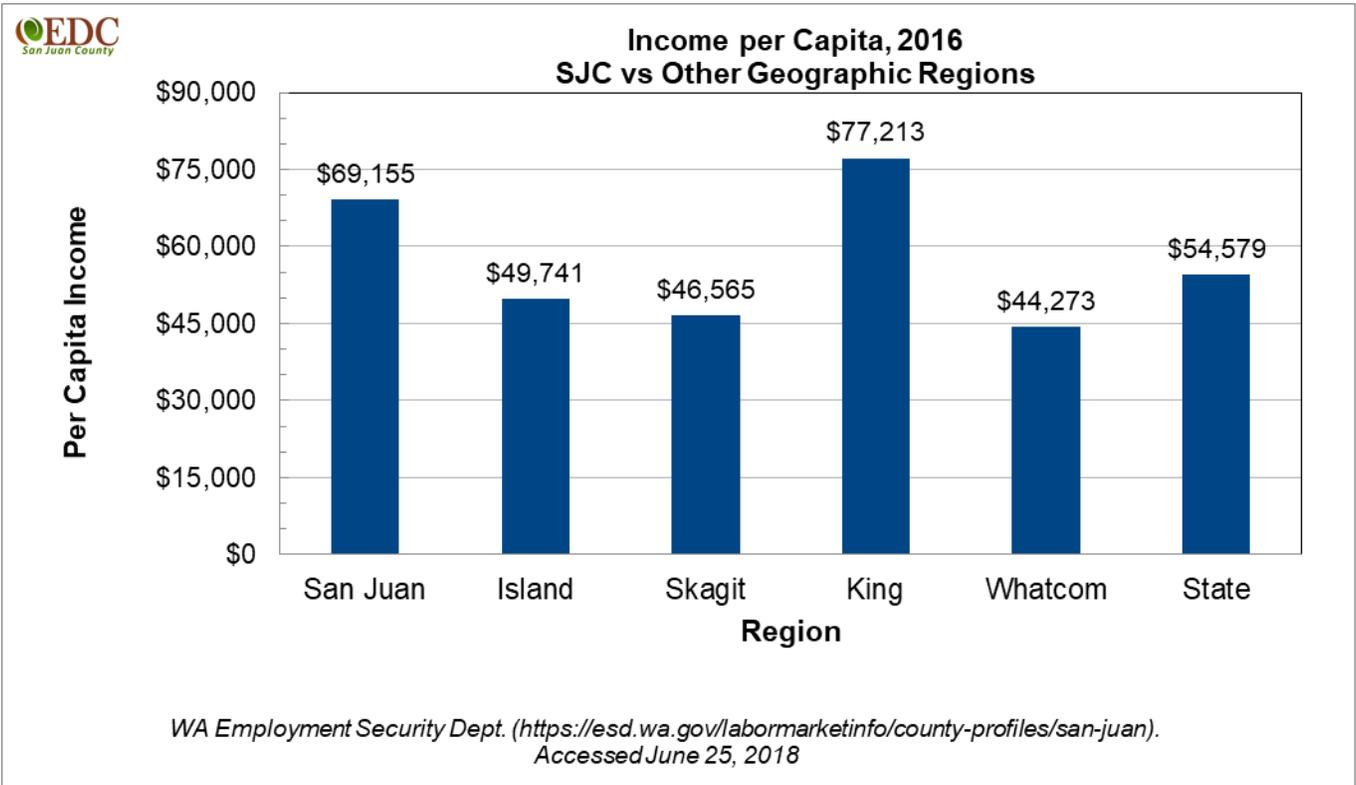


Figure 10- 3

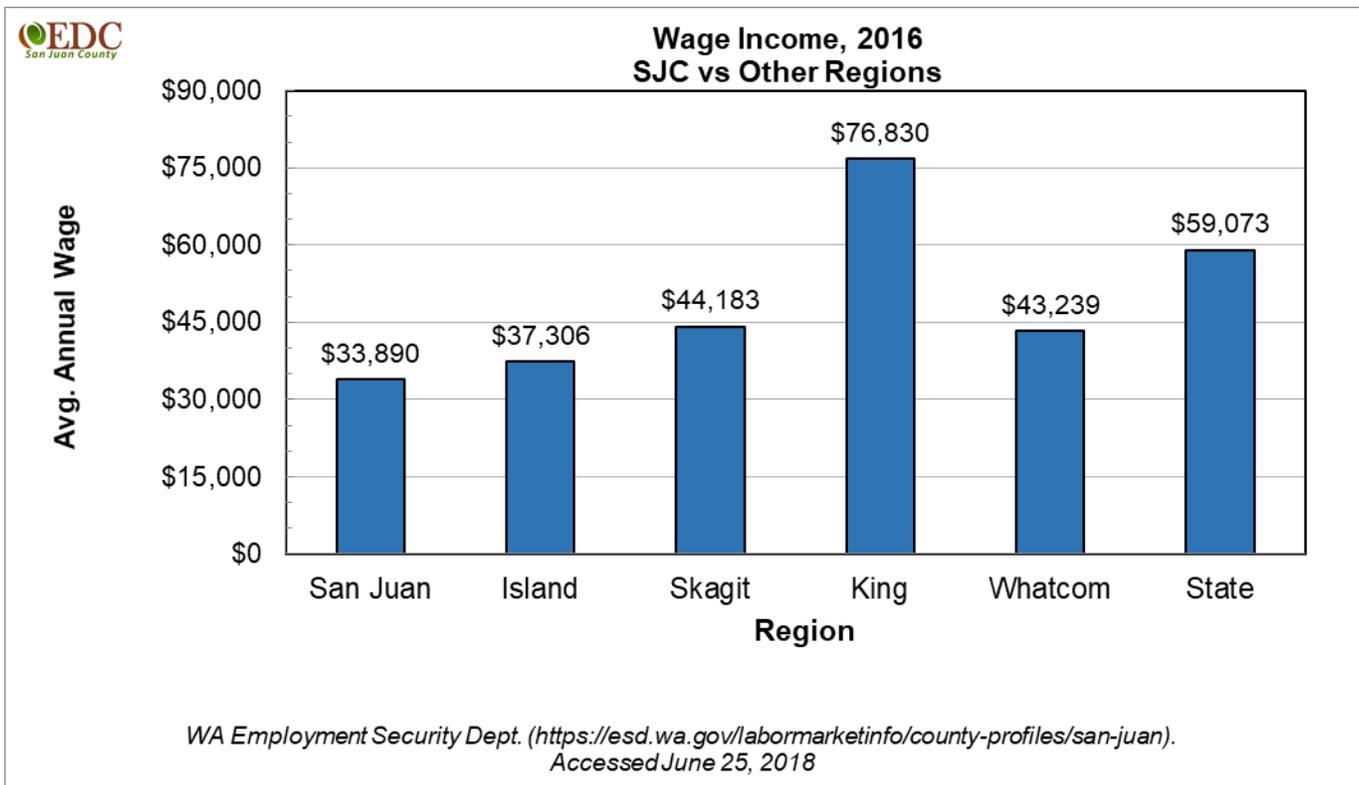


Figure 10- 4

Transportation Components

The county is unique in that it is the only county in Washington state entirely surrounded by water and without a bridge connecting it to the mainland. San Juan, Orcas, Lopez, and Shaw Islands are served by the Washington State Ferry System, which is the primary transportation link between the county and mainland U.S. and Canada, followed by private and commercial air and marine transportation. The many other islands comprising the rest of the county rely entirely on private or seasonal commercial transportation.

The San Juans Archipelago has a total area of 621 square miles, of which 174 square miles are land and 447 square miles are water. The county includes more shoreline than any other county in the continental United States: more than 428 linear miles of shoreline on more than 400 islands and rocks with elevations above mean high tide.

The Washington State Ferry System is also the primary delivery system for commercial products and materials destined for island businesses or sold directly to residents. A small number of commercial passenger ferries serves the San Juan Islands with limited schedules; a handful of private vessels regularly barge commodities such as fuel, water, and gravel onto the islands, weather permitting. Also, there are currently at least two freight companies operating from island airports.

Public and private facilities for air travel are available throughout the county. Several private air charter and scheduled air services exist, with private and public airports on most of the inhabited islands. Private and public marine transportation companies serve many of the islands. It will be critical to work with US Customs and Border Patrol to increase commerce and transportation between the islands and Canada, including scheduled flights.

Besides the Washington State Ferry docks on San Juan, Orcas, Lopez, and Shaw, San Juan County has numerous public and private marinas, haul-out facilities, and community and private docks. The Port of Friday Harbor is the largest marina in the San Juan Islands with 464 moorages.

The county does not meet Washington State’s population requirements for creating its own regional transportation planning organization (RTPO), but is eligible to join the Skagit-Island RTPO or one from a neighboring region. The County has chosen not to join a local RTPO.

The county is surrounded by major national and international shipping lanes. The VTRA [Vessel Traffic Risk Assessment] 2010 Final Report: Preventing Oil Spills from Large Ships and Barges in Northern Puget Sound & Strait of Juan de Fuca demonstrates that a substantial amount of the potential oil spill risk from existing vessel traffic, as of 2010, exists in the waterways on the east side of San Juan County; that the greatest increase in the risk of an oil spill from proposed new and expanding terminal projects occurs on the northwest and west side of San Juan County where Southern Resident Killer Whales and other species congregate.

San Juan County is surrounded by areas with significant – and potentially increasing – oil spill risk whose consequences in turn would clearly be significant. Protection against major oil spills has been determined as the highest environmental priority for the county as ranked by the Local Integrating Organization. Negative economic impacts from such a spill could be catastrophic, ergo several strategies for protection have been identified, including: an increase in prevention measures including an emergency response towing vessel (ERTV); and supporting the increased protection of marine water quality and habitat for local species from vessel traffic impacts.

Other risks associated with transportation include the difficulty of obtaining mutual aid for large emergencies (fire, earthquake, etc), risk of isolation if ferry terminals or docks on outer islands are damaged, and losses to all major industries when ferry service is disrupted by even minor breakdowns.

Travel within the county relies almost entirely on fossil fuels. Consequently, the added cost of transportation of these fuels to the county places county business and residential uses at a competitive disadvantage with businesses and residential costs on the near mainland. However, the county’s cost of living currently compares with the cost of living in Seattle and immediate environs, which creates an equivalence that can be capitalized on.

