

ORDINANCE NO. 15 - 2014

A 2014 DOCKET ORDINANCE ADOPTING SECTION B, ELEMENT 10, ECONOMIC DEVELOPMENT ELEMENT TO THE SAN JUAN COUNTY COMPREHENSIVE PLAN

BACKGROUND

- A. Pursuant to the Growth Management Act (GMA; Chapter 36.70A RCW), San Juan County (County) adopted the San Juan County Comprehensive Plan (Comprehensive Plan) and official maps and implementing development regulations (the Unified Development Code (UDC); Title 18 San Juan County Code (SJCC)).
- B. An Economic Development Element is a mandatory element in a Comprehensive Plan but is not currently required because funding was not provided to assist in developing elements when this element was added to the GMA (WAC 365.196.400(1)(e)). However, provisions for economic growth, vitality, and a high quality of life are important, and supporting strategies should be integrated with the land use, housing, utilities, and transportation elements.
- C. In 2005, the County began work on an Economic Development Element, but due to staffing issues, set the project aside.
- D. In 2013, the County Council prioritized the Economic Development Element and work was restarted, with the 2005 document being the basis for the current document.
- E. Pursuant to the GMA, the County code includes regulations for legislative procedures, public participation and annual dockets to amend the Comprehensive Plan in Chapter 18.90 SJCC.
- F. Public participation was continuous throughout the development of the Economic Development Element. Multiple methods for public engagement were used to obtain input on the Element. Project information was disseminated through the media in press releases, advertisements and public notices and was provided in an electronically accessible format on the County Council and Community Development and Planning Departments' webpages. Efforts to involve the public included the following activities:
- | | |
|-------------------|---|
| February 25, 2014 | County Council briefing |
| March 4, 2014 | Lopez Island Open House |
| March 5, 2014 | San Juan Island Open House |
| March 6, 2014 | Orcas Island Open House |
| April 1, 2014 | State Environmental Policy Act and Department of Commerce notices |
| May 16, 2014 | Planning Commission briefing, public hearing and deliberations |
| July 18, 2014 | Planning Commission final deliberations |
| September 8, 2014 | County Council 2 nd touch briefing |

September 15, 2014	County Council 2 nd touch briefing—continued
September 29, 2014	County Council 2 nd touch briefing
October 21, 2014	County Council public hearing
October X, 2014	County Council adoption.

G. The proposed Element was evaluated during the development of environmental and nonproject action checklists in compliance with the State Environmental Policy Act (SEPA). The proposal was found to be unlikely to create any significant adverse environmental impacts. The checklists and a Determination of Nonsignificance were issued April 1, 2014 to the Department of Ecology SEPA Register (No. 201401658), and advertised in the April 16, 2014 edition of the Journal of the San Juan Islands and the Islands' Sounder.

H. As required by RCW 36.70A.106, a 60-day notice regarding the potential adoption of amendments to the Comprehensive Plan and development regulations was provided to the Washington State Department of Commerce on March 31, 2014. Commerce acknowledged receipt of the notice in a letter dated March 31, 2014, which indicated that the notice was processed by the State under Material ID No. 20124.

I. The County Council was briefed on this project on February 25, 2014. The proposed document and background information were released to the public in preliminary form prior to this briefing.

J. The Planning Commission held a duly advertised public hearing on May 16, 2014 and took public comments. They deliberated on May 16 and July 18, 2014, and finalized their recommendation to the County Council on July 18, 2014. Notice of the Planning Commission's May 16, 2014 public hearing was published on April 16, 2014 in the Journal of the San Juan Islands and the Islands' Sounder.

K. A staff report for the docket proposal was prepared that gave the County Council background information and presented the draft Element. The July 2014 draft Economic Development Element contained recommendations from the Planning Commission. The staff report and proposed document were released to the public in preliminary form prior to the County Council's September 8, 2014 second touch briefing, which met again on both September 15 and September 29, 2014. Public Hearing drafts were released in their final form at least 10 days prior to the County Council's October 21, 2014 public hearing. All documents were placed on the County's website.

L. The County Council advertised the public hearing on October X, 2014, in the Journal of the San Juan Islands and the Islands' Sounder and conducted the hearing on October X, 2014.

M. The County Council makes the following findings:

The Comprehensive Plan Economic Development Element was prepared as required in RCW 36.70A.070(7), meets the requirements of, and is consistent with, the GMA, as follows:

1. The Comprehensive Plan is the official policy statement of the County, and provides a long-range framework to guide decisions about growth, land uses, transportation systems,

conservation of natural resources, capital expenditures, and procedures and programs. The public has been provided notice and opportunity to review and comment on the draft Comprehensive Plan Economic Development Element, its supportive documents, and the environmental impacts of its adoption. This meets the requirements of RCW 36.70A.035 and 36.70A.140.

2. The Economic Development Element establishes local goals, policies, objectives, and provisions for economic growth and vitality and a high quality of life. It contains components on the environment, transportation, and infrastructure; and includes considerations of permitting and zoning. It is intended to address important economic development needs in San Juan County, and it represents the community's policy plan for the next 20 years.
 - a. Section B.10.1 is an introduction to the Economic Development Element and lists the four overarching goals to maintain and enhance San Juan County's assets: the islands' natural beauty, heritage and culture, which should be considered during any planning process.
 - b. Section B.10.2.A addresses Economic Vision and Framework whereby strategic economic development provides a crucial mechanism for maintaining and enhancing community vitality and prosperity for the long-term. The Economic Development Framework is designed to retain and enhance an economy that reinforces San Juan County's diverse character and capitalizes on its assets.
 - c. Section B.10.2.B develops economic goals, policies, and actions to implement the Economic Development Element. Four goals are described: create living wage jobs; improve infrastructure; encourage tourism and leisure opportunities which preserve environment and jobs; and strengthen traditional industries.
 - d. Section B.10.3.A explains the purpose of the Economic Development Element and recognizes the importance of economic development in maintaining the stability of the local economy and quality of life.
 - e. Section B.10.3.B explains the relationship of the Economic Development Element to the other elements of the Comprehensive Plan and the GMA. Strategies, actions and policies presented within the Economic Development Element are presented within the context of the overall Comprehensive Plan, cognizant of community values and priorities related to land use, population growth, transportation constraints, natural hazard response readiness and many other factors. The Economic Development Element is presented as a plan to bring economic vitality that fits San Juan County.
 - f. Section B.10.3.C explains where the authority comes from to develop this element in relation to the GMA and the Comprehensive Plan. It is intended to address economic development needs in San Juan County, and it represents the community's policy plan for the next 20 years.
 - g. Section B.10.4 gives an economic profile of San Juan County. It begins by enumerating the key challenges in B.10.4.A which include: environmental components; transportation components; infrastructure components; and permitting and zoning considerations.
 - h. Section B.10.4.B identifies the major industries in the county which include: construction/real estate; professional, technical, information, and administrative

services; accommodations, dining, and tourism; manufacturing; marine resources; the agriculture sector; and entrepreneurship.

- i. Section B.10.4.C describes the historical economic context for the county. It identifies the different types of businesses and industries that have operated within the county.
- j. Section B.10.4.D has maps and charts showing statistics about the county. There are charts and graphs depicting population, income, educational attainment, business income, major industries, earnings by industry, number of building permits, average annual unemployment, percentage of total wage jobs by industry, average annual wage by industry, and total compensation of employees. There is also a section that identifies the strengths, weaknesses, opportunities, and threats to economic development in the county.

NOW, THEREFORE, BE IT ORDAINED by the County Council of San Juan County, state of Washington, as follows:

Section 1. Adoption of New Element to the Comprehensive Plan.

A new element 10, Economic Development Element, is added to the Comprehensive Plan Section B to read as shown in attached Exhibit A.

Section 2. Amendment to Table of Contents

The Table of Contents of the Comprehensive Plan shall be amended to show the establishment of Appendix 11.

Section 3. Effective Date.

This Ordinance is effective on December 31, 2014.

Section 4. Codification.

This ordinance shall not be codified, but a copy shall be placed with the official version of the San Juan County Comprehensive Plan as maintained by the Community Development and Planning Department.

ADOPTED this 28th day of OCTOBER 2014.

ATTEST: Clerk of the Council

COUNTY COUNCIL
SAN JUAN COUNTY, WASHINGTON

Ingrid Gabriel, Clerk 10.28.2014
Ingrid Gabriel, Clerk Date

Rick Hughes, Chair
Rick Hughes, Chair
District 2

REVIEWED BY COUNTY MANAGER

Michael J. Thomas 10/28/14
Michael J. Thomas Date

Bob Jarman
Bob Jarman, Vice-Chair
District 1

RANDALL K. GAYLORD
APPROVED AS TO FORM ONLY

By: GK 10-28-2014
Date

Jamie Stephens
Jamie Stephens, Member
District 3

COMPREHENSIVE PLAN

SECTION B, ELEMENT 10
Economic Development Element

October 2014

ELEMENT 10

ECONOMIC DEVELOPMENT ELEMENT

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10.1 INTRODUCTION

10.1.A Overview

Economic development in San Juan County is a critical way to enhance community vitality, and it is a process where the retention and enhancement of the archipelago's assets must be paramount: the islands' natural beauty, heritage and culture should be considered during any planning process.

10.1.A Overarching Goals

To maintain those assets and enhance the San Juan County economy, four goals for the Economic Development Element (EDE) have been identified, which will be expanded upon in section 10.2.B

Goal: Create jobs through the support of diversified, stable, community-friendly industries.

Goal: Promote tourism and leisure opportunities which preserve islands' natural environment while providing high quality-of-life employment. Critical to this will be encouraging experiential learning for all visitors and the preservation of natural and historic properties and ways-of-life.

Goal: Improve infrastructure such as ferry service and telecommunications infrastructure.

Goal: Strengthen traditional industries like construction, light manufacturing, marine resource industries, and agriculture.

10.2 PURPOSE & BACKGROUND

10.2.A Purpose

The Economic Development Element (EDE) is part of the comprehensive plan. The county recognizes the importance of economic development in maintaining the stability of the local economy and quality of life. Industries in San Juan County serve diverse markets and needs that include local, regional, state, national and international markets.

The statewide goal for economic development is as follows:

"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."

Economic development itself has been described in many ways, but is essentially the specific and concerted efforts of communities and policy makers to enable the economic viability of a region or industry. Sound economic development seeks to create sustainable wealth by creating jobs and infrastructure that match the workforce and environment, or by providing workforce training that qualifies locals to fulfill available jobs.

Proactive economic development seeks out business development opportunities based on an area's competitive advantages, market characteristics and community values – because those are the foundations of long-range success. Smart economic development recognizes that prosperity both depends on, and drives quality of life. Sustaining the structure, nature, and diversity of the San Juan County community as it is, will be dependent on maintaining and nurturing a successful economy.

The economy in the San Juan Islands is inextricably linked to the environment and sustainability. The county's future economy is driven by county residents' vision for the future of the community itself. A strong economy that dovetails with the community's vision will help that community achieve larger goals. Indeed, as

the Washington State Department of Community, Trade and Economic Development (now Commerce) has noted, “a community that...preserves its natural features will have an edge when it comes to improving its economy.”

The Economic Development Element of the San Juan County Comprehensive Plan is intended to act as a “roadmap” to reinforce the overall values of the Comprehensive Plan and to steward sustainable development for the betterment of the lives of San Juan County citizens.

The purpose of the Economic Development Element is to set goals and establish policies, objectives and provisions for economic growth and vitality and a high quality of life in San Juan County, with supporting strategies integrated with land use, housing and transportation elements.

10.2.B Relationship to Other Comprehensive Plan Elements & the GMA

The Economic Element (EDE) is just one part of the San Juan County Comprehensive Plan. It does not supersede any other element or policy direction set therein. Rather, the EDE incorporates and builds on or works within policies and planning frameworks established in the other plan areas.

The EDE is structured to provide the same level of general goal and policy direction as the other Comprehensive Plan elements, but also includes a more detailed “action plan.” Generally speaking, a Comprehensive Plan serves as a vehicle for characterizing and forecasting conditions and levels of demand within a specific jurisdiction, then developing *jurisdiction-specific* policies and goals for responding to anticipated conditions and meeting defined levels of service. The EDE does this as well, but also offers a stand-alone action plan that assumes economic development is regional, and that implementation responsibilities will 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.

