BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISISON

FOR THE STATE OF WASHINGTON

BNSF RAILWAY COMPANY, Petitioner, vs. CITY OF MOUNT VERNON, Respondent SKAGIT COUNTY, WASHINGTON STATE DEPARTMENT OF TRANSPORTATION, WEST VALLEY FARMS, LLC, Intervenors	**Docket No. TR-070696** **PREFILED TESTIMONY OF JANA HANSON**

Q. Please state your full name, job title and business address.

Jana Hanson, Director, Community and Economic Development Department

PO Box 809

910 Cleveland Avenue

Mount Vernon, WA 98273- 0809

Q. What does your job as with Mount Vernon's Community and Economic Development Department entail?

ORIGINAL

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My department reviews and processes all land use and building permit applications. As the Director of the Department I am also the SEPA Responsible Official. I am responsible for reviewing all SEPA Checklists and making the SEPA determinations.

Q. Please explain your background, qualifications, academic training, academic degrees or any special training that you have.

Please see Resume Attached as Ex. No.__ (JH-1)

Q. As Director are you involved with land use planning for the City and if so in what capacity?

Yes. My department is responsible for long range planning efforts in the City of Mount Vernon. I supervise the staff and consultants hired to perform this work and participate in the work effort as well.

Q. And how far out generally does the City plan for growth? Why?

Per Washington State's Growth Management Act in which the City of Mount Vernon is an applicable jurisdiction, the City prepares a comprehensive plan which serves as an overall planning document. Generally, it is required that the document plan for land use decisions on a 20 year planning horizon.

Q. Can you describe how a City plans for future growth?

The City relies on the forecasted and allocated population growth numbers provided by the Office of Financial Management and identifies land needed to support that growth. We look at and study land market supply, the capacity and need for such lands, existing urban densities and infill opportunities, phasing and availability of adequate services, proximity of lands to designated natural resource lands, the presence of critical areas, forecasting employment needs

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looking at employment trends and target goals developed based on policy decisions to improve the jobs/housing balance order to achieve economic goals needed for the City to sustain the predicted growth.

Q. Are you aware of any studies or analysis the City has conducted in regards to future planned growth and if so what are they?

2005 Comprehensive Plan Update; Commercial & Industrial Land Needs Analysis – June 2006

Q. I am showing a documents that has been marked as Exhibit No. ___ (JH-2) can you describe this document?

This is the Buildable Lands Analysis which was a part of the City's 2005 Comprehensive Plan Update and was prepared by City staff. This work identifies the amount of land in each of the existing zoning designations within the City's Urban Growth Area (UGA) and estimates the amount of buildable lands not encumbered by buildings, infrastructure, or critical areas

Q. What was the purpose of this study?

To determine whether the City has sufficient land to accommodate the 20 year forecasted growth.

Q. When was this study prepared?

It was prepared in 2005.

Q. What conclusions were made from this study?

The analysis shows that the City has sufficient land available to accommodate the residential growth over the next 20 years..

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Q. Did the City of Mount Vernon incorporate this study as an element to its comprehensive plan for growth and if so when?

Yes, the Comprehensive Plan was adopted in January 2006

Q. I am showing a document that has been market as Exhibit No. ___ (JH-2), can you describe this document?

This is the Commercial & Industrial Land Needs Analysis prepared by E.D. Hovee & Company which the utilizes the work completed in the Buildable Lands Analysis and provides an updated policy forecast for employment and associated commercial and industrial land needs for the Mount Vernon UGA through 2025.

Q. Who sponsored this study?

The City of Mount Vernon

Q. What was the purpose of this study?

To analyze the need for additional commercial/ industrial land to support and balance the population allocation over the next 20 years.

Q. When was this study prepared?

2006

Q. Did the City of Adopt This Study?

Yes the City Council passed Resolution #727 adopting the study on September 13, 2006.

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Q. How does the City's Comprehensive Plan affect future need for growth?

In terms of growth and future public need the Comprehensive plan serves as the basis for directing for the City in how it is to grow and what the City's needs for growth are and any subsequent need for expansion of its Urban Growth Area. All Development Regulations such as zoning codes must also be consistent with this plan.

Q. What is the current population projections the needs analysis reflect in its planning goals for the next 20 years?

The City, in its planning documents, has used a midpoint of the Office of Financial Management's (OFM) 2025 low and medium forecasts which equates to about a population of roughly 48,000. The result is that the City must accommodate about another 20,000 people. This represents about a 70% increase in its UGA population within a 20 year planning horizon.

Q. What conclusions involving needs for the City were made from this study?

In order to accommodate a healthy balance between residential growth and commercial/industrial growth, and considering the land availability found in the Buildable Lands Analysis, it was determined that the City needs approximately 809 gross acres of additional land appropriate for commercial/ industrial development.