Infrastructure Components

Potential economic development can be either encouraged or discouraged by the availability of public infrastructure – electricity, water, fiber, sewer services, and transportation. The issues are partially addressed in the Capital Facilities Element of the Comprehensive Plan. As with the Housing and Transportation Elements, this issue must be addressed here.

Electrical power is supplied by Bonneville Power Authority and distributed via submarine cable by the locally-owned nonprofit Orcas Power and Light Cooperative (OPALCO). Sewer and water services are available in the Town of Friday Harbor, the Eastsound Subarea, Lopez Village and in some areas by community associations.

Planning for water, wastewater, and storm water management is the responsibility of the Town of Friday Harbor and the county under the provisions of the GMA. Inside the designated urban growth areas and hamlets, the responsibility for planning rests with the county. Some areas of the islands do not have access to sufficient fresh water, which limits growth. Water planning is currently managed by the San Juan County Health & Community Services Department, and more information is available here:

<http://www.sanjuanco.com/health/ehswrm.aspx>

Broadband internet services are provided by commercial subsidiary of nonprofit OPALCO, a nationally-owned cable franchise, a nationally-owned telephone franchise, and in a much more limited role by mainland providers. There are also private Internet service providers on the three main islands. While much progress has been made by our local RockIsland company, a significant portion of the county does not have access to speeds higher than 1.5Mbps. The lack of county-wide high-speed broadband is a major concern for the county. This needs to continue to be addressed from an economic development standpoint.

Fast broadband connections help ensure economic sustainability and competitiveness in the global marketplace and they will spur economic development. As applications become more bandwidth-intensive, the need for a fast, fully symmetrical broadband connection will become even more evident. San Juan County's quality of life is associated with its rural feeling. High-speed broadband will contribute to the retention of this

rural environment by providing high-wage jobs to residents who could choose to work from home or develop specialized tech-related businesses.

Housing

Another key challenge to the economic development of San Juan County is the current shortage of affordable housing. In this county, affordable housing should be considered not just for those earning below 80% of the median family income for the area but, also those earning up to 150% of the area median family income because the cost of housing here is exceptionally high. Affordable housing for all these citizens is a necessary component of economic development for a healthy and diverse population. Affordable housing is discussed in detail in Section B, Element 5, Housing of the San Juan County Comprehensive Plan.

Permitting/Zoning Considerations

Entrepreneurship, home occupations, and cottage enterprises are a thriving component of the San Juan County economy, and a critical component.

Below are shown number of parcels and acreage for various land use types in San Juan County in 2014.

Land Use Type	Commercial	Industrial	Institutional
Total Parcels	7,954	568	13,740
Total Acreage	51,176	2,356	64,668

** The above includes rural areas of the County as well as those subject to the Eastsound, Waldron and Shaw subarea plans. While there are quite a few land use zones that allow some commercial, industrial and institutional uses, in many cases the types of businesses that are allowed is quite limited. Also, much of the land*

designated as Rural General Use is located on Decatur Island which is of little use to businesses and organizations trying to provide services to the more populated islands.

In addition to the parcels and acreage listed above, the land use codes allow home occupations and cottage enterprises in many land use designations provided the operation meets the limitations of the code.

The above does not include land use designations where the allowable use is extremely limited, areas covered by the Town of Friday Harbor, Roche Harbor, or Rosario Master Planned Resorts, or areas subject to activity center plans.

10.4.B Major Industries

Construction/Real Estate

Construction in San Juan County represents 19% (2017 data; Figure 10-7) of the County's gross business income as calculated by the Washington State Department of Revenue.

Construction and real estate sales in San Juan County have historically been vulnerable to fluctuations in the US and world economy. With the Great Recession of 2008-2011, real estate values plummeted nearly 30% and have not yet fully recovered, although gains have been made over the past few years. Construction has recovered to 2008 levels as of 2017 (Figure 10-8).

Other considerations:

1. Large construction projects (e.g., Peacelands Hospital project) seem beyond the bonding capacity of local contractors causing major construction projects to default to out-of-county contractors.
2. The real estate decline post-Great Recession has made homes more affordable, but many high-end properties are not selling.
3. Lack of potable water in some areas of the islands continues to hamper some construction.
4. Training in the building, repair, and maintenance trades will help enable employees in these industries garner higher wages and will improve the quality of service that county tradespeople offer.

5. Monitoring of regulations and permit fees to ensure that San Juan County is attractive to entrepreneurs considering starting a business here, will be critical.

Professional/Scientific/Technical, Information, & Finance/Insurance

In recent years, as infrastructure has improved, San Juan County has become a comfortable place for many non-resource-dependent businesses to set up shop, however, more work must be done. However, industry classification data (Figure 10-10) shows stagnation in the finance and insurance sector and the professional, scientific, and technical services sector, while the information sector kept pace with Washington State as a whole..

Although these sectors have struggled in San Juan County, a few of the characteristics of these businesses could contribute to their future success in San Juan County and enhance their value to the County: they have few employees, require little space, operate year-round, have little environmental impact, and – in large part – have comparable business costs when compared to off-island competitors. Currently representing nearly 10% of the county’s economy by GBI (Figure 10-7), these sectors are critically important to the county’s financial health, particularly as these jobs are some of the few higher wage jobs available to workers in the area. Improved broadband speeds are likely to benefit these sectors as islanders find ways to earn income through the internet and as people relocate here bringing their tech businesses or employment with them.

Accommodations/Dining/Tourism

Tourism plays an important role within the economy and affects other sectors. Tourism contributes the major share to Accommodation and Dining sector (12 % of GBI), and contributes to the Retail, Arts and Recreation, and Transportation sectors (Figure 10-7). While many residents would agree that sustainable tourism is a healthy component of the county’s economy, groups like the San Juan Islands Visitors’ Bureau and the chambers of commerce should work hard to mitigate negative impacts of tourism. Studies have shown that most negative impacts occur when the number of visitors is greater than the infrastructure and environment’s ability to cope

with the visitor volume. These groups should work to encourage the preservation of sociocultural and environmental authenticity of the islands' communities.

Imperative to tourism initiatives has been environmental conservation and historical preservation to ensure that the islands remain welcoming, beautiful, and meaningful places both for locals and visitors, and this effort to maintain and preserve local assets should continue.

Critical to the continued success of the San Juan Islands as a tourism destination will be the encouragement of leisure opportunities that preserve the environment and jobs.

Policies that must be explored include encouraging the preservation of the natural environment which attracts residents and visitors, and which provides living wage employment; the encouragement and promotion of ecotourism and conservation; and the protection of our county's rural character and cultural heritage.

Policies should enable county powers to protect wildlife and ecological systems within the county, including without limitation, those portions of ecological systems within the county that extend beyond the county, e.g. Orca and salmon habitat, to prevent deterioration of the county's greatest assets underlying its tourist industry.

Manufacturing

The manufacturing sector, while small at about 4% of the total gross business income (Figure 10-7), represents an important one for the county in that manufacturing employees tend to receive higher wages than many other major San Juan County sectors and manufacturing brings in income from out of the county. Small-scale manufacturing has grown steadily in the county and some of the county's most innovative firms are from this sector, including a manufacturer of thin foil band-pass filters, a manufacturer of fish tagging and tracking systems, and a manufacturer of small heating stoves.

Challenges continue to include goods transportation and the lack of highly-skilled workers. Creation of trades training of younger residents will enable increased growth of this industry sector.

Small, local producers can harness low-cost technology and changing markets to sell hundreds and thousands of locally produced consumer products. Most of these small manufacturing companies require very

small commercial real estate footprints and can offer high-wage jobs to a few employees. The manufacturing industry could benefit from county-wide efforts to find synergies with local knowledge workers with skills such as marketing and web development, computer aided design and engineering, or 3D printing.

Marine Resources

Marine resource-related employment and revenue have long been a core piece of island social and economic fabric. Yet, little data is available to quantify just how important these marine related jobs and entities are. Friday Harbor Labs and other research organizations are major employers given that their employees and conference and research guests contribute to the local economy. Numerous small firms create marine-related products such as wild fish tags and boat sales generate significant sales tax revenue. Traditional and widespread marine harvests are not currently viable¹¹, but there is potential for growth in new sustainable, niche products (such as kelp, sea salt, etc.). Additional research in this and other marine-related industry opportunities will be required to determine overall viability and best prospects. Additionally, marine services such as shipyards and ports are important to the county's economy.

Agriculture Sector

Agriculture is an important industry to many residents. The farm economy diversifies the local economic base, benefits businesses in other sectors (e.g. retailers, restaurants, and food/beverage manufacturers using local agricultural products), and help preserve the county's beautiful pastoral landscape that is alluring to locals and visitors alike. However, the agriculture sector has experienced a steep decline since 2006 (Figure 10-10) and currently represents less than 1% of total gross business income in San Juan County (Figure 10-7).

The farmers markets on the three largest islands are thriving, community supported agriculture (CSA) sales are on the rise, and new value-added agricultural businesses are being established, including micro-dairies, and locally produced foods, wines, and liquors. San Juan County farmers specialize in non-GMO crops such as

¹¹ Fishing represented 0.6 % of total earnings in San Juan County in 2013, the most recent year for which data is available from the U.S. Bureau of Economic Analysis (www.bea.gov; table CAINC5N, accessed Nov. 20, 2018).

grass-fed meats, berries, tree fruits, and year-round production of vegetables for market, as well as fibers, lavender, and herbs. Increased construction of greenhouses and hoop houses have allowed year-round production of crops that would otherwise die in the cold winter weather, and also help production of heat-loving crops such as tomatoes, melons, and some herbs.

Working to help new farmers to establish successful farms, developing adequate access to ag-processing infrastructure, expanding local and regional marketing opportunities, and adopting scale-appropriate state and local regulations could be an important way to foster farm businesses and support a thriving local farm economy.

The largest agricultural land use is for livestock operations. The main uses of pastures are for forage production, harvest, and grazing. As the price of food rises along with other external costs, the opportunity exists for livestock farm operations and other small farm production to further expand into the local market place with additional infrastructure such as local distribution, value added production facilities, and cold storage options for local agricultural products.