Most importantly, strategies, actions and policies presented within the EDE are presented within the context of the overall Comprehensive Plan, cognizant of community values and priorities related to land use, population growth, transportation constraints, natural hazard response readiness and many other factors. In short, the EDE is presented as a plan to bring economic vitality that fits San Juan County.

10.2.C Authority

The Washington Growth Management Act (GMA) requires Washington counties and municipalities to maintain a Comprehensive Plan to help plan for and manage growth now and in the future. The Economic Development Element, developed in accordance with RCW 36.70A.070 (7), has become an important planning tool supported and promoted by the State of Washington. It is intended to address economic development needs in San Juan County, and it represents the community’s policy plan for the next 20 years. The GMA addresses the concerns of “uncoordinated and unplanned growth that potentially pose a threat to the environment, sustainable economic development, and the health, safety and high quality of life enjoyed by residents.”

Development of this element was guided by the planning goals¹ provided by the GMA.

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. Initiatives to strengthen infrastructure, training programs, transportation, and communications networks benefit business, resident and visitor populations. Efforts to create more quality employment are not just about creating jobs but also about enhancing a rich social network of healthy families and active community members.

¹ RCW 36.70A.020

Economic Development Framework

Retain and enhance an economy that reinforces San Juan County's diverse character and capitalizes on its assets, including: pristine natural beauty, history and heritage, high educational attainment, diverse skills, cultural creativity, the can-do attitude and problem-solving skills of its residents, sustainability, rural quality, natural resources and agricultural and maritime historical industries.

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

1. The majority of island residents would see potential economic growth as a controllable means for maintaining economic vitality and a high quality of life, preserving what is dear – the rural character and natural characteristics of San Juan County. As a community, a healthy economy must be nurtured. Quality of life is defined as the general well-being of individuals and communities, particularly in ecology, economics, health and welfare, politics and culture.
2. The purpose of an economic element is to guide policy, decision-making and investment. Therefore, proposed strategies should be designed with San Juan County, the Town of Friday Harbor, the Ports, potential business investors, proposed urban growth areas and hamlets as the principal audience. Implementation will require participation by many entities and private sector partners in addition to the various jurisdictions.
3. Proposed economic development strategies must be based on island realities and be designed holistically, with an eye toward keeping an island-scale economy and the preservation of San Juan County's high quality of life, rural character and precious natural resources. Policies should emphasize the most promising, wage-generating, and San Juan Islands-appropriate economic emphasis areas.

10.2.B Economic Goals, Policies & Actions

GOAL 1: CREATE LIVING WAGE JOBS

Goal: Support a sound, stable, year-round and diversified economic base that creates living wage jobs in community-friendly industries. Living wage is defined as the wage that can meet an employee's basic needs to maintain a safe, decent standard of living within the community.

Policies:

- Policy A: Emphasize locally made goods and services within San Juan County, for local use & export.
- Policy B: Work to address and mitigate the seasonality and wage issues of many industrial sectors in the county (e.g., construction, tourism).
- Policy C: Work to improve linkages with seasonal residents – tourists and "snow bird" residents alike.
- Policy D: Encourage light manufacturing and cottage industries to create products for export and jobs.
- Policy E: Support the work of the San Juan County Economic Development Council (EDC) through funding and other resources.
- Policy F: Encourage and work with San Juan County's three ports to foster use of qualified port land for entrepreneurial ventures and, potentially, incubator spaces.
- Policy G: Encourage the retention and expansion of existing businesses
- Policy H: Developing broadband speeds of 100Mbps or higher – or the current standard for urban regions of the U.S. – is critical to improving all aspects of the San Juan County economy.

Actions:

- Action A: Through a review of current business area zoning, work to retain and encourage light manufacturing and cottage industries to create products for export and to create jobs.
- Action B: Consider tax breaks and code allowances to encourage light manufacturing and cottage industries.
- Action C: Work to recruit entrepreneurs to San Juan County, particularly high-tech entrepreneurs.
- Action D: Work to develop “encore entrepreneurs” – helping retired island entrepreneurs to create new businesses.
- Action E: Collaborate to create a “Shop Islands” initiative, encouraging islanders to shop in San Juan County.
- Action F: Create and support mentoring and educational programs to support new businesses and entrepreneurs.
- Action G: Encourage and financially support tech and trades education in San Juan County schools and colleges.
- Action H: Map gaps in small businesses’ needs in order to create new jobs (e.g., do businesses collectively need more bookkeepers).
- Action I: Work with Skagit Valley College and the Workforce Council to improve workforce training opportunities. Action J: Work with the San Juan County EDC and other agencies to improve the health of existing small businesses, including creation of a resource center for small businesses

GOAL 2: IMPROVE INFRASTRUCTURE

Goal: Support efforts to improve infrastructure that strengthens the economy and creates jobs.

Policies:

- Policy A: Encourage provision of adequate infrastructure that is supportive of a healthy economy and environment.
- Policy B: Support high-speed broadband infrastructure which enables the creation of jobs and improved educational opportunities for islanders.
- Policy C: Encourage Washington State Ferries to improve San Juan Islands ferry service, vessels and infrastructure.
- Policy D: Encourage a healthy workforce and community in San Juan County.
- Policy E: Encourage planning for and prevention of oil spills in San Juan County.
- Policy F: Support alternative energy and increased redundancy of both power and telecommunications infrastructure. Policy G: Create a long-term, sustainable energy plan to offset potential increases in electric rates.
- Policy H: Work with US Customs and Border Patrol to increase commerce and transportation between the islands and Canada, including scheduled flights.

Actions:

- Action A: Provide adequate infrastructure that is supportive of a healthy economy and environment.
- Action B: Provide adequate infrastructure and encourage zoning that is supportive of community high-speed broadband infrastructure.
- Action C: Ensure that tourism infrastructure and facilities (including way-finding signs) are updated and improved.
- Action D: Identify facilities for water-borne transportation for tourism and export.

- Action E: Support efforts of the San Juan County Health Department to encourage a healthy community and workforce through workforce wellness programs, community vaccination outreach, walkable spaces projects and other programs.
 - Action F: Define San Juan County as an oil spill staging area with 4 and 6 hour planning standards resident in San Juan County. This would likely require paid professional spill response personnel and their equipment to be resident in San Juan County, so that they can be onsite anywhere in the county within 4-6 hours.
- Action G: 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 the major islands
- Action H: Develop alternative and improved transportation to move goods and services from the islands to the mainland.
 - Action I: Work with all three ports to create a free-trade zone in San Juan County.
 - Action J: Support the development of base infrastructure in Eastsound and the other urban growth areas, including parking, garbage, sewer and water.

GOAL 3: ENCOURAGE TOURISM AND LEISURE OPPORTUNITIES WHICH PRESERVE ENVIRONMENT, JOBS

Goal: Encourage tourism and leisure opportunities while preserving the environment and year-round, living-wage jobs.

Policies:

- Policy A: Encourage tourism and leisure opportunities which preserve islands' natural environment and which are attractive to residents and visitors, while providing living wage employment.
- Policy B: Encourage and promote ecotourism and conservation in the islands.
- Policy C: Encourage the protection of San Juan County's rural character and cultural heritage.

Actions:

- Action A: Cultivate high-end, high-income international tourism by encouraging high-end, low-impact (in particular, "green") building of tourism venues like micro-hotels, restaurants and bed & breakfasts, exploring ways to promote it through potential zoning changes and other encouragement.
- Action B: 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 C: Ensure that view corridors and scenic roads are preserved, with consideration for owners' property rights.
- Action D: Enable and encourage the "Island Friendly Spirit" customer service initiative.
- Action E: Encourage arts tourism – visual arts, food, music – all arts which benefit residents and tourists.
- Action F: Develop & implement the San Juan County tourism master plan.
- Action G: Work with local, state and federal agencies to preserve San Juan County's cultural and historical heritage. This is more fully addressed in section 2.2.H and 3.2.G of the San Juan County Comprehensive Plan.
- Action H: Promote experiential activities for visitors and residents.
- Action I: Encourage county staff, residents and visitors to use "leave no trace" principles.

GOAL 4: STRENGTHEN TRADITIONAL INDUSTRIES

Goal: Support efforts to strengthen traditional industries

Policies:

- Policy A: Promote actions that protect and enhance construction, marine resource industries, agriculture, aquaculture, craft manufacturing and other traditional industries, including establishment of infrastructure and community tool libraries and support of workforce development and training in these trades.

Actions:

- Action A: Work with all three San Juan 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: Improve waterfront infrastructure and access, particularly the improvement of barge landing access throughout the county, by renovating existing barge landings and through the creation of new landings and log dumps, working with the ports and other entities.
- Action C: Expand local and regional markets through promotion of local branding through the *Island Grown* Program.
- Action D: Assist new farmers in acquiring access to agricultural land.
- Action E: Work to streamline the permitting process, which will make it easier for businesses and contractors to plan and effect projects.
- Action F: Identify & implement policies which expand genetically-modified organism (GMO)-free seed production. Action G: Support job skills training for traditional industries such as construction, marine resource industries and agriculture.

10.4 ECONOMIC PROFILE OF SAN JUAN COUNTY

10.4.A Key Challenges

Environmental Components

Preservation of San Juan County's ecosystem is essential to maintenance of all of the region's key industries. The real estate and marine industries, tourism, agriculture, and the quality of life is maintained when the natural surroundings are preserved and protected. Water rights and use, garbage and recycling services, low-impact transportation: all of these have a profound effect on the islands.

Transportation Components

San Juan 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 all 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 San Juans Archipelago has a total area of 621 square miles, of which 174 square miles are land and 447 square miles are water. San Juan 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.

San Juan 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.

San Juan 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, and 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. San Juan County is surrounded by significant existing and potentially increasing oil spill risk.

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 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 San Juan 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 good access to 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 a nationally-owned cable franchise, nationally-owned telephone franchise, and in a much more limited role by OPALCO and mainland providers. There are also private internet service providers on the three main islands, all reselling service available from the telephone franchise. Most of the county does not have access to speeds higher than 1.5Mbps. One main area of concern for the county is that the lack of county-wide high-speed broadband needs to be continued 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, providing high-wage jobs to residents who could choose to work from home or develop specialized tech-related businesses.

San Juan County has witnessed firsthand the fragility of the county's broadband and telephone connections – when the submarine cable broke in November of 2013, thousands of islanders were without access to phone, broadband, and in some cases cellular service for over 10 days. Particularly troubling was the lack of 911 emergency service for the first part of the outage.

A recent study by the Brookings Institution has shown that for every one percentage point increase in fast broadband penetration, employment is projected to increase by around 0.25 percent a year. Other research has indicated exactly the same thing: A study by MIT researchers showed that broadband added

about 1.2% to a community’s growth rate. A World Bank study from 2009 found an even stronger correlation – that broadband added around 12% to the growth rate in the number of jobs.

The FCC defines “broadband” as 4Mbps or faster. In San Juan County, only 10% of county residents have access to speeds like that, and anything less than this isn’t fast enough for bandwidth-heavy applications. On average, 30% of the rest of the U.S. has access to speeds higher than 4Mbps. In some cases, the speeds are much, much higher. The average for the rest of the U.S. is 6.1Mbps. The average in San Jose, CA is 13.7Mbps.

Many municipalities are currently installing fiber in their communities – and they’ve seen the benefits as high-wage businesses move to their areas. After investment in dedicated fiber-to-the-home, Mount Vernon, WA has seen significant in-migration of fiber-dependent entrepreneurs from around the US. The businesses that moved in brought above-average wage employment for the business owners, and for their employees.

Using the Brookings Institution figures, if San Juan County could increase the fast broadband penetration rate to what the rest of the U.S. enjoys – 30%, or 20 points higher than what is currently available in San Juan County (2014) –much improved per capita wage income and lowered unemployment would be seen.

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 those earning below 80% of the median family income for the area but, exceptionally, those earning up to 150% of the area median family income because the cost of housing here is so 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.

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 34% (2012 figure) 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 also not come back fully and that sector remains well below the economic activity of even ten years ago. As San Juan

County is a secondary market for most purchasers, it is likely to take several years more to recover from the impacts of the Great Recession.