The loss of agricultural lands, though slow, is happening for several reasons including: lack of owner interest, owners' responses to regulatory incentives, outright abandonment of agricultural land management or conversion to lawns, land sales into other uses and conversions of larger farms into smaller parcels breaks up larger agricultural acreages into small parcels that may not be able to support agricultural production.

Farmers and farmland owners in San Juan County are typically >50 years old, as they are in the rest of the country¹². This represents a serious challenge to this sector of the county economy. The need for younger farmers who can economically afford land, let alone support farm operations, either on-going or start-up, could be an important step for this sector and on preserving rural characteristics in San Juan County. Farmland trust that make farmland available to farmers using donated agricultural or organic easement to reduce the cost to farmers have not yet been fully developed within the county.

¹² U.S. Dept. of Agriculture, National Agricultural Statistics Service, 2012 Census of Agriculture (www.agcensus.usda.gov); accessed Jan. 30, 2019). Average principle operator age: 58 (USA) vs. 60 (SJC).

Entrepreneurship

The primary strength of San Juan County and the Town of Friday Harbor is the fact that the San Juan Islands' environment is what brought most people here and why they stay. Whether fourth-generation resident or first-time visitor, the islands have a way of capturing the imagination and inspiring people to somehow, some way, stay a little longer. In spite of, and probably because there are limited employment opportunities, a strong and long-standing culture of entrepreneurship has evolved in the islands. Many of those who contributed their observations and suggestions during development of this plan report holding multiple jobs, some just to make ends meet, others to supplement income during the "off-season." To be sure, island residents are quite resourceful in finding ways to "make a buck" and San Juan County boasts more business proprietors per capita than any other county in the state¹³.

10.4.C. Historical Economic Context

The San Juan Islands were seasonally occupied by Coastal Salish people for approximately 5,000 years. The population of native peoples of the San Juan islands declined by over 90 percent within 100 years of the arrival of Europeans, due to the introduction of disease and by the removal of all land rights under the Elliott Point Treaty in 1855. A number of Native-American properties and burial sites exist within the county and are protected by Federal laws.

Permanent settlement in the islands generally began in 1850, when the Hudson's Bay Company established a saltery on the southern tip of San Juan Island, and later, a Lime Kiln at Roche Harbor, subsequently purchased by the Tacoma & Roche Harbor Lime Company and then John McMillin. Within 20 years European settlers had spread to Lopez, Shaw, Orcas, Waldron, Decatur, and Blakely islands, raising sheep, cattle, and poultry on small subsistence farms.

Fishing and marine-based industries continued to be a major activity in the Islands. Early salmon salteries and later canneries were established at Friday Harbor on San Juan, at Deer Harbor on Orcas, and at

¹³ U.S. Bureau of Economic Analysis, 2017 CAINC30 Economic Profile table for WA counties (apps.bea.gov; accessed Jan. 30), 2019.

Richardson on Lopez. The strategic location of the Islands relative to Canada also proved attractive to smugglers transporting illegal laborers, drugs, wool, liquor, and other commodities.

Up to the 1940s, agriculture was a staple industry on the islands. Before the irrigation of eastern Washington, the San Juans were the number one apple producing region in the state; plums, cherries and peas were also major crops. Many farms reverted to second growth forest after the Great Depression and the Second World War. Some of these farms still continue, mainly as pasture land which contributes to the overall ecosystem diversity and sense of open space.

Extensive logging for the lime kilns (for burning the lime and for barrels) and salteries (for barrels) at the beginning of the 20th century removed all old growth and valuable timber on most of the Islands. The lime company at Roche Harbor continued to operate until 1956. Quarrying activities for sandstone were extensive on Waldron, Sucia, and Stuart islands, and aggregate extraction continued on San Juan until 2001.

By the 1960's the San Juans had been discovered by visitors and the economy began to be driven by construction of new residences, particularly summer homes, and commercial properties. Trade and services, especially for seasonal visitors developed to the extent that the islands host the highest number of businesses per capita of any county in the state.

Marine biology, resorts, and nature camps have historically contributed to the economy, attracting students, vacationers, and campers from around the world. The University of Washington Friday Harbor Laboratories was established in 1904 and seasonally hosts over 450 researchers and students.

San Juan County's economy has recovered from the Great Recession of 2007-09. Most sectors have recovered well, with the aggregate of all industries gross business income increasing by 12 % between 2006 and 2017, after adjusting for inflation¹⁴. Construction and real estate experienced the largest drops and construction has not yet fully recovered from Great Recession impacts. Educational services, while a small component of the county's economy (Figure 10-7), experienced the largest gains during that same time period of 2006-2017, and

¹⁴ Data: WA Dept. of Revenue, courtesy of J. Hoke, June 28, 2018. Inflation adjustment based on U.S. Bureau of Labor Statistics inflation calculator (www.bls.gov/data/inflation_calculator.htm).

manufacturing, arts/entertainment/recreation, and wholesale trade also experienced substantial gains after adjusting for inflation.

10.4.D Data & Charts

Data presented in this document is from state and federal agencies which classify industries by North American Industry Classification System (NAICS¹⁵). NAICS has limitations that should be recognized when interpreting these data: frequently the categories are not intuitive. Notably, the tourism industry – which is critical to San Juan County – contributes to several NAICS sectors, but many of these sectors cannot be assigned specifically to tourism (e.g. retail and food services). For smaller sectors, restrictions on reporting can prevent splitting or aggregating to answer questions about specific industries. In addition, businesses are categorized only by the activity that generates most of its revenue, regardless of what other activities they do.

Population

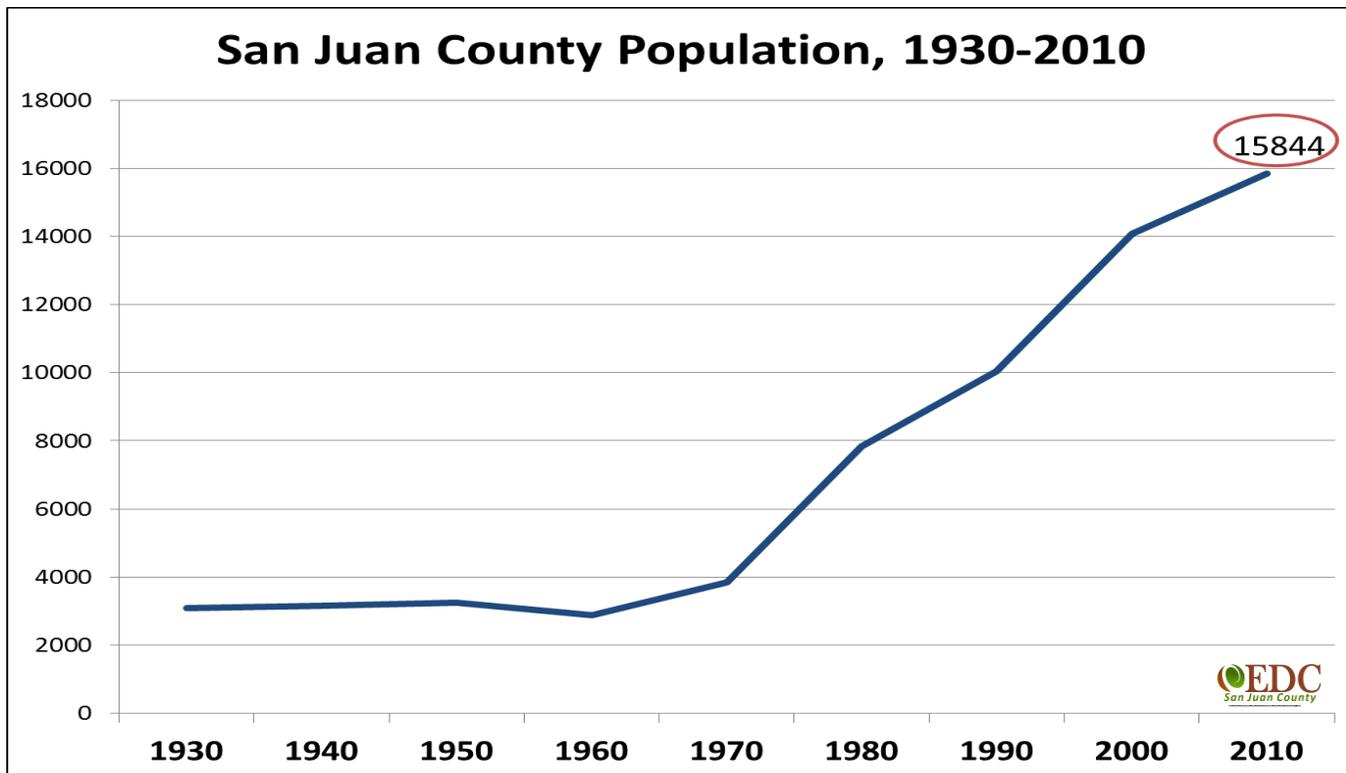
As shown in the following chart, San Juan County saw a quintupling of its population in the years after 1970, possibly due to efforts to market the islands as a retirement and second home destination. Currently, population growth has leveled off and the Office of Financial Management of Washington State expects the population to grow slowly over the next 10 years.

Since 1980, most of the growth in San Juan County has been in the population over the age of 55, and the “greying” of San Juan County over the past 30 years has been remarkable, as noted in the second chart on the next page. Median age is continuing to climb and projections from WA State Office of Financial management suggest that in 2030, 34% of SJC population may be over 65.

Educational attainment of adults age 25 and over is higher for San Juan County than the rest of Washington state and the US. Nearly 47% of county residents have a bachelor’s degree or higher, compared to the state average of 34% (Figure 10-1). San Juan County is far less ethnically diverse than Washington State with

¹⁵ See: <https://www.census.gov/eos/www/naics/faqs/faqs.html>

smaller proportions of all racial or ethnic minorities compared to the state. About 98 percent of its population was white in 2010.



Data: US Census Bureau, 3/5/13.

Figure 10- 5

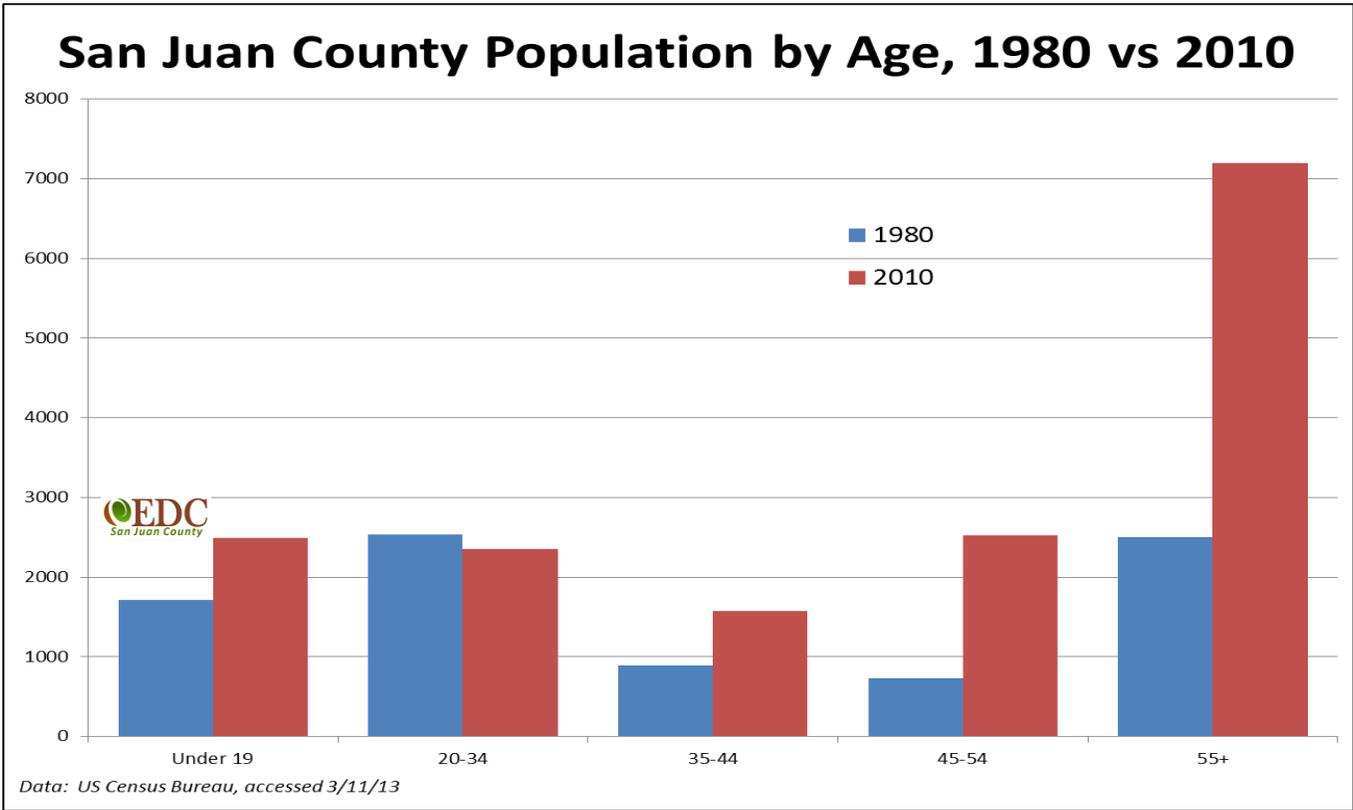


Figure 10- 6

Income

The following table shows personal income by major source, and earnings by industries defined by two-digit North American Industry Classification System (NAICS) code. NAICS codes are the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. Except as noted, numbers are in thousands of dollars and are not adjusted for inflation. Negative numbers represent losses. (D) entries replace data for industries with few reporting businesses in order to preserve confidentiality.

CA5N Personal Income by Major Component and Earnings by NAICS Industry: 2006 – 2016, San Juan County

U.S. Bureau of Economic Analysis, "CA5N Personal Income by Major Component and Earnings by NAICS Industry" (accessed June 26, 2018).

Line Code	Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Income by place of residence											
10	Personal income (thousands of dollars)	\$889,509	\$948,292	\$783,306	\$792,347	\$842,984	\$959,155	\$955,433	\$1,093,407	\$1,103,587	\$1,129,920
20	Population (persons) 2/	15,400	15,590	15,714	15,770	15,822	15,810	15,875	16,021	16,234	16,339
30	Per capita personal income (dollars)	\$57,760	\$60,827	\$49,848	\$50,244	\$53,279	\$60,668	\$60,185	\$68,248	\$67,980	\$69,155
Derivation of personal income											
35	Earnings by place of work	\$314,414	\$329,699	\$309,074	\$318,808	\$316,517	\$347,397	\$347,603	\$352,871	\$360,825	\$380,152
36	Less: Contributions for government social insurance 3/	\$37,840	\$39,028	\$38,793	\$39,748	\$36,528	\$37,248	\$42,315	\$43,988	\$45,872	\$47,985
37	Employee & self- employed contributions for government social insurance	\$19,911	\$21,085	\$21,250	\$21,385	\$17,972	\$18,735	\$23,293	\$24,137	\$25,168	\$26,636

	Employer contributions										
38	for government social insurance	\$17,929	\$17,943	\$17,543	\$18,363	\$18,556	\$18,513	\$19,022	\$19,851	\$20,704	\$21,349
42	Plus: Adjustment for residence 4/	\$13,517	\$8,953	\$9,334	\$9,982	\$11,034	\$12,088	\$12,671	\$13,534	\$13,985	\$14,537
45	Equals: Net earnings by place of residence	\$290,091	\$299,624	\$279,615	\$289,042	\$291,023	\$322,237	\$317,959	\$322,417	\$328,938	\$346,704
46	Plus: Dividends, interest, & rent 5/	\$505,128	\$542,108	\$386,262	\$373,992	\$419,561	\$499,234	\$495,338	\$615,595	\$612,484	\$612,940
47	Plus: Personal current transfer receipts	\$94,290	\$106,560	\$117,429	\$129,313	\$132,400	\$137,684	\$142,136	\$155,395	\$162,165	\$170,276
	Earnings by place of work										
	Components of earnings										
50	Wages & salaries	\$187,574	\$195,085	\$184,752	\$183,939	\$182,125	\$187,849	\$191,150	\$199,324	\$207,423	\$220,302
60	Supplements to wages & salaries	\$49,972	\$53,537	\$50,437	\$53,645	\$51,564	\$52,416	\$51,912	\$53,351	\$53,669	\$57,663
	Employer contributions										
61	for employee pension & insurance funds 6/	\$32,043	\$35,594	\$32,894	\$35,282	\$33,008	\$33,903	\$32,890	\$33,500	\$32,965	\$36,314

	Employer contributions										
	for government social	\$17,929	\$17,943	\$17,543	\$18,363	\$18,556	\$18,513	\$19,022	\$19,851	\$20,704	\$21,349
62	insurance										
70	Proprietors' income 7/	\$76,868	\$81,077	\$73,885	\$81,224	\$82,828	\$107,132	\$104,541	\$100,196	\$99,733	\$102,187
	Farm proprietors'										
71	income	-\$2,397	-\$3,237	-\$2,147	-\$1,392	-\$480	-\$695	-\$364	-\$572	\$413	-\$23
	Nonfarm proprietors'										
72	income	\$79,265	\$84,314	\$76,032	\$82,616	\$83,308	\$107,827	\$104,905	\$100,768	\$99,320	\$102,210
Earnings by industry (thousands											
of dollars)											
81	Farm earnings	-\$1,140	-\$1,882	-\$699	-\$177	\$536	\$457	\$785	\$707	\$1,907	\$1,959
82	Nonfarm earnings	\$315,554	\$331,581	\$309,773	\$318,985	\$315,981	\$346,940	\$346,818	\$352,164	\$358,918	\$378,193
	Private nonfarm										
90	earnings	\$261,273	\$272,911	\$251,278	\$257,489	\$257,101	\$287,649	\$294,851	\$299,191	\$305,586	\$322,024
	Forestry, fishing, &										
100	related	(D)									
	Mining, quarrying, &										
200	oil/gas extraction	(D)									
300	Utilities	\$6,782	\$7,245	\$6,951	\$7,702	\$8,306	\$7,704	\$8,149	\$8,526	\$8,977	\$9,310
400	Construction	\$65,473	\$68,951	\$64,560	\$68,225	\$61,551	\$59,484	\$60,390	\$59,630	\$60,517	\$66,824

500	Manufacturing	\$11,110	\$11,007	\$8,434	\$9,408	\$10,999	\$11,865	(D)	(D)	\$10,410	\$10,810
	Durable goods										
510	manufacturing	\$9,158	\$8,852	\$6,065	\$7,222	\$8,726	\$9,574	\$10,149	\$8,387	\$7,859	\$8,180
	Nondurable goods										
530	manufacturing	\$1,952	\$2,155	\$2,369	\$2,186	\$2,273	\$2,291	(D)	(D)	\$2,551	\$2,630
600	Wholesale trade	\$4,438	\$3,871	\$4,185	\$4,898	\$3,906	\$6,726	\$8,189	\$7,995	\$7,281	\$7,145
700	Retail trade	\$28,065	\$26,658	\$27,013	\$27,530	\$24,797	\$26,441	\$27,169	\$31,122	\$34,487	\$37,925
	Transportation,										
800	warehousing	\$3,956	\$4,103	\$4,096	\$3,819	\$3,801	\$4,696	\$5,419	\$5,507	\$5,512	\$5,509
900	Information	\$4,421	\$3,772	\$3,858	\$3,747	\$3,154	\$2,924	\$4,136	\$4,736	\$6,833	\$6,521
1000	Finance & insurance	\$5,248	\$5,633	\$5,903	\$6,659	\$6,293	\$5,873	\$5,787	\$6,613	\$6,262	\$5,987
	Real estate, rental &										
1100	leasing	\$5,967	\$14,408	\$9,301	\$7,343	\$4,928	\$10,563	\$13,373	\$14,767	\$17,888	\$17,527
	Professional, scientific,										
1200	& technical services	(D)									
	Management of										
1300	companies & enterprises	(D)									
	Administrative &										
	waste management	\$12,164	\$11,948	\$12,720	\$12,984	\$12,963	\$15,572	\$17,766	\$18,421	\$16,062	\$16,290
1400	services										
1500	Educational services	\$3,739	\$4,235	\$4,210	\$4,428	\$4,567	\$4,803	\$4,706	\$5,044	\$5,343	\$5,548