Other considerations:

1. Large construction projects (e.g., Peaceland Hospital project) seem beyond the capability of local contractors; often local major construction projects are won by 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/Technical/Information & Administrative Services

In recent years, as infrastructure has improved, San Juan County and, in particular Friday Harbor, has become a comfortable place for many non-resource-dependent businesses to set up shop. Industry classification data shows growth in information services, finance and insurance, professional and technical services, educational services and health care and social services.

A few of the characteristics of these businesses have contributed to recent success: they have few employees, require little space, operate year-round, have little environmental impact and, in large part, do not have insurmountable cost-of-business incongruities when compared to off-island competitors. Currently representing nearly 16% of the county's economy, the service sector is 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 increase this sector 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

Currently representing about 11% of our economy, tourism plays an important role within the economy and affects other sectors. While many residents would agree that tourism is a healthy component of the county's economy, groups like the San Juan Islands Visitors' Bureau and the chambers of commerce work hard to mitigate any negative impacts of tourism. Studies have shown that most negative impacts occur when the number of visitors is greater than the infrastructure and the environment's ability to cope with the visitor volume. These groups work to encourage the preservation of sociocultural and environmental authenticity of the islands' communities.

Imperative to tourism initiatives has been conservation and historical preservation to ensure that the islands remain a welcoming, beautiful and meaningful place both for locals and visitors, and this effort to maintain and preserve is likely to – and should – continue.

Part of the current efforts regarding tourism includes an Island Friendly Spirit initiative, begun in 2011 in order to address how the impacts of tourism affect tourism employees and business owners and how to ameliorate negative effects, making the islands friendlier to visitors and locals alike. Additionally, begun in 2005, the San Juan Islands Scenic Byway effort was envisioned as a way to accommodate and manage tourism while at the same time preserving and enhancing the qualities of the islands.

Manufacturing

The manufacturing sector, while small at about 3% of the total gross county product, represents an important one for the county in that manufacturing employees tend to receive higher wages than many other sectors here. 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 synthetic corneal plugs, 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.

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 yacht sales generate significant sales tax revenue. Traditional and widespread marine harvests are not currently viable, but are new sustainable, niche products – such as kelp, an option? 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

While representing less than 2/10th of one percent (.0015%) of the economy in San Juan County, agriculture is nonetheless an important industry to many residents for several reasons. A thriving farm economy diversifies the local economic base and can help to preserve the county's beautiful pastoral landscape which is alluring to locals and visitors alike.

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 crops such as 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 typically 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.

As San Juan County is a rural county, the influences on the agricultural sector are important. Although San Juan County has a thriving small farm sector, 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 but in several different ways. For example, the conversion of agricultural pasture lands back into forest land happens with the neglect of agricultural field management.

A lack of owner interest, owners' responses to regulatory incentives, outright abandonment of agricultural land management, 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.

Add into this mix the reality that the average age of farmers and farmland owners in San Juan County mimics the national statistic of around 66 years old. 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.

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 licenses per capita than any other county in the state.

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 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 pastureland 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 is continuing to recover from the Great Recession of 2007-09. Most sectors have recovered well, but gains since the recession have not kept up with inflation – and the aggregate of all industries has not kept up with inflation, experiencing shrinkage of 1.3% overall between 2003-2012. Construction and real estate experienced the largest drops and have not yet fully recovered from Great Recession impacts. Transportation, while a small component of the county's economy, experienced the largest gains during that same time period of 2003-2012, and wholesale trade, utilities and services also experienced moderate gains.²

² Data: Bureau of Labor Statistics/Washington State Department of Revenue, July 2013

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10.4.D Data & Charts

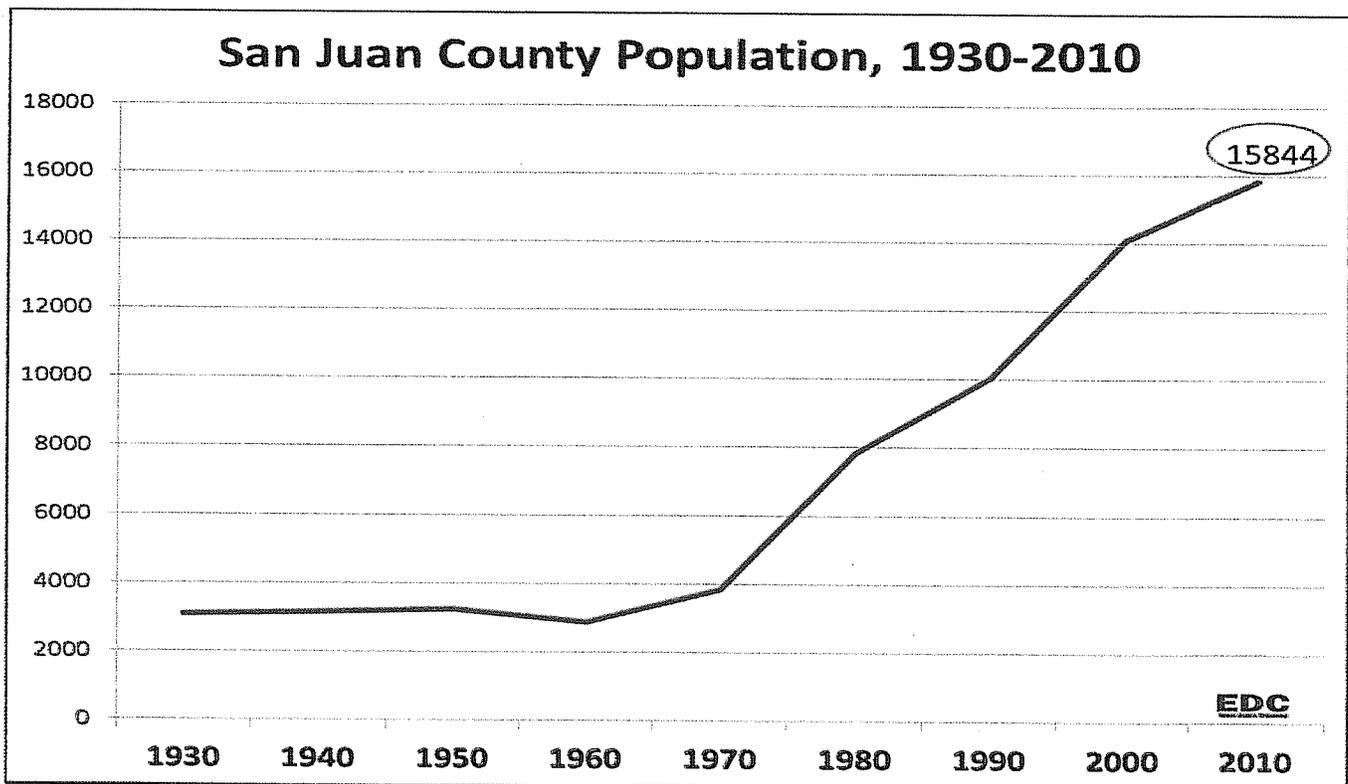
Population

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 45% of county residents have a bachelor’s degree or higher, compared to the state average of 31%.¹ San Juan County is far less ethnically diverse than Washington State with smaller proportions of all racial or ethnic minorities compared to the state. About 98 percent of its population was white in 2010.

Active seniors – particularly the “Boomer” generation – especially are attracted to the islands both as a destination and as a retirement base. San Juan County is what the AARP describes as an eminently “livable community” for active seniors, with a small, easily accessible town, excellent medical care, great access to outdoor activities. The industry sectors that serve seniors – particularly health and home care-related, have enjoyed gains from this important population segment.



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

Figure 10-1

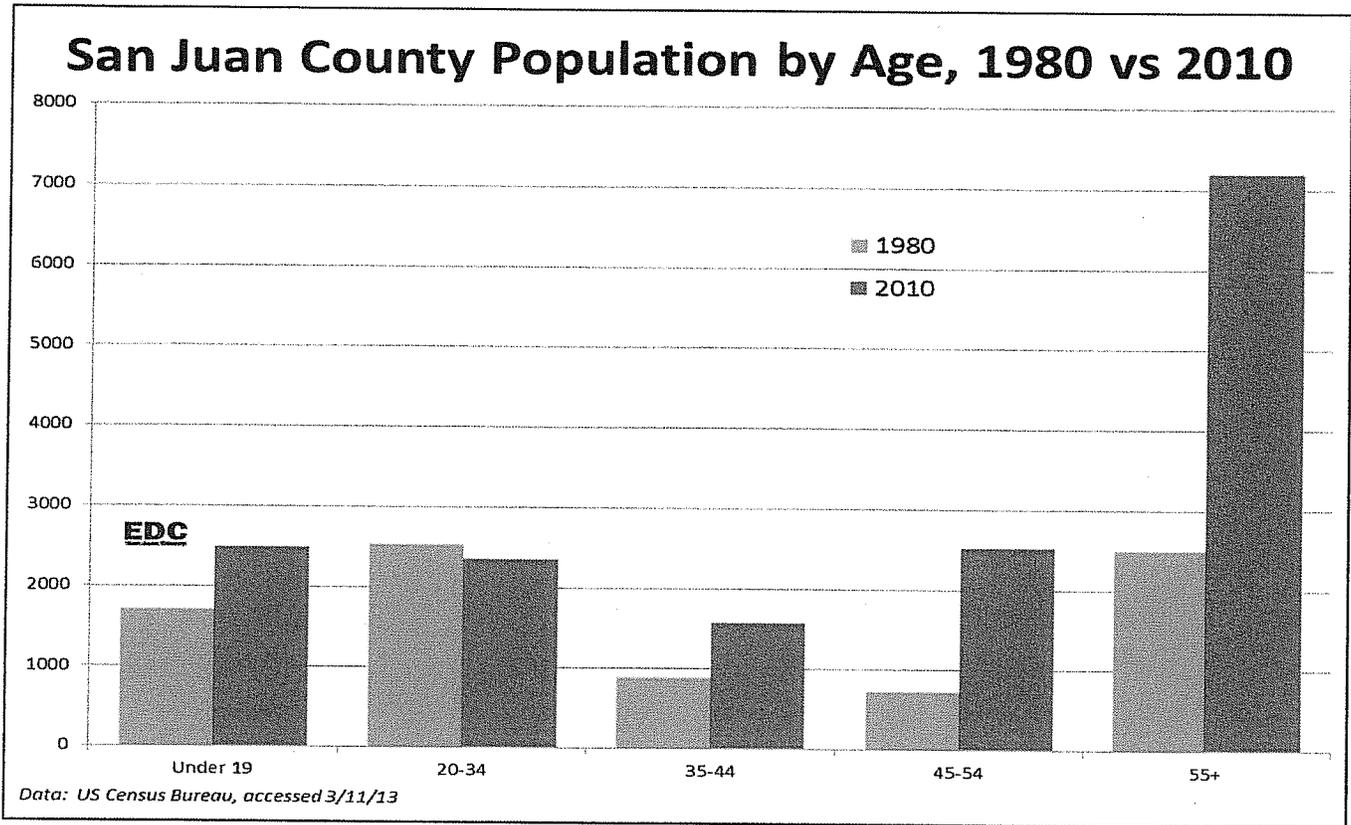


Figure 10- 2

Income

San Juan County residents enjoy the second highest “personal income per capita” in Washington State, by county, at \$53,389 (state average is \$42,589; King County average is \$55,136).³

“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 nation.

“Wage income” is defined as income earned through work. Average annual wage income is \$31,200, among the lowest in Washington state (state average is \$48,518, King County is \$60,751). Average pay in all the top sectors (except government) is quite low, and wages have not kept up with inflation.⁴ “Average” means the aggregate of all wage income, divided by the number of workers.