1600	Health care & social assistance	\$15,051	\$16,915	\$17,190	\$17,135	\$16,592	\$16,604	\$20,728	\$19,413	\$20,176	\$20,961
1700	Arts, entertainment, & recreation	\$5,994	\$6,705	\$6,416	\$4,461	\$7,370	\$7,300	\$9,291	\$11,466	\$7,945	\$7,814
1800	Accommodation & food services	\$34,373	\$31,908	\$26,292	\$26,904	\$31,573	\$46,935	\$40,783	\$37,537	\$41,112	\$43,933
1900	Other services (except government & government enterprises)	\$21,923	\$21,409	\$20,854	\$20,486	\$21,160	\$22,082	\$21,953	\$23,007	\$23,190	\$23,236
2000	Government & government enterprises	\$54,281	\$58,670	\$58,495	\$61,496	\$58,880	\$59,291	\$51,967	\$52,973	\$53,332	\$56,169
2001	Federal civilian	\$4,440	\$4,593	\$4,565	\$5,079	\$4,719	\$4,790	\$4,579	\$4,723	\$4,723	\$4,815
2002	Military	\$1,487	\$1,681	\$1,908	\$1,863	\$1,648	\$1,477	\$1,385	\$1,309	\$1,264	\$1,317
2010	State & local	\$48,354	\$52,396	\$52,022	\$54,554	\$52,513	\$53,024	\$46,003	\$46,941	\$47,345	\$50,037
2011	State government	\$6,312	\$6,374	\$5,650	\$5,925	\$5,712	\$5,568	\$5,100	\$5,047	\$4,874	\$4,865
2012	Local government	\$42,042	\$46,022	\$46,372	\$48,629	\$46,801	\$47,456	\$40,903	\$41,894	\$42,471	\$45,172

Legend / Footnotes:

1/ The estimates of earnings for 2001-2006 are based on the 2002 North American Industry Classification System (NAICS). The estimates for 2007-2010 are based on the 2007 NAICS. The estimates for 2011 forward are based on the 2012 NAICS.

2/ Census Bureau midyear population estimates. Estimates for 2010-2016 reflect county population estimates available as of March 2017.

3/ Employer contributions for government social insurance are included in earnings by industry and earnings by place of work, but they are excluded from net earnings by place of residence and personal income. Employee and self-employed contributions are subtractions in the calculation of net earnings by place of residence and all of the income measures.

4/ The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers and US residents employed by international organizations and foreign embassies.

5/ Rental income of persons includes the capital consumption adjustment.

6/ Includes actual employer contributions and actuarially imputed employer contributions to reflect benefits accrued by defined benefit pension plan participants through service to employers in the current period.

7/ Proprietors' income includes the inventory valuation adjustment and capital consumption adjustment.

8/ Under the 2007 NAICS, internet publishing and broadcasting was reclassified to other information services.

Note-- All dollar estimates are in current dollars (not adjusted for inflation).

(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

(L) Less than \$50,000, but the estimates for this item are included in the totals.

(NA) Data not available for this year.

Last updated: November 16, 2017 -- new estimates for 2016; revised estimates for 2010-2015.

Table 10-1

Current Industries

Gross Business Income

The four largest industry sectors in San Juan County represent 68% of total business income in the county, as measured by Department of Revenue reporting (Figure 10.7). Retail represents 30% of the total economy; construction, 19%; professional services/tech, 7%; accommodations/dining, 12%. Aggregate gross business income for all reporting businesses in San Juan County was \$744,812,830 in the year 2017.

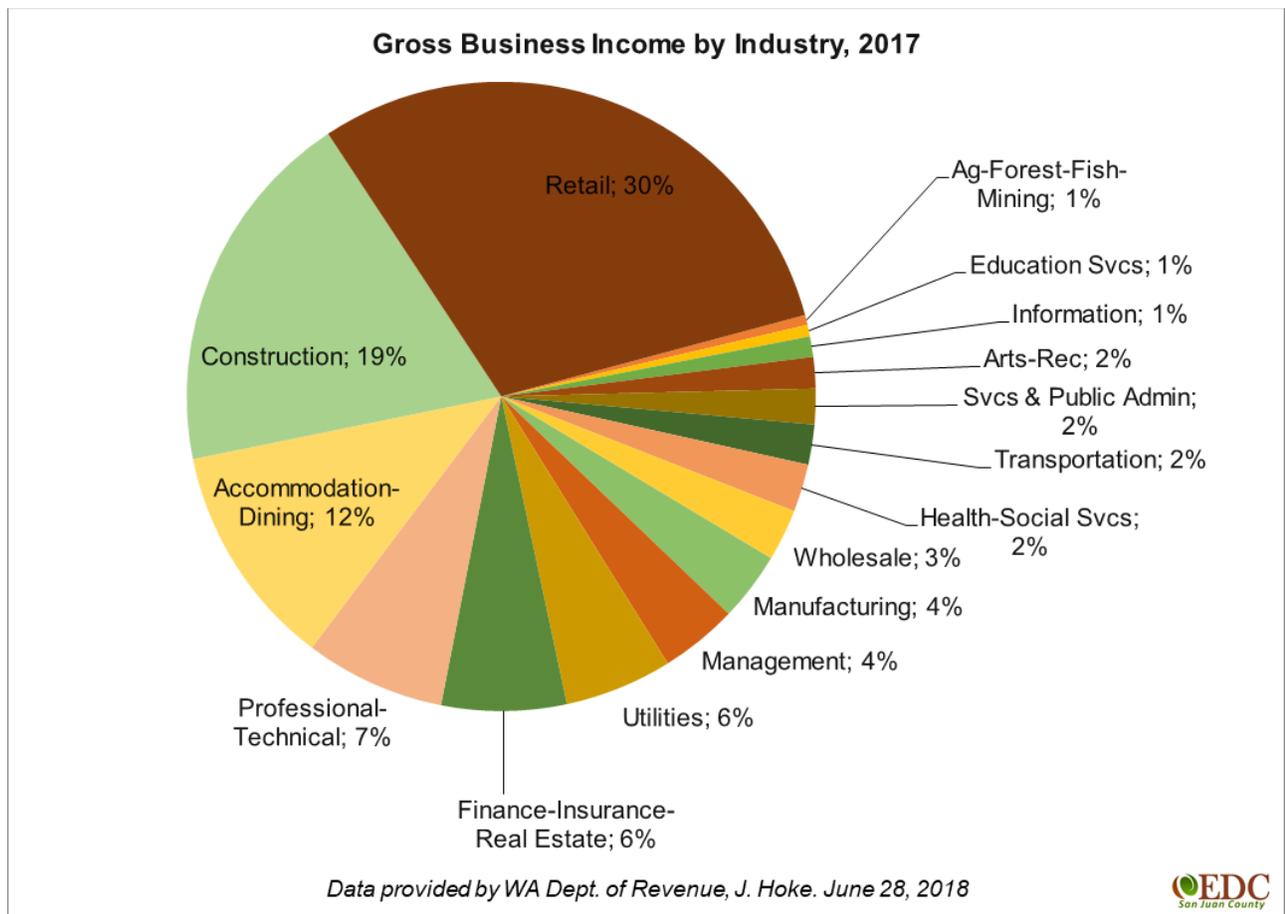


Figure 10- 7

Over the past 10 years, industries have changed somewhat but the four mainstays (retail, construction, accommodations/dining, and professional services and) have remained dominant in terms of gross business income (Figure 10.8). Construction fell more sharply than other major industries during the 2008 recession, and lagged other industries in recovery, only catching up to pre-2008 levels in 2017. The professional, scientific, and

technical services sector has been stagnant since 2006, although it did not decline as sharply as construction did after 2008.

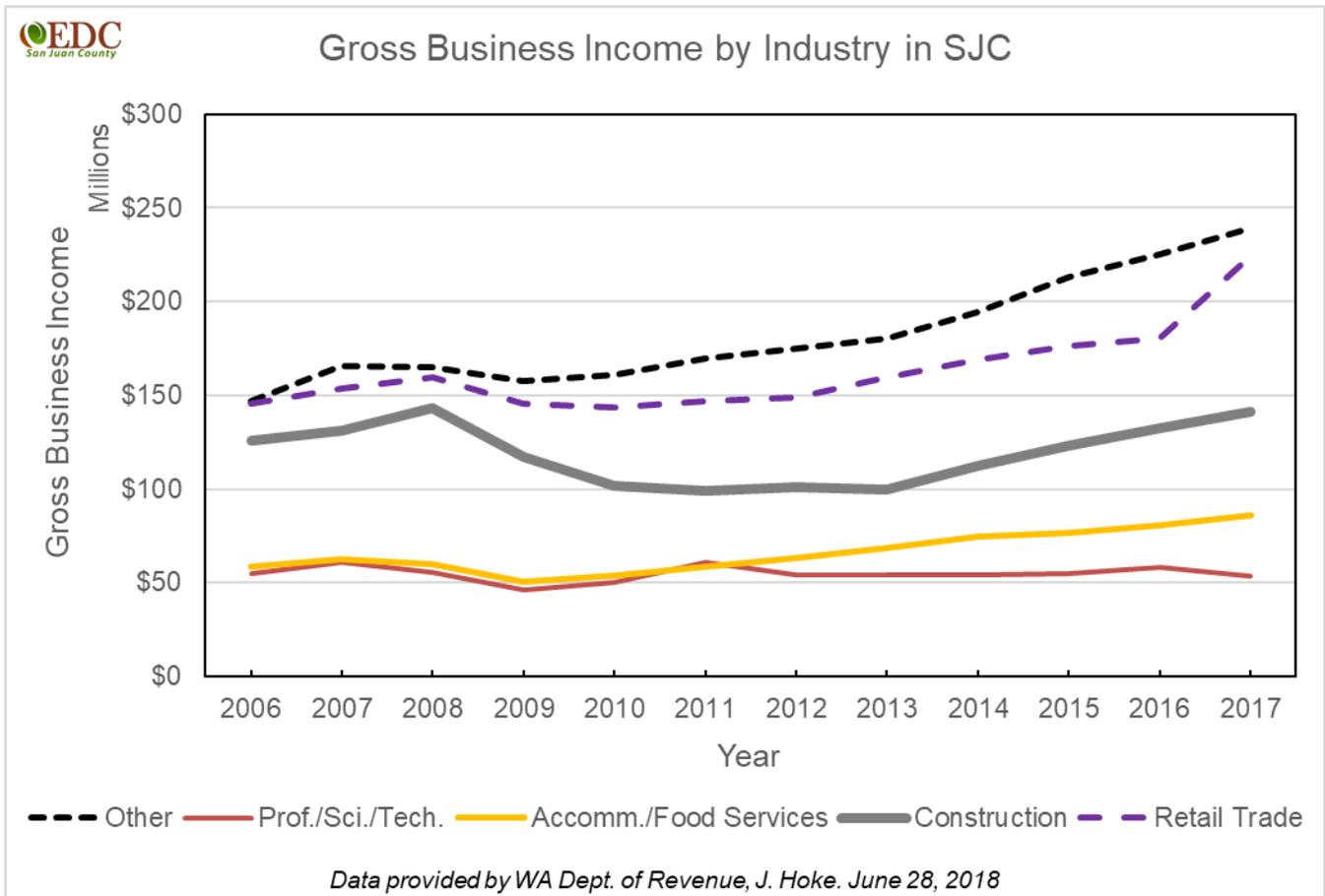


Figure 10- 8

The following chart (Figure 10.9) shows the aggregate gross business income reported to the Washington State Department of Revenue by businesses in the county, for the years between and including 2006 and 2017.

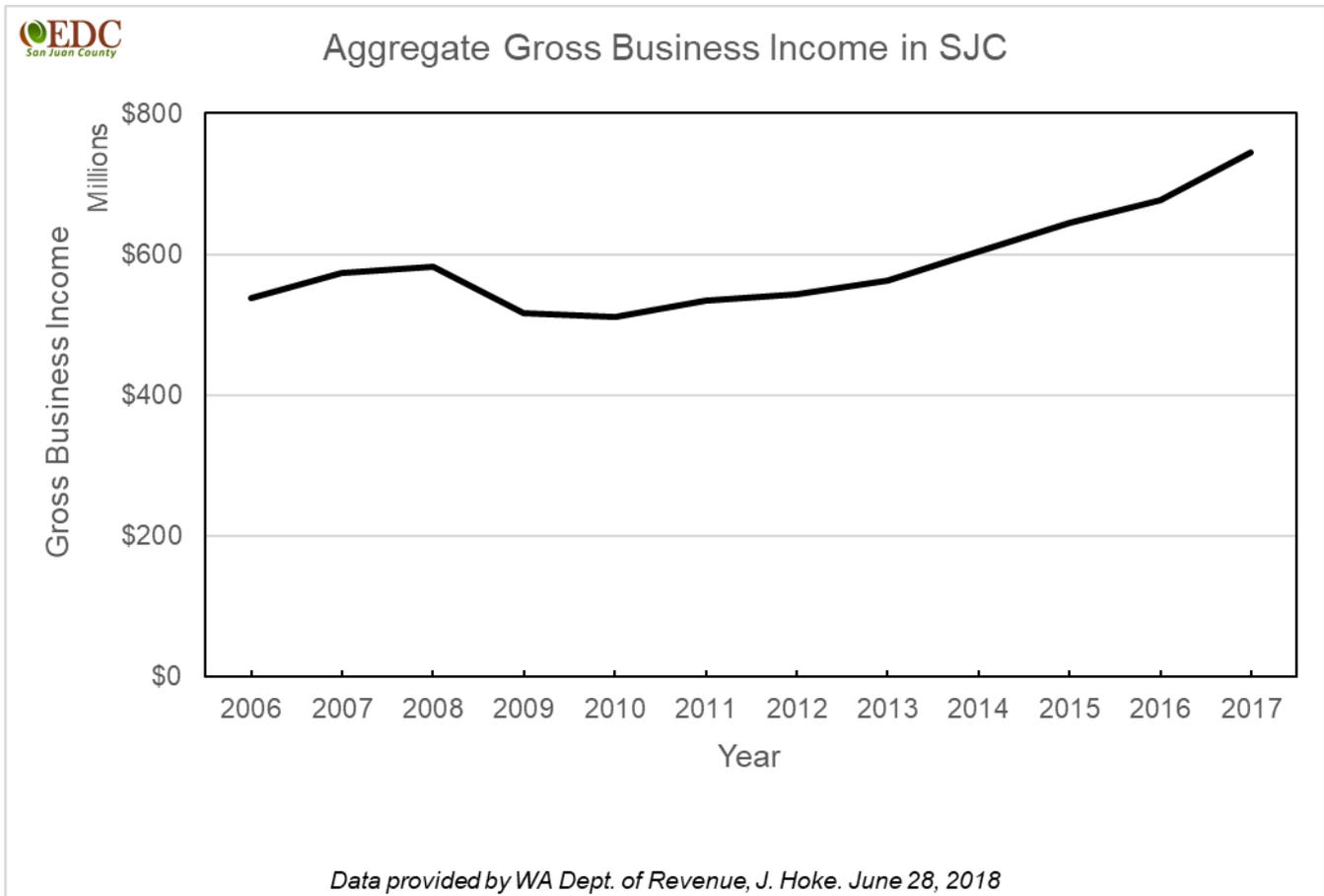


Figure 10- 9

Increasing economic diversity requires strengthening smaller sectors. The following shows how some of these sectors have changed over the last decade in San Juan County (Figure 10-10) and Washington State (Figure 10-11) in terms of gross business income. Sectors were picked that a) have relatively high wages (see below, Figure 10-15), provide exportable products or services, and are not currently dominant (except for professional, scientific, and technical services). Encouraging these sectors would provide both high paying jobs and bring income into the county.

San Juan County’s agriculture and natural resources sector and professional, scientific, and technical sectors have not kept pace with the corresponding sectors in Washington State. The agriculture and natural resources sector has declined dramatically in San Juan County, especially since 2011. The professional, scientific, and technical sector on San Juan County has not enjoyed the boom it experienced in Washington state. It is not

clear what local factors have limited these sectors in this county; however, identifying and ameliorating those factors could diversify the economy and bring high-wage jobs and revenue to the county.

Although the direct monetary value of the agriculture/natural resources sector is small, it may have much larger indirect effects on the economy by maintaining the character that other industries (tourism, retail, construction) depend upon. It also enhances the larger food services sector by providing local food options and benefits prepared food or craft sellers at farmers markets. This does not include benefits to residents' nutrition (including proprietors' and workers'). Therefore, supporting agriculture and identifying and ameliorating the causes of its steep decline, could both diversify local industry and support other major industries.

In contrast, manufacturing has done surprisingly well on the islands in comparison to the rest of the state. However, the variation over time is large, so this may be a transient fluctuation.