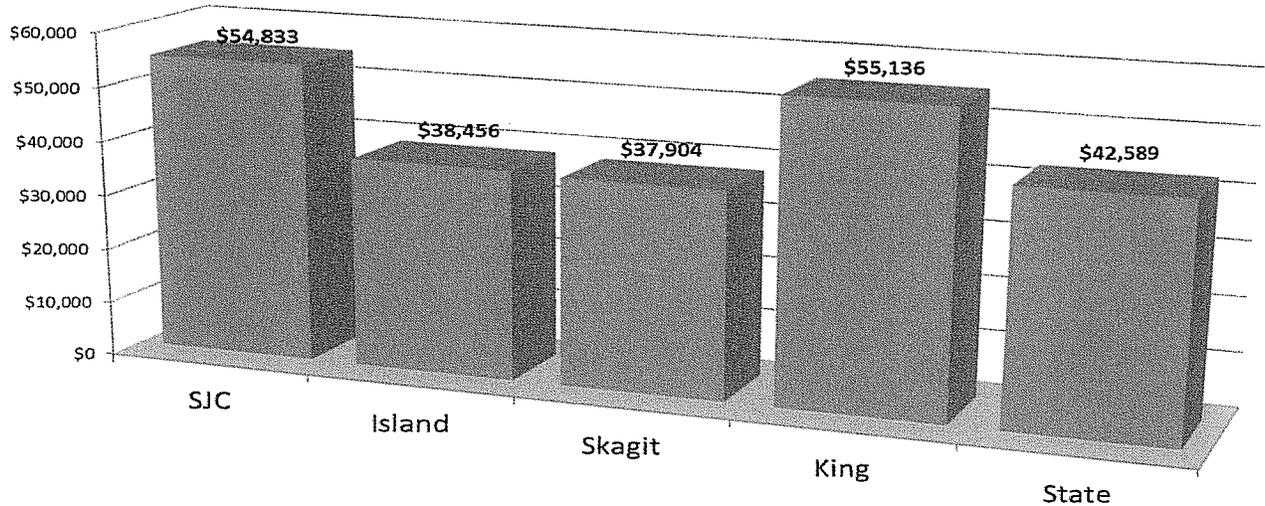
Average annual wage income in San Juan County is significantly lower than other counties, particularly urban counties, because many jobs here are seasonal and part-time, and jobs in unskilled service sectors predominate in the economy. The following two charts show the contrast between personal income per capita in 2012 versus average annual wage income, with a comparison between neighboring and King counties. Data are from the Washington State Employment Security Department and the Bureau of Economic Analysis, accessed 1/24/14.

³ Data: Washington Employment Security Department, accessed 1-24-14.

⁴ *Ibid*

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Personal Income Per Capita, 2012 San Juan County vs Other WA Counties

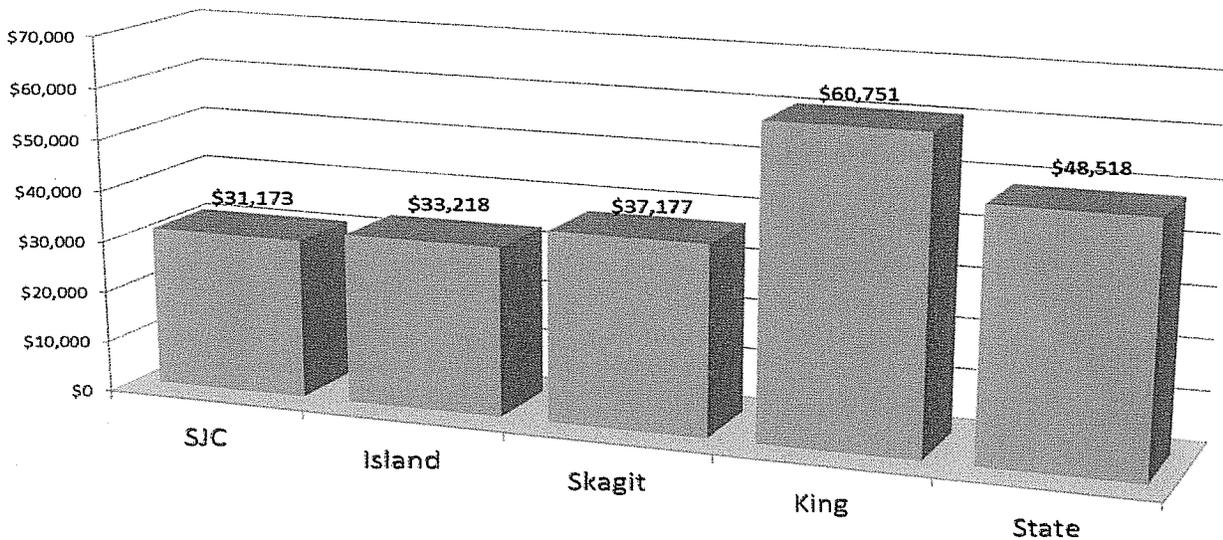


EDC

Data: WA Employment Security Department, accessed 2-26-13

Figure 10-3

Average Annual Wage Income, 2012 San Juan County vs Other WA Counties



EDC

Data: WA Employment Security Department, accessed 2-26-13

Figure 10-4

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The following chart 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. Negative numbers represent losses. (D) entries replace data for industries with few reporting businesses in order to preserve confidentiality.

Several figures and trends are notable in the chart on the next page.

- Farm proprietor income shows only steepening *losses* for the past decade, meaning that there has been no income, only growing business losses, for all farms as an aggregate for the past 10 years.
- Non-farm earnings (all other sectors) retracted post- Great Recession, but began making positive strides again in 2010 and income continues to increase – 3% from 2011 to 2012.
- The construction sector continues to struggle, and has not made up losses after the Great Recession
- Retail trade, educational services, health care and transportation emerge as a few of the sectors little affected by the Great Recession. Administrative services have done very well, with increases of over 68% in the past decade. Arts, entertainment and recreation have also made great gains, experiencing an increase of over 75% since 2003.
- Real estate and rental and leasing has been hard hit – losing nearly 50% of its strength in the past decade.
- While affected by the Great Recession, government and government enterprises have remained solid during the past decade, experiencing an increase in income of nearly 37% during that time period.

CA05N Personal income by major source and earnings by NAICS industry 2003-2012 : San Juan County, WA

Bureau of Economic Analysis, data accessed 1/24/14, formatted by Victoria Compton, SJCEDC

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Line Code	Description	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Income by place of residence (thousands of dollars)										
0	Personal income (thousands of dollars)	\$602,005	\$669,406	\$729,135	\$792,427	\$876,714	\$944,770	\$801,985	\$778,627	\$811,402	\$844,824
0	Population (persons) 2/	14,787	15,071	15,167	15,270	15,400	15,590	15,714	15,759	15,812	15,824
0	Per capita personal income (dollars)	\$40,712	\$44,417	\$48,074	\$51,894	\$56,929	\$60,601	\$51,036	\$49,408	\$51,316	\$53,389
	Derivation of personal income (thousands of dollars)										
15	Earnings by place of work	\$232,016	\$248,818	\$255,033	\$270,290	\$282,182	\$300,853	\$280,226	\$283,919	\$286,985	\$294,474
16	less: Contributions for government social insurance 3/	\$29,210	\$31,676	\$33,089	\$34,720	\$36,460	\$37,959	\$36,879	\$37,888	\$34,934	\$35,132
17	Employee & self-employed contribs for gov't social insurance	\$13,927	\$15,088	\$16,022	\$17,388	\$18,627	\$20,195	\$19,515	\$19,654	\$16,548	\$16,948
18	Employer contributions for government social insurance	\$15,283	\$16,588	\$17,067	\$17,332	\$17,833	\$17,764	\$17,364	\$18,234	\$18,386	\$18,184
2	plus: Adjustment for residence 4/	\$35,466	\$37,900	\$39,693	\$43,225	\$45,189	\$46,252	\$44,399	\$46,522	\$49,441	\$52,043
5	equals: Net earnings by place of residence	\$238,272	\$255,042	\$261,637	\$278,795	\$290,911	\$309,146	\$287,746	\$292,553	\$301,492	\$311,385
6	plus: Dividends, interest, and rent 5/	\$293,693	\$341,437	\$388,484	\$427,938	\$491,225	\$533,365	\$396,773	\$359,095	\$378,893	\$396,519
7	plus: Personal current transfer receipts	\$70,040	\$72,927	\$79,014	\$85,694	\$94,578	\$102,259	\$117,466	\$126,979	\$131,017	\$136,920
	Earnings by place of work (thousands of dollars)										
	Components of earnings										
0	Wages and salaries	\$147,247	\$158,075	\$163,409	\$176,054	\$187,574	\$195,035	\$184,674	\$183,865	\$182,238	\$188,075
0	Supplements to wages and salaries	\$36,938	\$41,166	\$42,620	\$43,439	\$47,192	\$50,220	\$47,384	\$50,387	\$48,927	\$48,869
1	Employer contribs for employee pension and insurance funds 6/	\$21,655	\$24,578	\$25,553	\$26,107	\$29,359	\$32,456	\$30,020	\$32,153	\$30,541	\$30,685
2	Employer contributions for government social insurance	\$15,283	\$16,588	\$17,067	\$17,332	\$17,833	\$17,764	\$17,364	\$18,234	\$18,386	\$18,184
0	Proprietors' income 7/	\$47,831	\$49,577	\$49,004	\$50,797	\$47,416	\$55,598	\$48,168	\$49,667	\$55,820	\$57,530
1	Farm proprietors' income	-\$904	-\$1,274	-\$1,819	-\$1,985	-\$2,400	-\$3,437	-\$2,400	-\$2,686	-\$2,162	-\$3,498
2	Nonfarm proprietors' income	\$48,735	\$50,851	\$50,823	\$52,782	\$49,816	\$59,035	\$50,568	\$52,353	\$57,982	\$61,028
	Earnings by Industry (thousands of dollars)										
1	Farm earnings	-\$26	-\$252	-\$398	-\$669	-\$1,143	-\$2,119	-\$973	-\$1,491	-\$1,147	-\$2,494
2	Nonfarm earnings	\$232,042	\$249,070	\$255,431	\$270,959	\$283,325	\$302,972	\$281,199	\$285,410	\$288,132	\$296,968
0	Private nonfarm earnings	\$189,358	\$204,055	\$208,177	\$219,645	\$229,078	\$244,390	\$222,767	\$224,019	\$229,396	\$238,639
00	Forestry, fishing, and related activities	(D)									
00	Mining	(D)									
00	Utilities	\$4,420	\$5,310	\$5,421	\$6,266	\$6,400	\$6,798	\$6,653	\$7,617	\$8,239	\$7,844
00	Construction	\$41,986	\$44,022	\$46,086	\$47,816	\$51,574	\$52,668	\$44,291	\$41,208	\$40,885	\$40,361

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500	Manufacturing	(D)	\$12,584	\$9,192	\$10,957	\$10,940	\$11,301	\$9,010	\$8,999	\$9,625	\$9,773
510	Durable goods manufacturing	(D)	\$10,833	\$7,374	\$9,010	\$8,954	\$9,056	\$7,189	\$7,382	\$7,887	\$7,911
530	Nondurable goods manufacturing	(D)	\$1,751	\$1,818	\$1,947	\$1,986	\$2,245	\$1,821	\$1,617	\$1,738	\$1,862
500	Wholesale trade	\$2,951	\$3,189	\$3,776	\$3,649	\$3,357	\$3,553	\$4,207	\$4,686	\$4,179	\$5,135
700	Retail trade	\$22,183	\$25,301	\$27,084	\$31,221	\$30,537	\$28,793	\$27,949	\$29,270	\$27,271	\$27,361
300	Transportation and warehousing	\$2,733	\$2,978	\$3,174	\$3,342	\$3,691	\$3,735	\$3,510	\$3,738	\$3,584	\$4,045
300	Information	\$2,915	\$3,276	\$3,868	\$3,278	\$3,701	\$3,786	\$4,371	\$4,536	\$4,197	\$3,961
1000	Finance and insurance	\$7,453	\$8,443	\$7,361	\$7,567	\$7,687	\$6,802	\$6,883	\$7,173	\$6,679	\$6,170
100	Real estate and rental and leasing	\$12,573	\$11,460	\$10,231	\$8,794	\$5,697	\$9,563	\$6,560	\$6,803	\$6,640	\$6,733
200	Professional, scientific, and technical services	(D)									
300	Management of companies and enterprises	(D)									
400	Administrative and waste management services	\$6,553	\$7,381	\$6,820	\$8,013	\$8,407	\$10,304	\$11,701	\$11,324	\$10,815	\$11,018
500	Educational services	\$2,435	\$3,022	\$3,456	\$3,485	\$3,297	\$3,830	\$3,910	\$4,133	\$4,243	\$4,683
600	Health care and social assistance	\$10,110	\$11,521	\$12,183	\$12,923	\$13,381	\$15,993	\$16,238	\$16,417	\$16,246	\$16,804
700	Arts, entertainment, and recreation	\$3,740	\$4,307	\$4,708	\$4,691	\$5,657	\$6,036	\$5,494	\$5,430	\$6,962	\$6,544
800	Accommodation and food services	\$26,490	\$28,450	\$29,112	\$30,082	\$31,882	\$34,105	\$27,151	\$28,078	\$32,595	\$38,762
900	Other services, except public administration	\$12,558	\$13,701	\$14,666	\$16,061	\$18,060	\$18,685	\$18,653	\$18,912	\$20,054	\$20,480
1000	Government and government enterprises (thousands of dollars)	\$42,684	\$45,015	\$47,254	\$51,314	\$54,247	\$58,582	\$58,432	\$61,391	\$58,736	\$58,329
1001	Federal, civilian	\$3,351	\$3,582	\$3,961	\$4,153	\$4,444	\$4,596	\$4,567	\$5,083	\$4,721	\$4,782
1002	Military	\$1,392	\$1,497	\$1,682	\$1,495	\$1,487	\$1,681	\$1,908	\$1,863	\$1,657	\$1,483
1010	State and local	\$37,941	\$39,936	\$41,611	\$45,666	\$48,316	\$52,305	\$51,957	\$54,445	\$52,358	\$52,064
1011	State government	\$4,143	\$4,725	\$5,196	\$6,407	\$6,323	\$6,404	\$5,657	\$5,954	\$5,730	\$5,508
1012	Local government	\$33,798	\$35,211	\$36,415	\$39,259	\$41,993	\$45,901	\$46,300	\$48,491	\$46,628	\$46,556