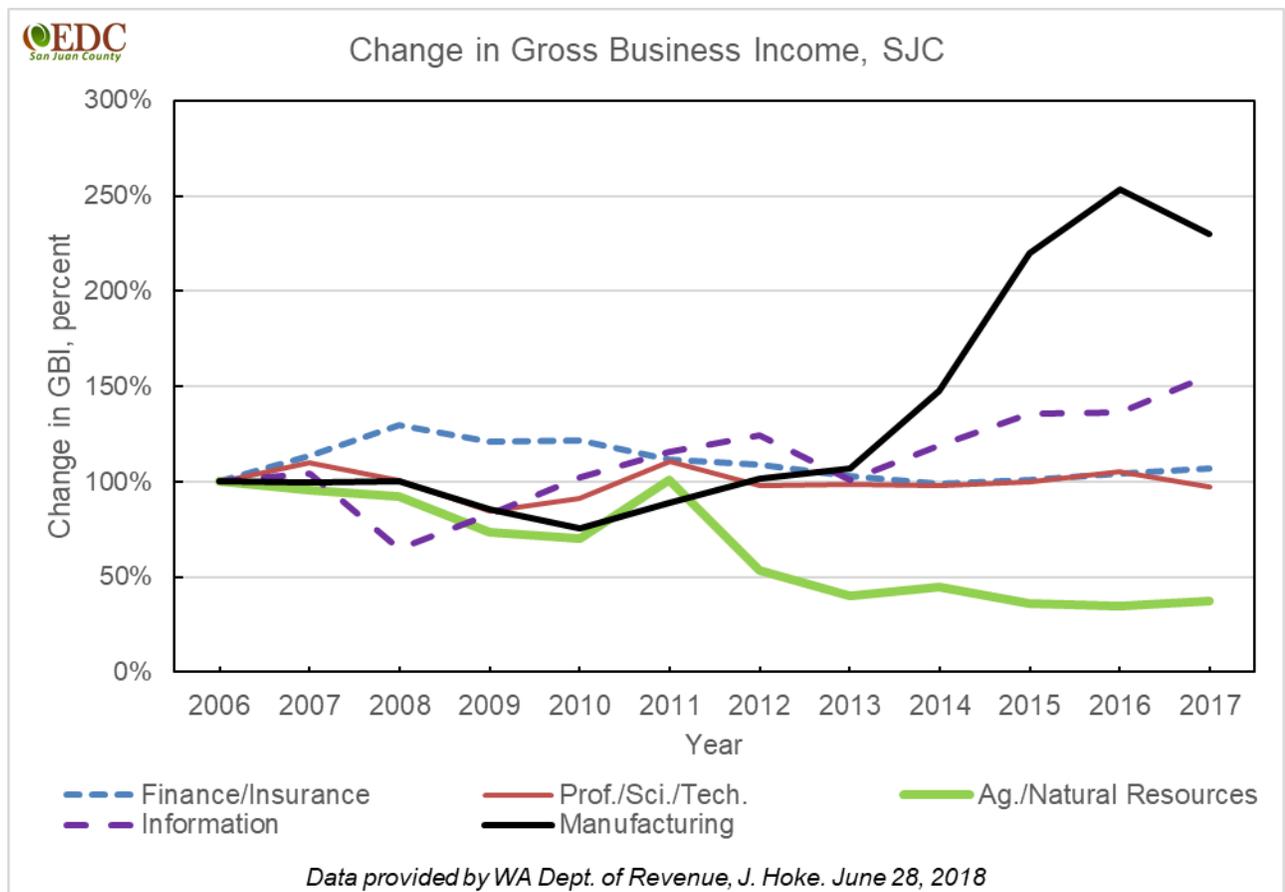


Figure 10-10

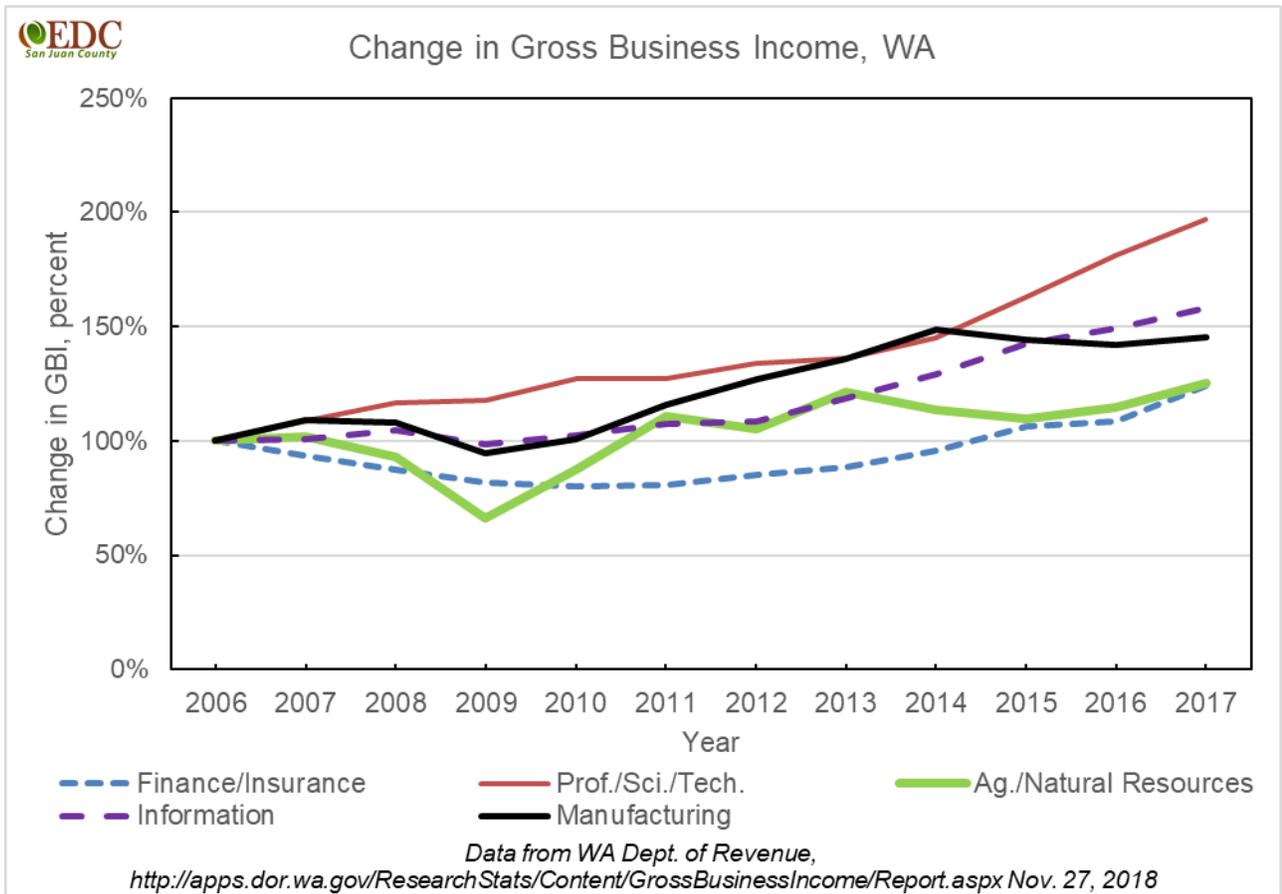


Figure 10-11

Earnings

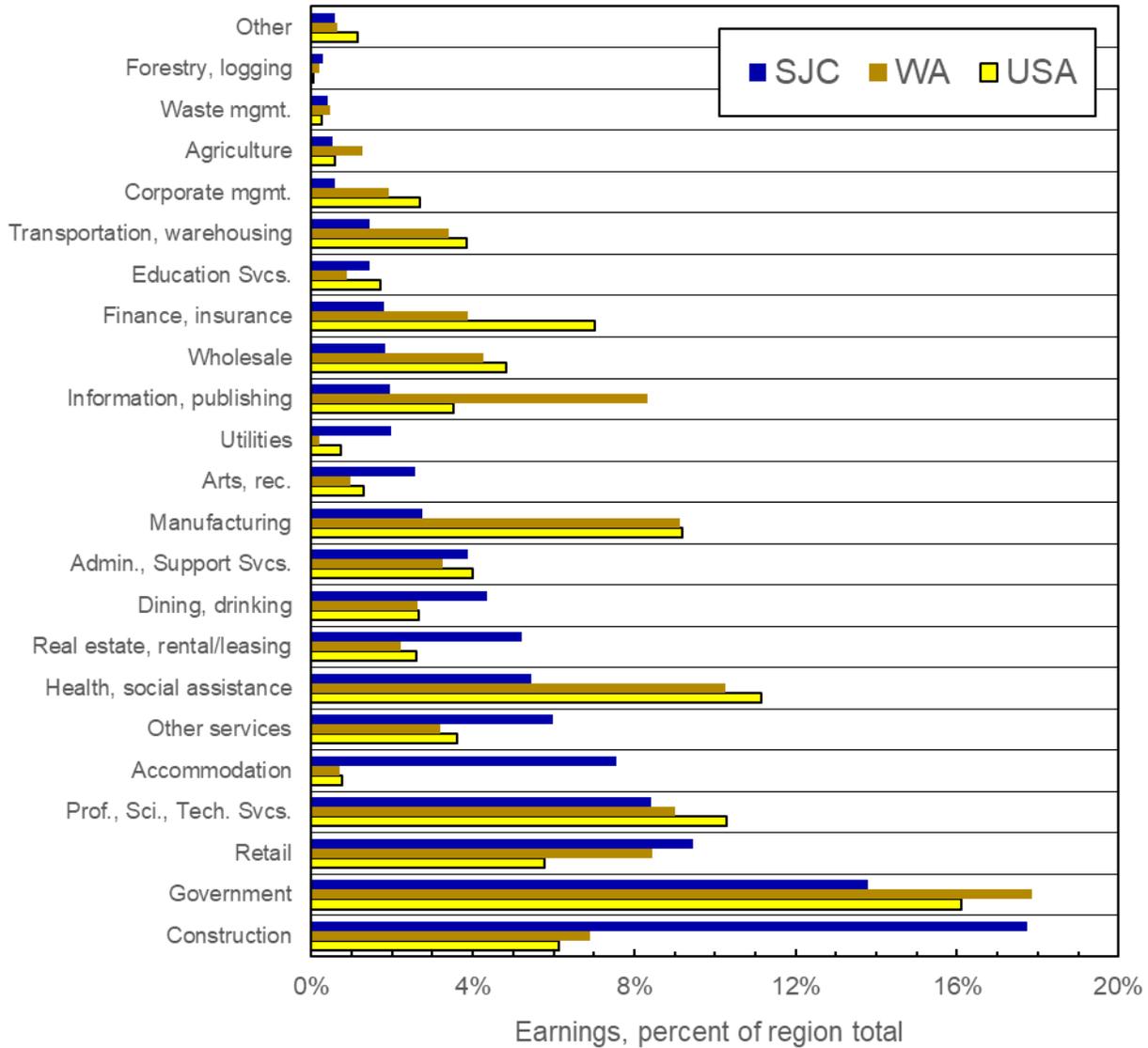
The aggregate of workers’ and proprietors’ earnings for all sectors provides a measure of how much each industry contributes to community vitality because it includes both private and public sector jobs and because it excludes shares of corporate income that do not go directly to people. Bureau of Economic Analysis (BEA) provides earnings data by industry, based on what is reported by businesses to agencies like the IRS. The BEA defines earnings as “the sum of three components of personal income--wages and salaries, supplements to wages and salaries, and proprietors' income.”

Earnings split by industry and region (following the NAICS is shown in Figure 10.12). Construction is the largest industry in San Juan County, comprising a much larger share (18 %) of the economy than in Washington State or the United States as a whole (6 – 7 %). Combined with the real estate and rental sector (5 %), about 23

% of the economy is directly or indirectly tied to buying, selling, or developing land. The second largest share in terms of aggregate individuals' earnings is government at 14%, comparable with the rest of the state and country. The tourism industry is comprised of the bulk of the accommodation sector, and large portions of dining/drinking, retail, and arts and recreation sectors, as well as some of the transportation sectors (note that accommodation and food services – dining and drinking establishments – can be distinguished in this data source). Although the contribution of tourism to these sectors cannot be separated individually, we can estimate that between 8 and 24 % of total earnings depend directly on tourism. Tourism-dependent sectors and land sales/development-dependent sectors are notably larger in San Juan County than in the rest of Washington and the USA.

It is notable that the county's manufacturing, information/publishing, wholesale, and finance sectors, which are much smaller in San Juan County than in Washington State or the USA as a whole. These are all high-wage sectors and could be encouraged in San Juan County. Also notable is the comparative size of accommodations and dining sectors. Data for the US closely parallels that for Washington state, with the exception of the information category, which is likely higher in Washington because of large software publishers like Microsoft and other publishing and data processing/hosting businesses.

Earnings by industry & region, 2017



U.S. Bureau of Economic Analysis, "CAINC5N... Earnings by NAICS Industry" (www.bea.gov) Accessed Nov. 20, 2018.

Figure 10- 12

Workforce

San Juan County’s unemployment rate tends to be annually lower than the national average, but has a regular seasonal fluctuation resulting primarily from the seasonal workforce needs of the tourism and construction industry segments. San Juan County has some “commuter” element to its workforce, primarily provided by selective employers who fly/ferry workers into the county for specific project related work, and residents who

telecommute for mainland companies. It is estimated that between 6 percent of 2016 earnings by residents of comes from out of the county¹⁶.

Unemployment (Figure 10-13): The following chart (Figure 10-13) shows a comparison between San Juan County unemployment rates and the rest of the US. San Juan County tends to have slightly lower unemployment than the rest of the US as an annual average. Unemployment in San Juan County falls substantially in the summer, but increases in the winter¹⁷.