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 AICS.
- (2) Census Bureau midyear population estimates. Estimates for 2010-2012 reflect county population estimates available as of March 2013.
- (3) Contributions for government social insurance are included in earnings by type and industry but they are excluded from personal income.
- (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. Interest includes actual and actuarially imputed interest to reflect benefit pension plan participants through service to employers in the current period.
- (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) Note-- All state and local area dollar estimates are in current dollars (not adjusted for inflation).
- (9) Not shown to avoid disclosure of confidential information due to small number of reporting businesses, but the estimates for this item are included in the totals.
- (10) Estimates for 2001 forward reflect the results of the comprehensive revision to the national income and product accounts (NIPAs) released in July 2013.
- (11) Last updated: November 21, 2013 - new estimates for 2012; revised estimates for 2001-2011.
- (12) Table 10-1

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Educational Attainment

San Juan County has a highly educated populace. Over 94% of the adult residents of the county have a high school education or better. The chart below shows San Juan County compared to the state average, and neighboring counties'.

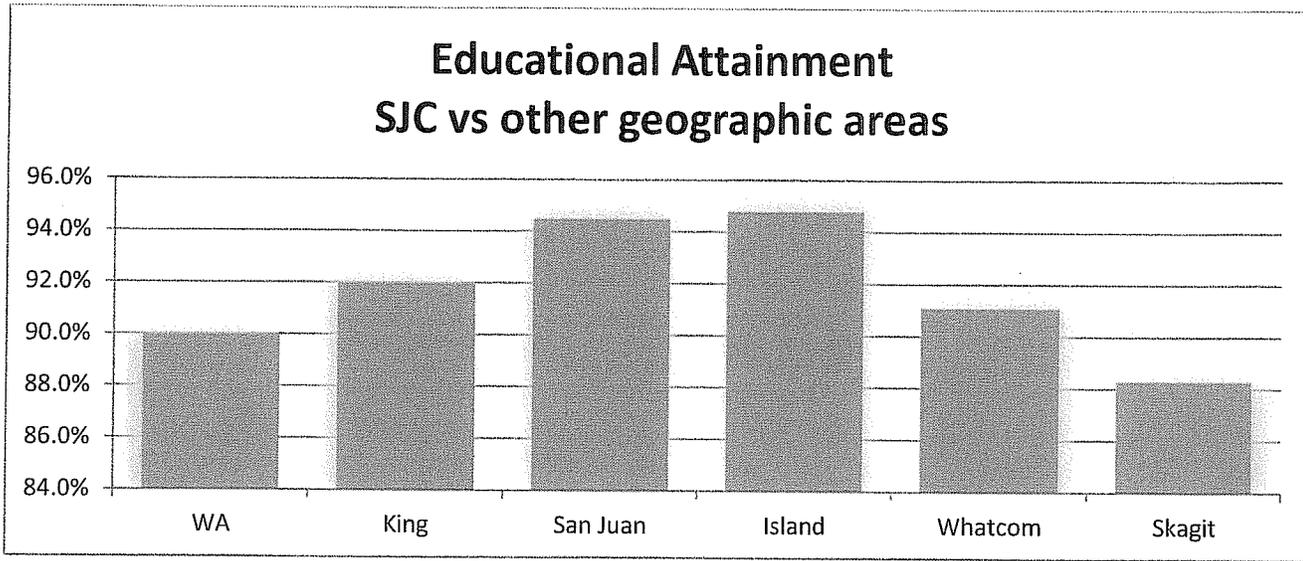


Figure 10- 5

Current Industries

The four largest industry sectors in San Juan County represent 73% of total business income in the county, as measured by Department of Revenue reporting. Retail represents 28% of the total economy; construction, 19%; professional services/tech, 15%; accommodations/dining, 11%. Aggregate gross business income for all reporting businesses in San Juan County was \$ 527,691,659 in the year 2012.

Over the past 13 years, industries have changed somewhat but the four mainstays (retail, construction, professional services and accommodations/dining) have remained. Two sectors – construction and accommodations/dining – have not kept up with inflation over the past decade.

Notable growth has been seen in the years between 1994 and 2011 for several subsectors including: wood product manufacturing (up +581%); sightseeing transportation (+745%); administrative services (up +227%); passenger transit companies (up +867%); publishing industries (up +827%); rental services (up 500%); truck transportation (up +444%).

The chart below shows the change over time for the top four industries, plus an aggregate of the remaining industries. It then compares the inflation-adjusted numbers for each industry to the actual revenues for those businesses. Construction and accommodations/dining did not keep up with inflation, but retail trade, professional services and aggregated other sectors did enjoy some growth. Data are from the Washington State Department of Revenue.

The following chart 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 1994 and 2012. Data are from the Washington State Department of Revenue.

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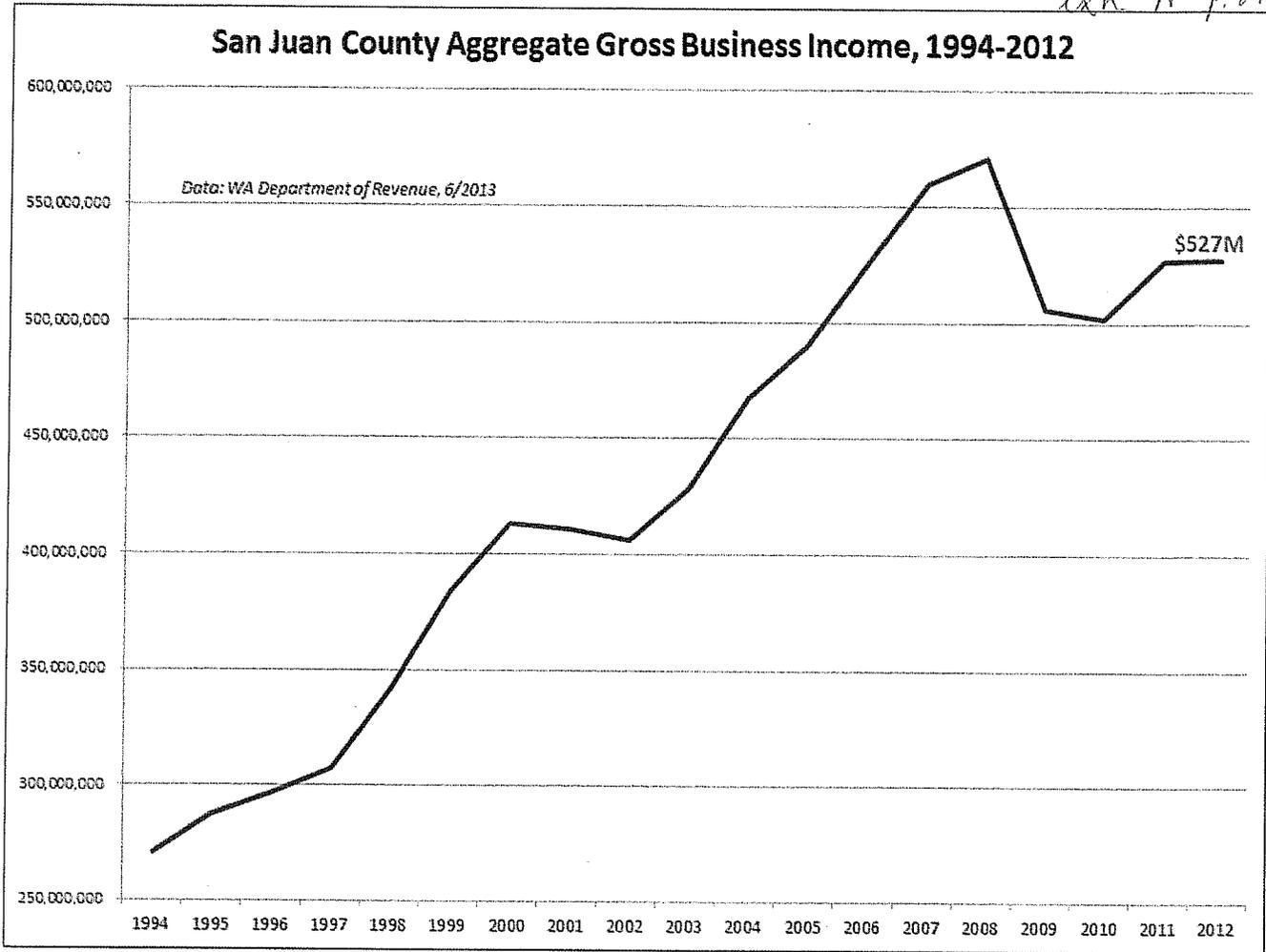


Figure 10- 6

The first chart on the next page shows historical trends for the four major industries in San Juan County, plus an aggregate of the remaining industries. Notable is the general trend upward, with a sharp uptick in 2007 for construction, then varying downward trends followed by recovery. Construction continues to lag other industries in recovery, as seen in the second chart on the next page.

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San Juan County Major Industries, 1994-2012

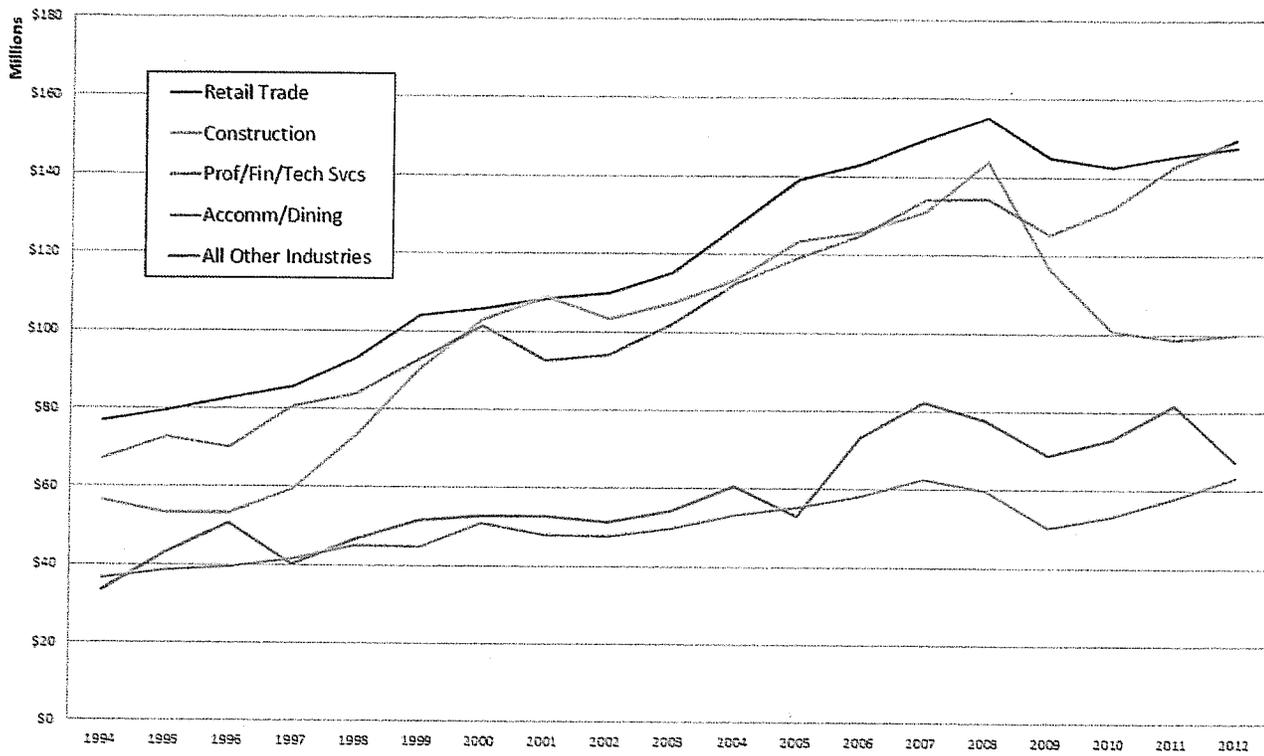


Figure 10-7

Another way to get a snapshot of industries in San Juan County is through Bureau of Economic Analysis data, based on what's reported by businesses to agencies like the IRS.