The majority of the County's top sectors are seasonal industries: construction, tourism, and related support industries. Along with seasonal employment come challenges like an increased need for social services for unemployed, lower-wage employees during the off-season months, shortened ferry services, and the closure of retail establishments and other services like bus and transportation services. Finally, some companies (e.g., the major resorts) import seasonal workers from international sources, such as South America, the Philippines, and Eastern Europe. Another source of seasonal workers are retired seniors and high school students and returning college students working during their summer breaks.

¹⁶ WA Employment Security Department, *San Juan County Data tables accessed November 2018*

¹⁷ *Ibid.*

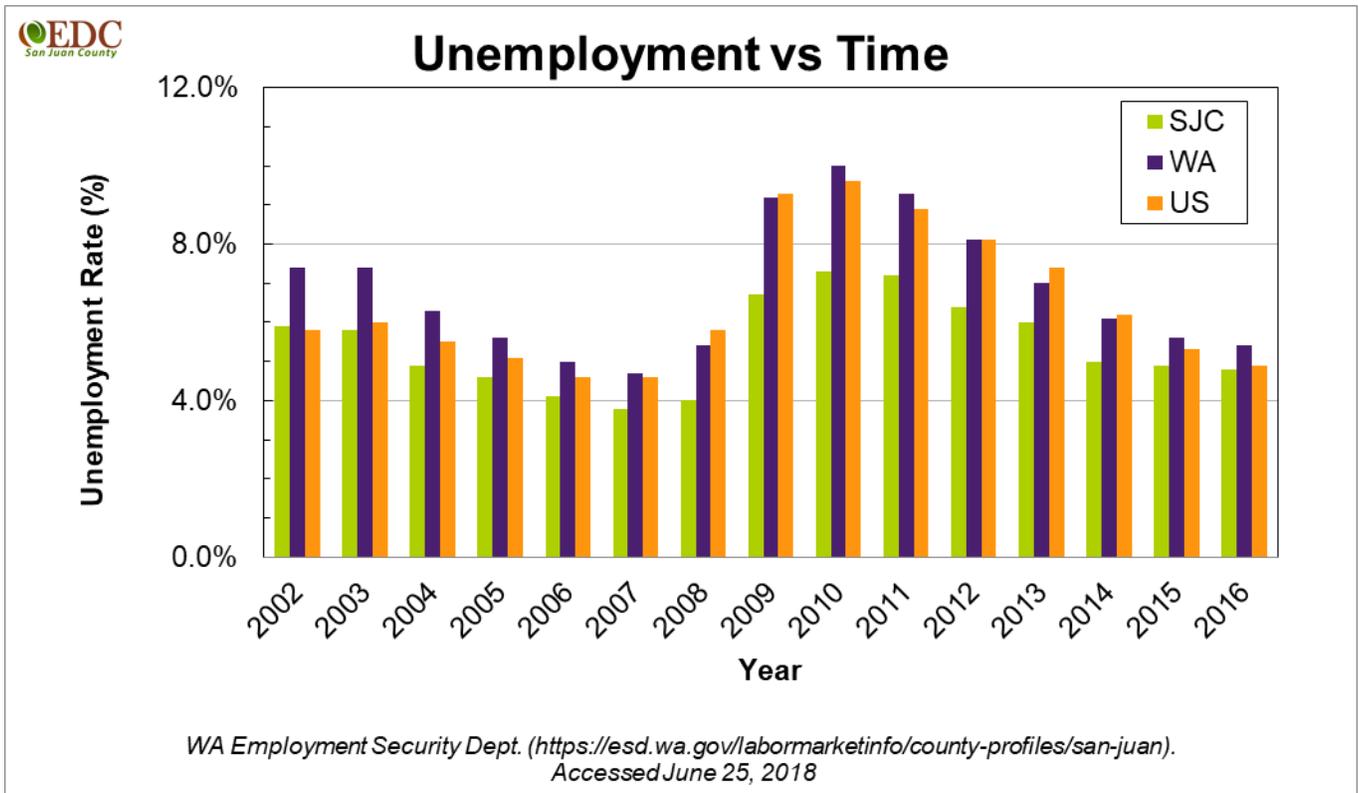


Figure 10-13

The chart on the next page (Figure 10-14) shows the percentage of workers employed in various industry sectors in San Juan County, and average annual wages by industry. Data comes from 2017 employer tax reports from the Washington Employment Security Department. Note that these data are for jobs covered by Washington State Unemployment Insurance; exemptions include self-employed, contractors, real estate

agents, etc.

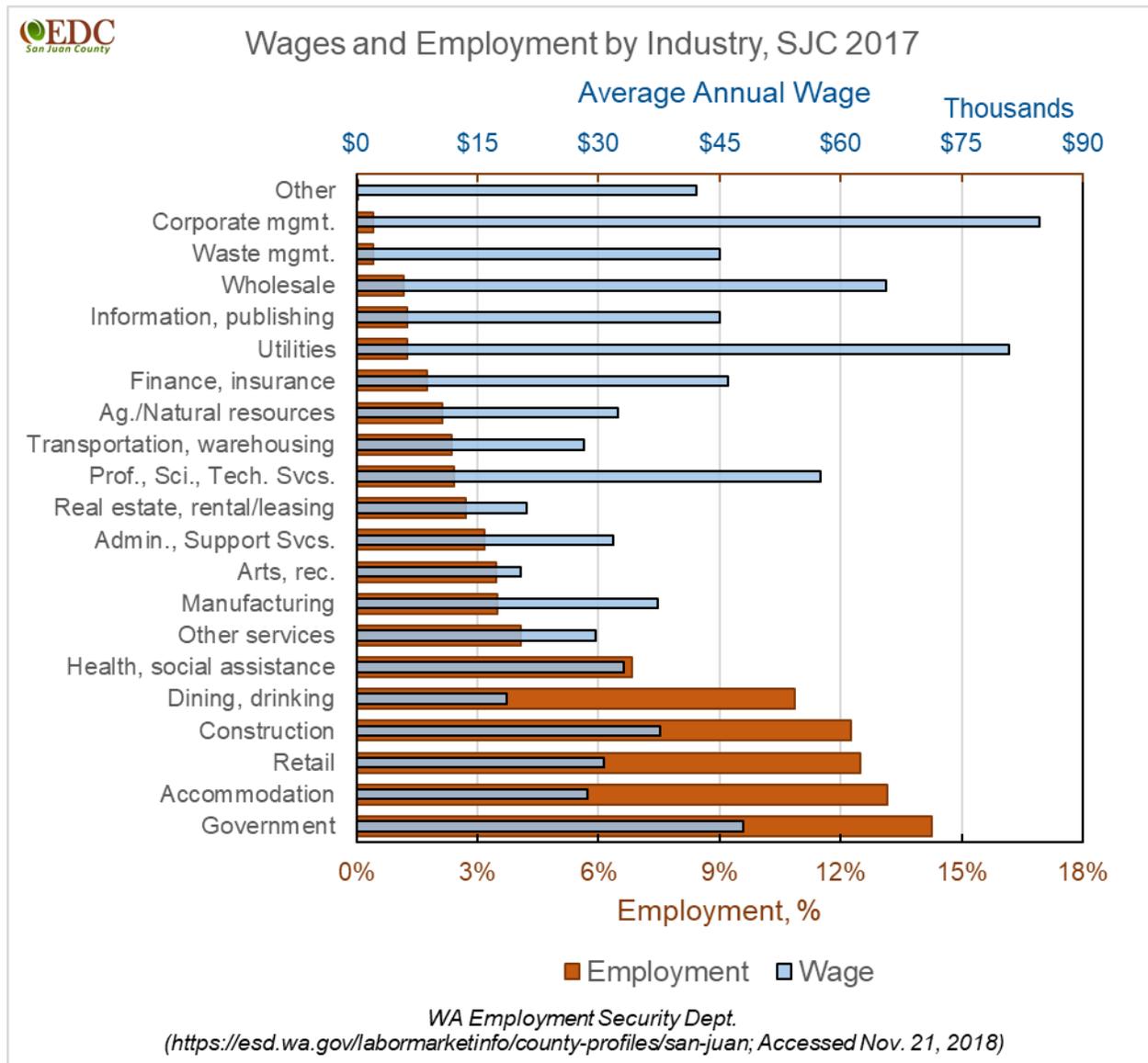


Figure 10- 14

As mentioned before, annual wage income is distinctly lower than other counties, particularly urban counties, partly because the region’s major industries tend to provide low-wage jobs.

Based on Bureau of Economic Analysis data (table CAEMP25N; <https://apps.bea.gov> accessed Nov. 2018), 8 % of San Juan County jobs come from the public service sector – county, town and federal government, port, fire/sheriff department, and school employees. The total number of jobs in San Juan County in 2017 was 11,464, with wage/salary jobs at 6,414 and proprietors at 5,050. These data include both full and part time jobs,

as well as jobs not covered by unemployment insurance (and therefore not counted in the Employment Security Dept. data of Figure 10-13).

With nearly 5,000 business licenses – approximately 2300 of them actively reporting some income annually¹⁸ – San Juan County has a high rate of entrepreneurship relative to other counties in Washington State. Most employees in San Juan County workers are employees of private businesses (48.7 ± 1.8 %), compared to non-profits (8.9 ± 1.1 %) or government (14.0 %), but almost a third (28 ± 1.7 %) are self-employed¹⁹. The proportion of self-employed for San Juan County is almost 3 times greater than for the Washington State as a whole (Figure 10-16).



Figure 10-15

¹⁸ Number of business licenses from WA Secretary of State business license search (ccfs.sos.wa.gov; accessed Dec. 12, 2018; number reporting income from WA Dept. of Revenue Gross Business Income data, courtesy of J. Hoke, June, 2018.

¹⁹ These data are from the Census Bureau's 2012 – 2016 American Community Survey tables C2407 & C24070 (accessed Dec. 03, 2018, factfinder.census.gov). Note that they pool self-employed workers who are not in an incorporated business with unpaid family workers (total 17.9 ± 1.4 %); however, the geographic pattern for people who are self-employed in their own incorporated business (10.5 ± 1.1 % in SIC) is almost identical.