In the first chart below, the aggregate of all businesses' earnings is shown, categorized by NAICS industry. Government and government enterprises is the largest industry in San Juan County, as it is for many counties in Washington and the rest of the US (compare to Figure 10-9 and Figure 10-10).

Next is accommodations/food services, the tourism industry, accounting for 14.46% of the economy. Next is construction, which has been higher in past years: the real estate slump has affected this sector.

Absent is data for the agricultural sector. As reported to federal agencies by businesses in San Juan County, there have only been recorded growing aggregate business losses for the past 10 years.

The second chart shows the same data, but for Washington state in its entirety. Notable are the differences in the sizes of the county's manufacturing, information, and wholesale sectors, which are much smaller in San Juan County. These are all high-wage sectors and could be encouraged in San Juan County. Also notable is the comparative size of accommodations/food services sector.

The third chart shows the same data for all of the US. It closely parallels Washington state, with the exception of the information category, which is likely higher in Washington because of large employers like Microsoft.

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Earnings by NAICS Industry - SJC 2012



Data: Bureau of Economic Analysis,

Agriculture: not shown as only aggregate business losses in SJC for years 2003-2012

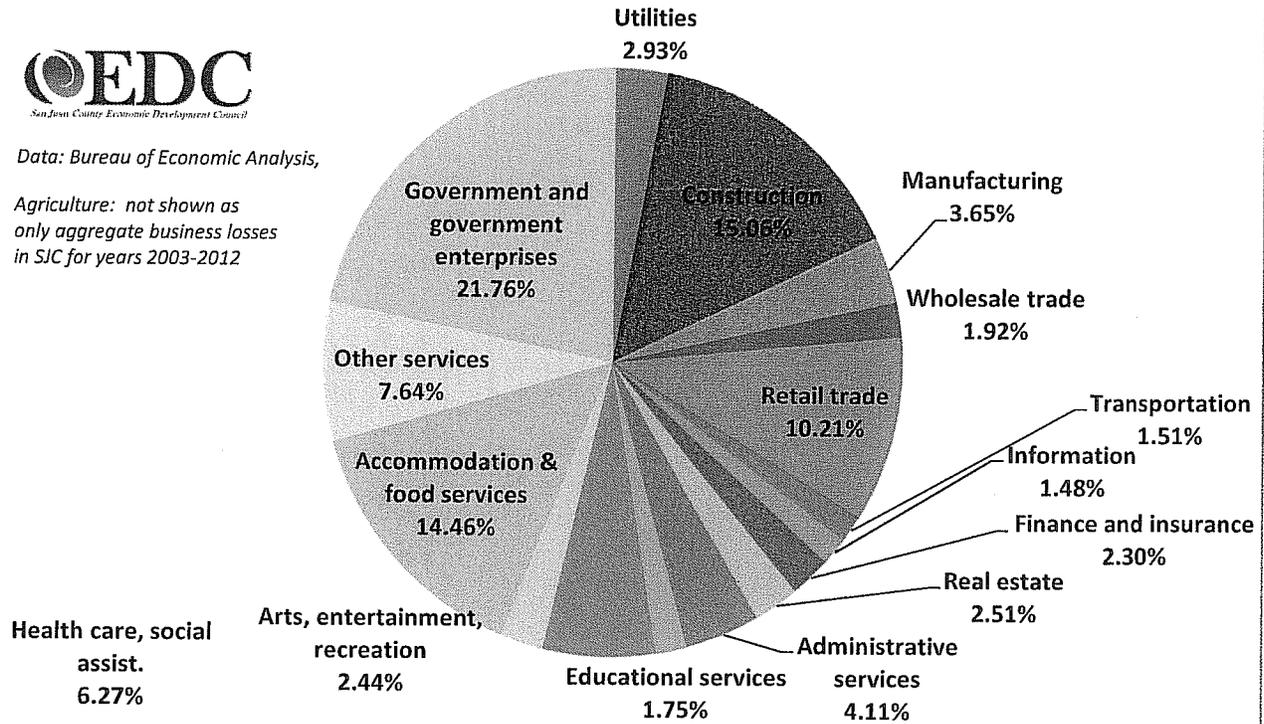


Figure 10- 8

Earnings by NAICS Industry - WA 2012



Data: Bureau of Economic Analysis, accessed 1/29/14

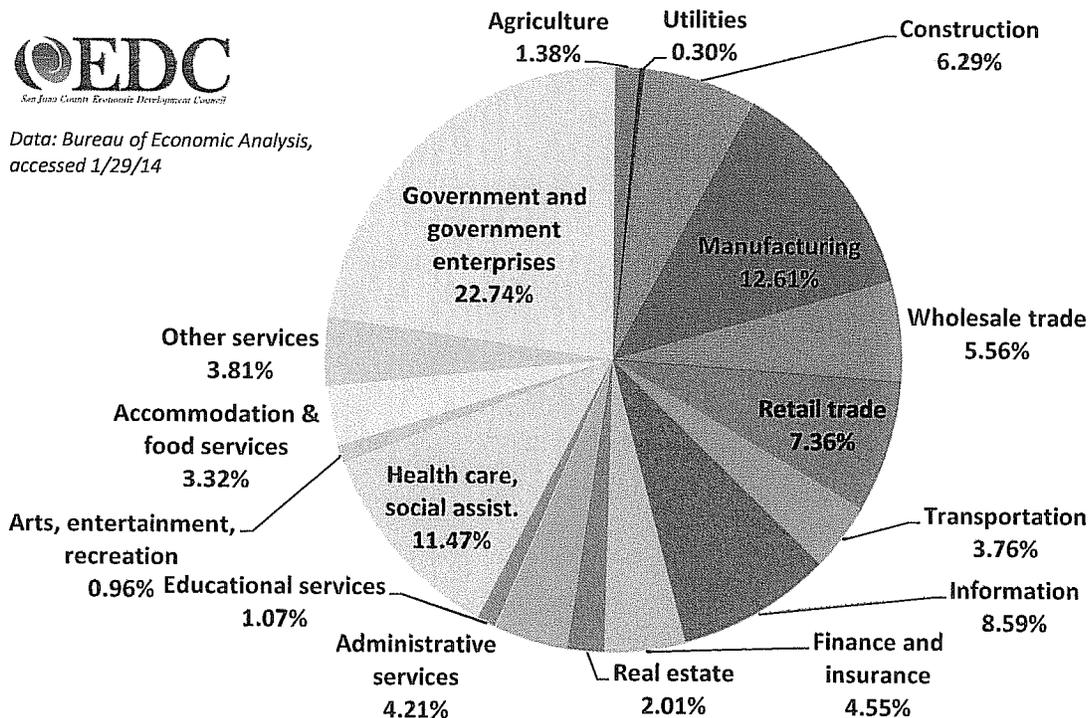


Figure 10- 9

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Earnings by NAICS Industry - USA 2012



Data: Bureau of Economic Analysis, accessed 1/29/14

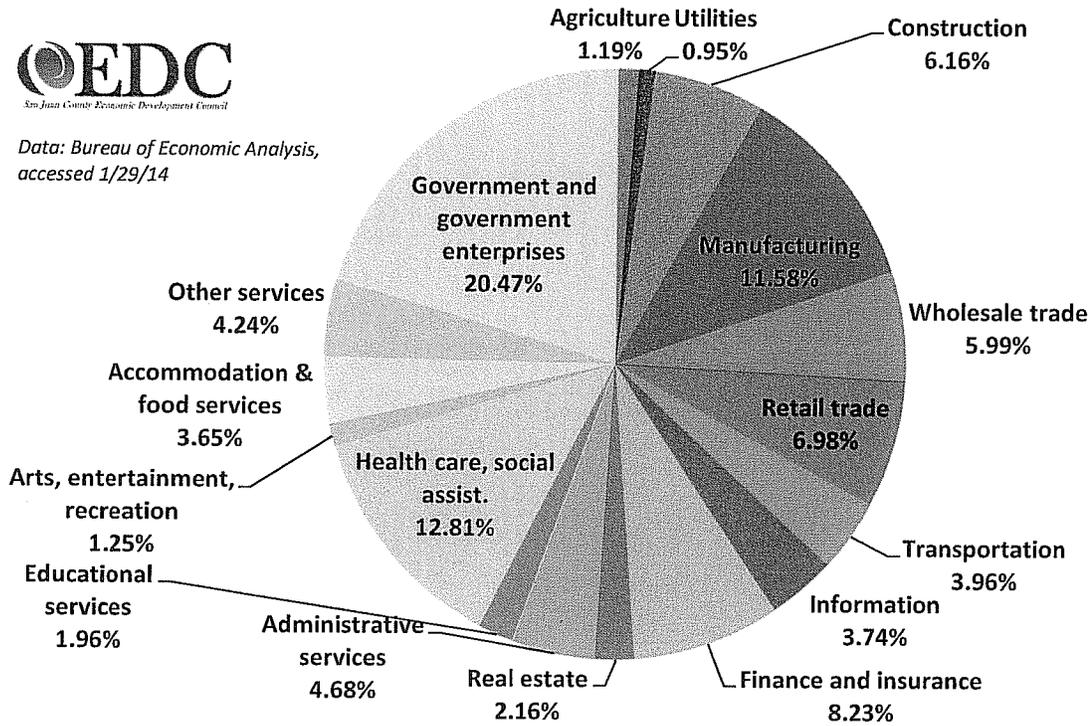


Figure 10- 10

The chart below shows the number of building permits each year, from 2004-2012. Permits numbers began to experience major declines in 2009, a couple of years after the Great Recession hit the rest of the nation. Numbers have not recovered.

SJC Number of Building Permits, 2004-2012

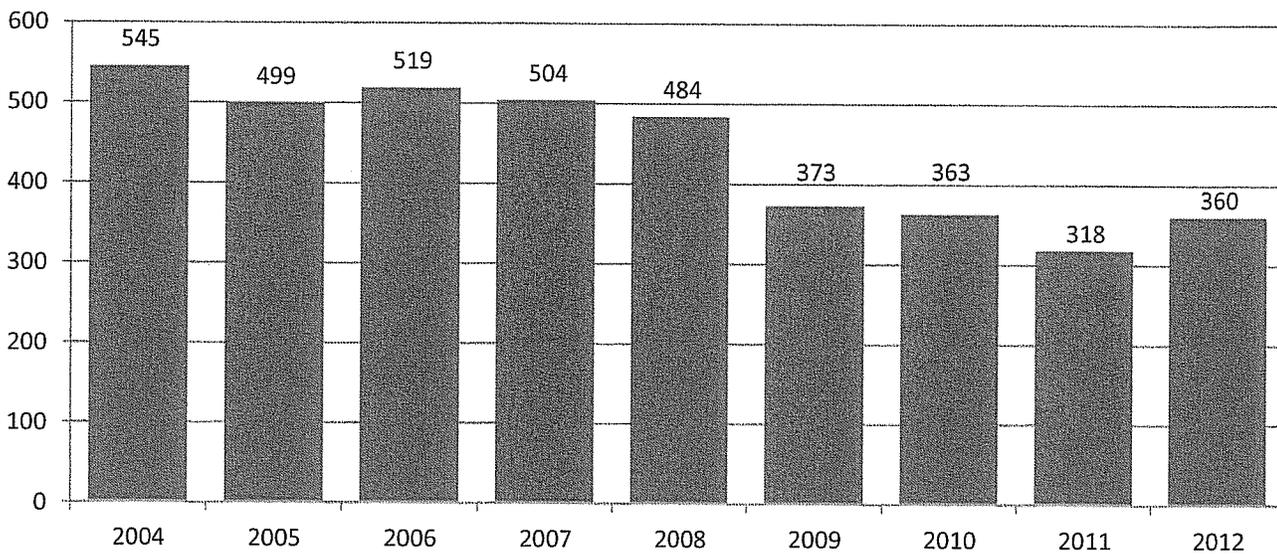


Figure 10- 11

Workforce

San Juan County's unemployment rate tends to be annually lower than the national average, but has a regular annual 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 15 and 20 percent of working residents of the county commute out of the islands for work. All data in this section are from the Washington State Employment Security Department, accessed May 2013.

Unemployment: San Juan County tends to have ~2% lower unemployment than the rest of the US as an annual average. Unemployment is about the same as in the rest of the US in the winter, but up to ~4% lower in the summer. For the past 5 years, the County's unemployment rate has been 20-30% lower than the rest of the US.

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. Retired seniors in particular were strong in the workforce, post-Great Recession, but have left the workforce as their investments have recovered.

The following chart shows a comparison between San Juan County unemployment rates and the rest of the US.

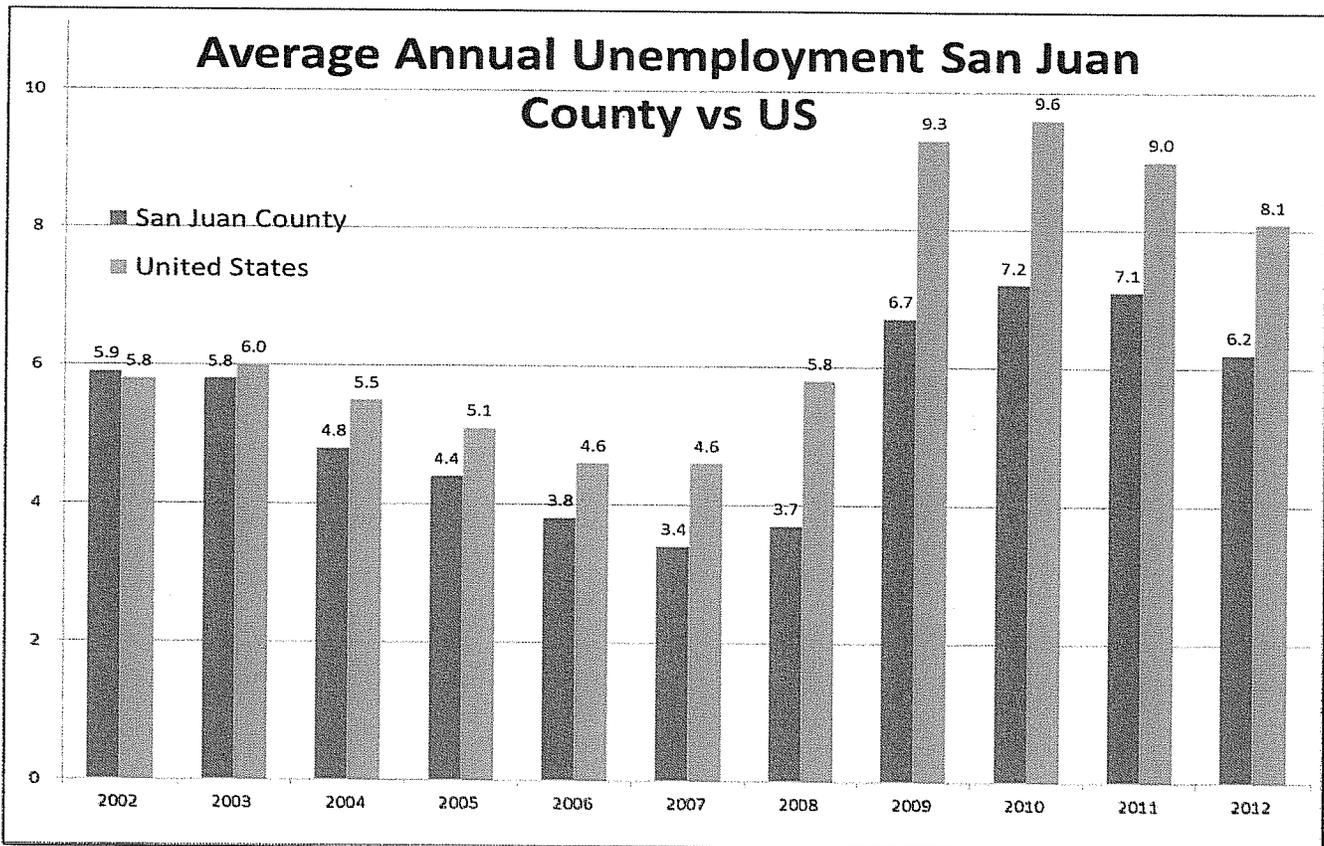


Figure 10-12

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The two charts on the next page show the percentage of workers employed in various industry sectors in San Juan County, and average annual wages by industry. Both charts include data from 2010, the date of the last US Census.

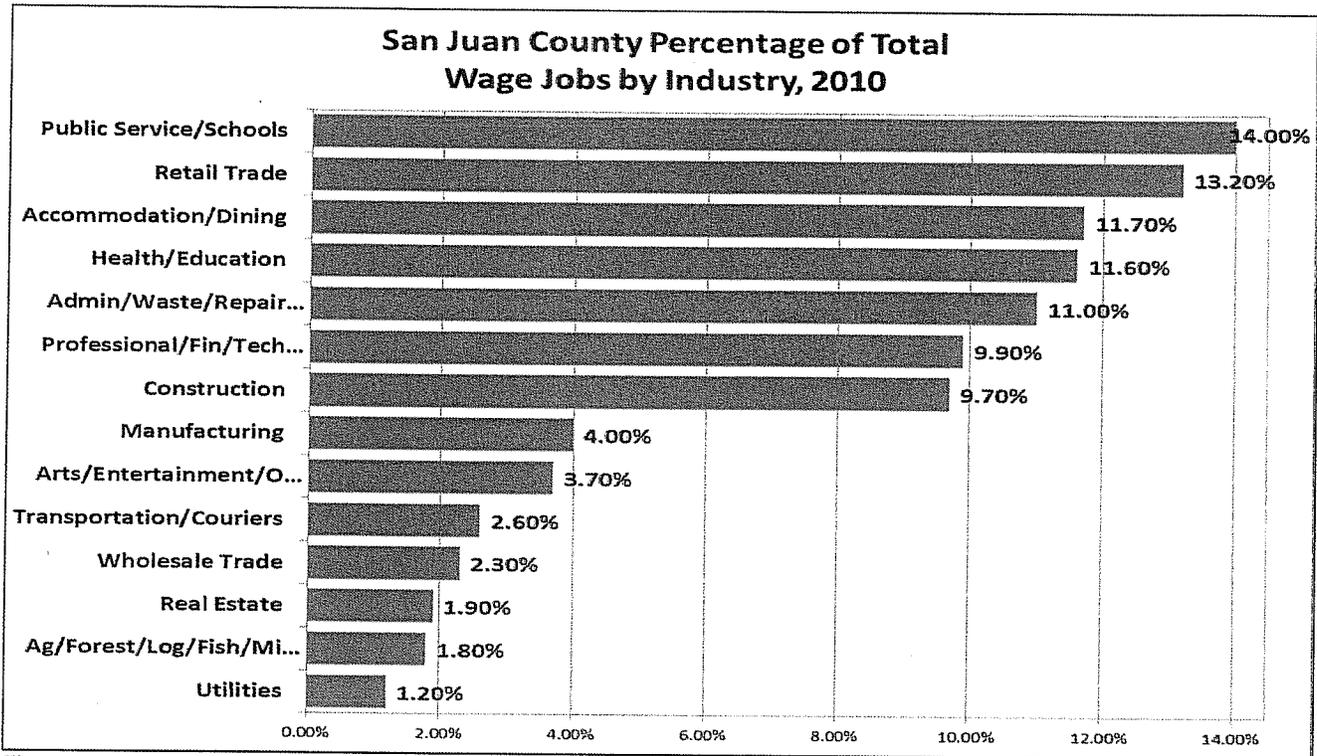


Figure 10- 13

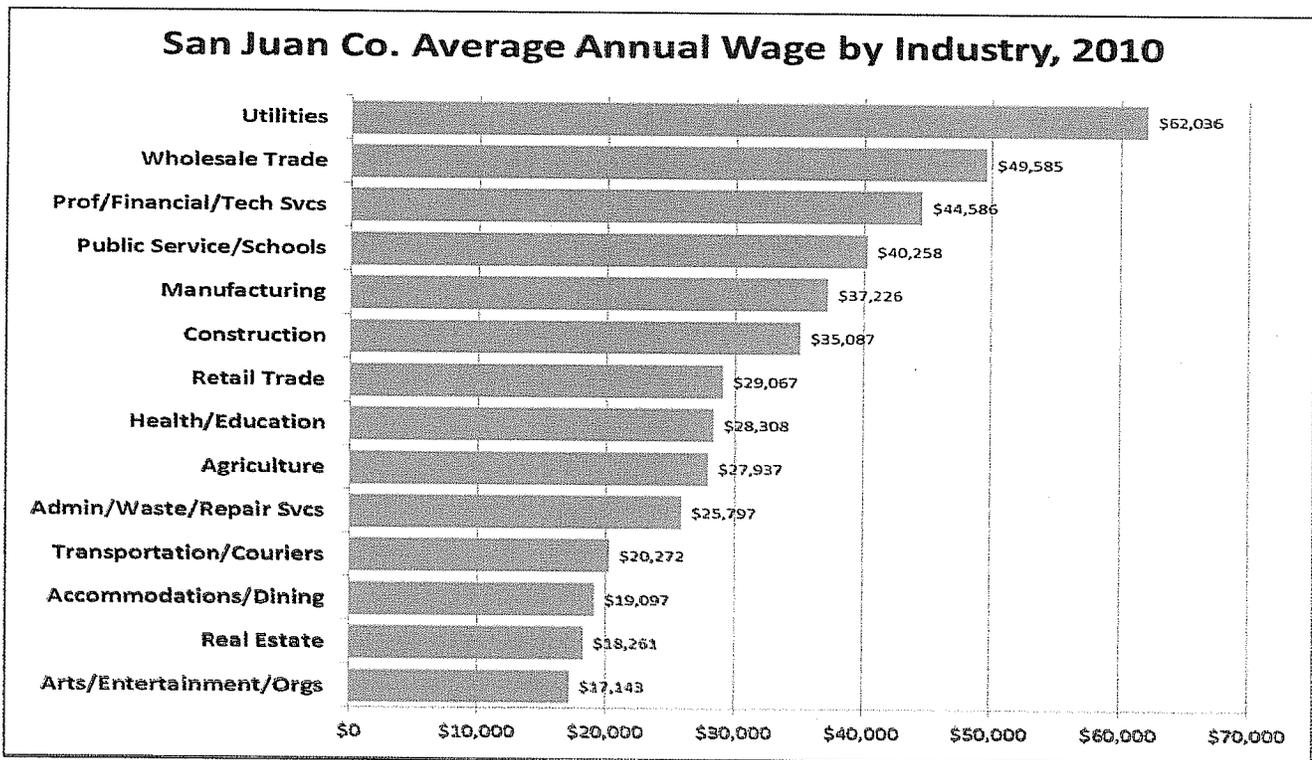


Figure 10- 14

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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.

Notably, tourism and construction jobs tend to be lower than other industries' nationally and regionally; additionally, San Juan County's retail, tourism and construction wages lag national averages. Since retail trade, construction, professional services and accommodation/dining account for almost 42% of all jobs in San Juan County, this is an important factor to consider when weighing economic development priorities for the future.

24% of San Juan County wages 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 is 10,596, with wage/salary jobs at 5,765 and proprietors at 4,831.

With nearly 5,000 business licenses – 3,000 of them actively reporting some income annually – San Juan County has more entrepreneurs per capita than any other county in Washington State. Sixty-six percent of San Juan County workers are private wage workers, 20% self-employed workers, and 14% are government workers. Self-employed Comparators: San Juan County averages 3-4 times the number of self-employed persons in other counties in the state.

King Co: 81% wages, 12.7% government, 6.3% self-employed; Island: 66% wage, 23% government, 11.6% self-employed; Skagit: 75.9%, 15.3%, 7.8% (Data: Bureau of Labor Statistics, May 2013). Average annual wages by sector varies from \$62,036 for utility jobs, to \$17,143 for jobs within the arts. Wholesale trade (at \$49,585), professional/technical services (at \$44,586) and public services sector (at \$40,258) are notably higher than total average. Accommodations/dining (at \$19,097) and real estate (at \$18,261) are notably lower than average. San Juan County's median hourly wage is \$19.68, lower than the state's median of \$21.01.

Another way to get a snapshot of the workforce in San Juan County is through Bureau of Economic Analysis data, based on what's reported to agencies like the Social Security Administration and the IRS. In the first chart below, the aggregate of all employees' compensation is shown, by NAICS industry. Government and government enterprises is the largest employer in San Juan County, which is comparable to Washington and the rest of the US (see Figure 10-16 and Figure 10-17).

Next is accommodations/food services, the tourism industry, accounting for 15% of the economy. As wages in that sector tend to be low, it's inferable that there are more employees in that sector than any other industry. Next is construction, which has been higher in past years: the real estate slump has affected this sector.

The second chart shows the same data, but for Washington state in its entirety. Notable are the differences in the sizes of the county's manufacturing, information, and wholesale sectors, which are much smaller in San Juan County. These are all high-wage sectors and can be encouraged in San Juan County.

The third chart shows the same data for all of the US. It closely parallels Washington state, with the exception of the information category, which is likely higher in Washington because of large employers like Microsoft.

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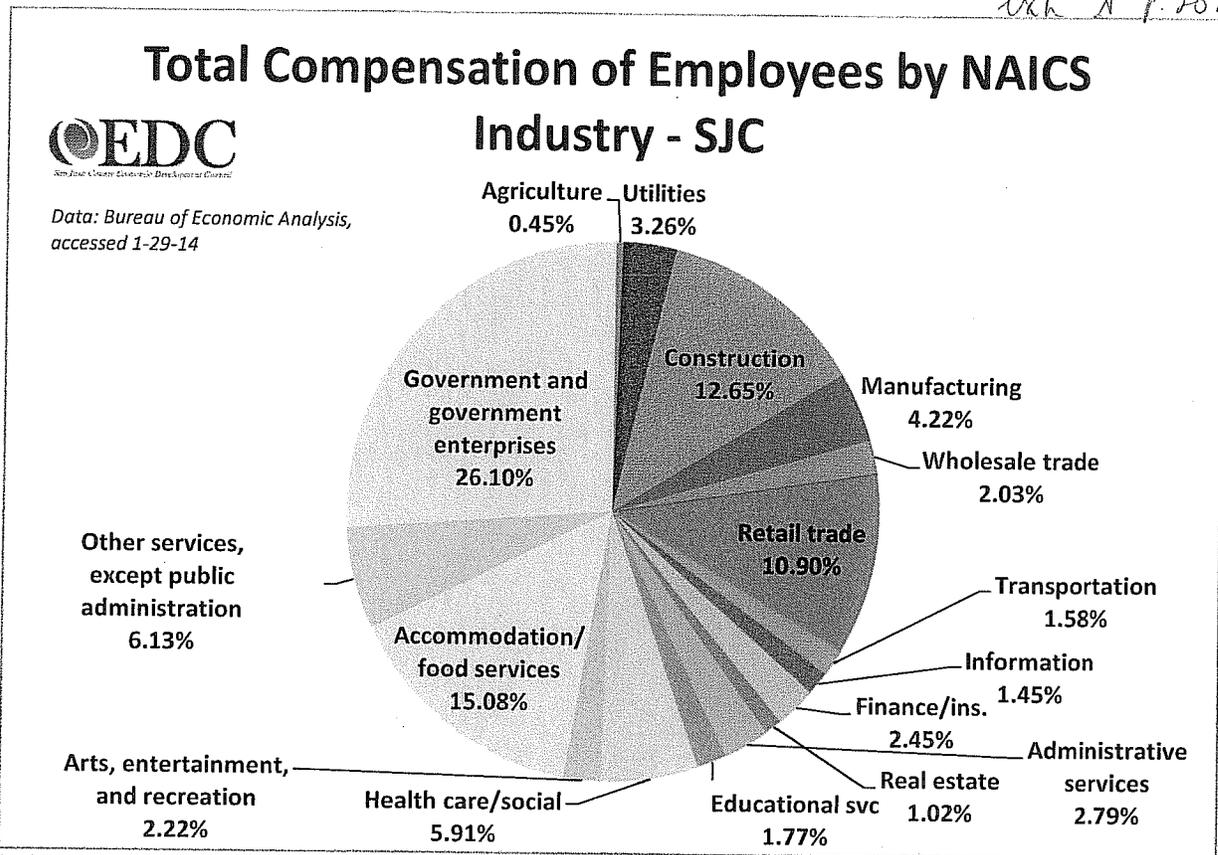


Figure 10-15

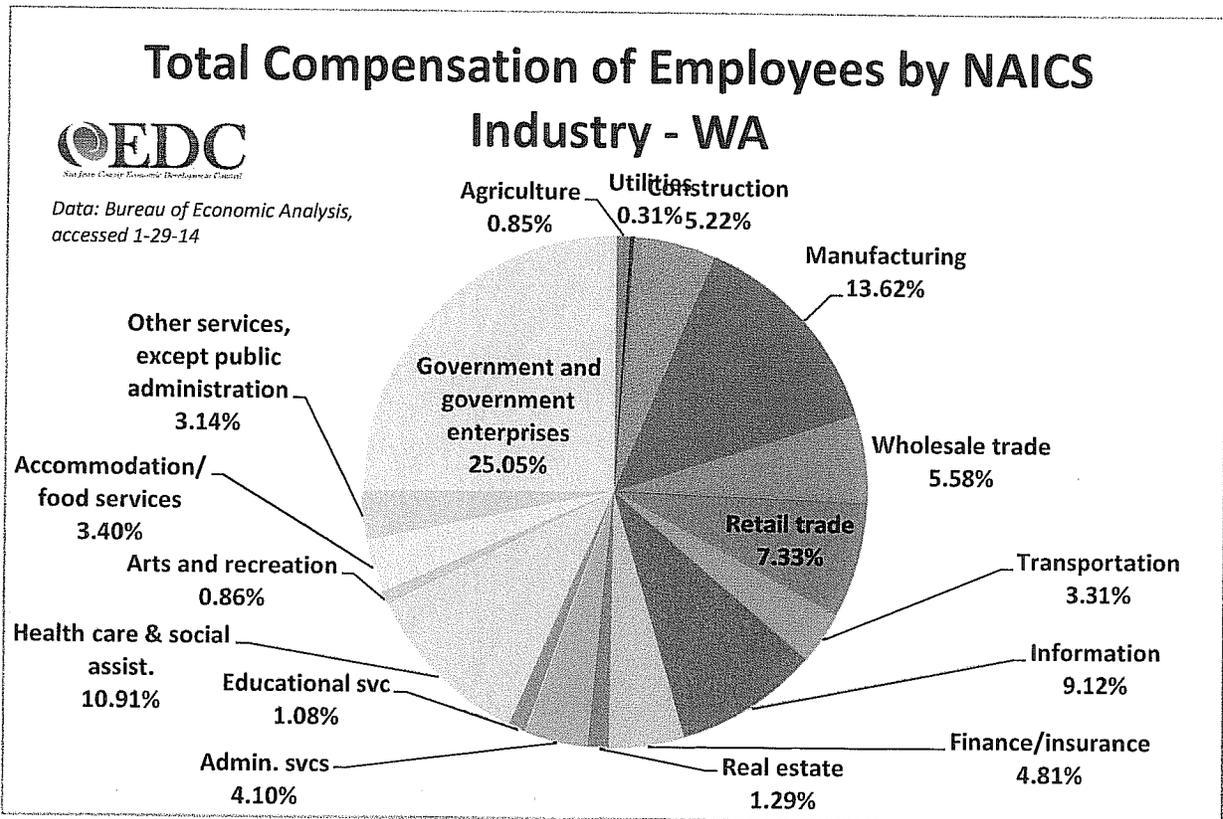


Figure 10-16

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Total Compensation of Employees by NAICS Industry - USA

Data: Bureau of Economic Analysis
accessed 1-29-14

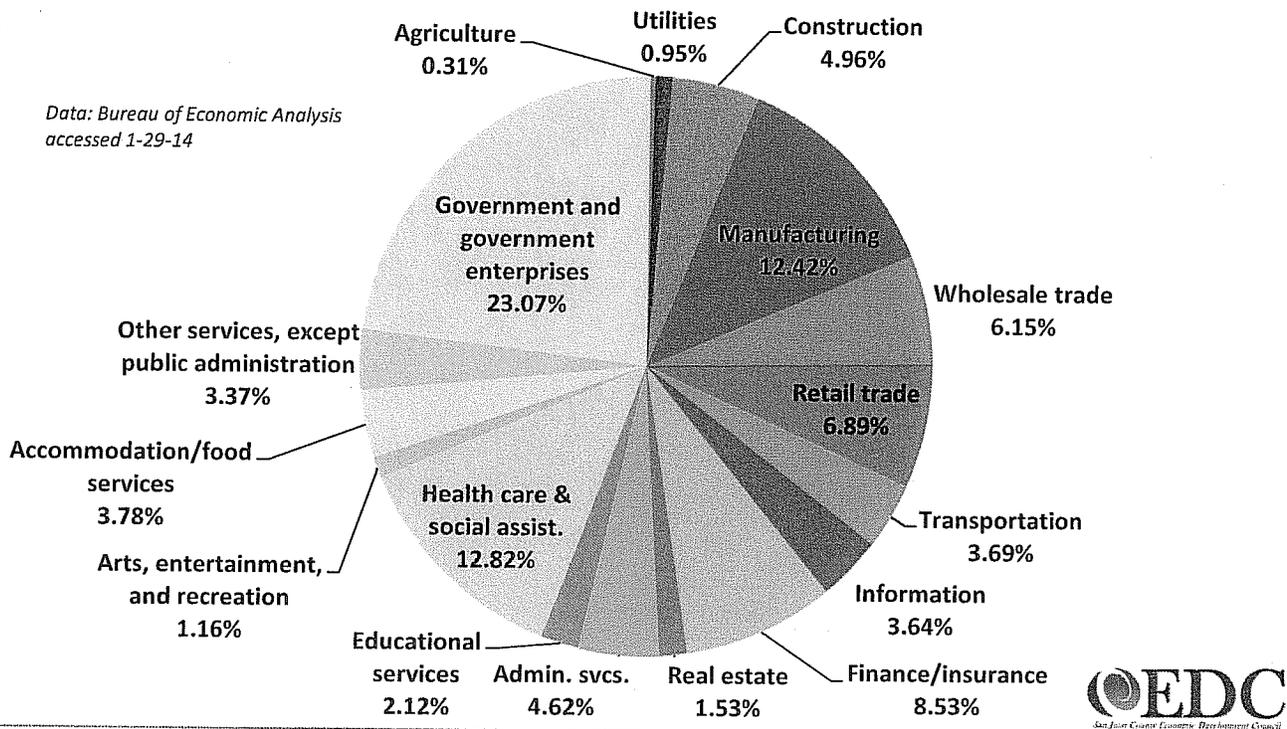


Figure 10- 17