Q. Currently, does the City have enough developable commercial lands within it Urban Growth Area to accommodate the need for commercial and industrial growth?

No

Q. Are you familiar with Washington State Department of Transportation's Mount Vernon Siding Project and if so please describe your involvement?

I am familiar with the plans for the siding extension. I have been in one meeting with representatives from WSDOT and the City's Public Works Department.

Q. Where is the Hickox Railroad Crossing located?

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At the very south end of the City limits, west of I-5

Q. What is the permitted land uses for the land within the City located near that crossing?

The properties are designated Commercial/ Limited Industrial (see attached code for permitted uses.

Q. Is this zoning consistent with the goals set forth within the needs analysis and if so why?

Yes. The zoning allows for an array of commercial and industrial uses. However, this area (south Mount Vernon) was taken into consideration in the Buildable Lands Analysis and the acreage needed for the City's future growth is in addition to the available land in South Mount Vernon.

Q. Are their properties within the City located near the crossing involved in development as if so what are they?

Yes. A six lot short plat is in the process of being developed. Some new business are moving into the area as well including an RV sales business, a biomedical laboratory, construction offices, and construction material sales.

Q. What is the likelihood development activity will increase in that area and why?

Highly likely, the land is zoned commercial. Examining the proximity to I-5 the available facilities for that area, its adjacency to the Urban Growth Area, the interchange at Hickox, and the overall market for commercial land along the I-5 corridor I would state the market will drive development at a fast rate.

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Q. Does the Hickox Road Crossing abut the City's Urban Growth Boundary?

Yes

Q. If the City would wish to extend its Urban Growth Area (UGA) is expansion of the UGA South of Hickox on possibility?

Yes

Q. What factors would make expansion of the City's UGA South of Hickox Road attractive?

Adjacent to I-5 and the Hickox Interchange and the proximity of existing commercial/industrial land uses as well as infrastructure.

Q. In your opinion would closure of the crossing assist in the City's planning efforts to achieve more commercial and industrial development? Why or why not?

Should the UGA expand South following its need for more commercial and industrial lands described in the Needs Analysis adopted by the City, it is likely that closure of the Hickox Road would interfere with the development in that area.

Q. How important is transportation infrastructure to support future growth?

Absolutely necessary. Without transportation infrastructure commercial/industrial development is difficult to attract.

Q. Have you previously discussed with WSDOT officials regarding the Siding Project and if so who and when?

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Yes. I recall having a conversation several months ago with WSDOT officials involving this project.

Q. Did you express any opinions regarding the siding Project at that time?

Yes, I did express concern at that time.

Q. Has WSDOT proposed any alternatives to closure to your knowledge?

No.

I declare under the penalty of perjury pursuant to the laws of the State of Washington that the foregoing is true and correct.

DATED this 2 day of November, 2007 at Mount Vernon, Washington.

Jana Hanson

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EXHIBIT JH-1

JANA MARIE HANSON

EXPERIENCE

September 2003-Present City of Mount Vernon Mount Vernon, WA

Community and Economic Development Director

Under the direction of the Mayor, organize and direct the operation of the Community and Economic Development Department which includes customer service, long-range and current planning, building plan review and inspections, engineering plan review and inspections, code compliance, and economic development.

- Reorganized department reduced staffing level by one FTE and for the past three years work output has increased significantly and permit processes are more expedient.
- Completion of City Comprehensive Plan and update of Development Regulations.
- Develop Model Ordinance for Critical Area protection.
- Initiated flood management and downtown master plan.
- SEPA Review Official.
- Administer and coordinate grants and consultant activities.
- Provide complex technical and administrative support to the citizens, city Council, Mayor, developers, Planning Commission, Hearing Examiner and various boards and committees concerning land use issues.

As the Director I am involved in various projects and programs such as the City's adoption and implementation of the State Department of Ecology's 2005 Storm Water Manual for Western Washington; multi-jurisdictional regional drainage and stream mitigation project; and regional transportation and flood control projects. I am actively involved with business recruitment efforts and working with business associations to continue to improve Mount Vernon's business climate.

August 2000–September 2003 Town of LaConner LaConner, WA

Town Administrator

Under the direction of the Mayor, organize, direct and perform the development, management and administration of the Town government.

- Responsible for making day-to-day decisions to keep the organization functioning per Mayor and Council policies.
- Supervise and coordinate the activities of Town departments.
- Supervise the Finance Director in preparing the annual budget and monitoring the approved budget to control expenditures.
- Supervise the Town Planner concerning future development and interpretation of state mandates and local ordinances.
- Apply for and administer state and federal grants.

Involved with the planning, coordinating and implementation of several successful projects, including a new fire station in partnership with Fire District 13 and the Morris Street Project, in partnership with Skagit County Public Works Department. Directed the Planner to simplify land use permit processes. Secured grants for the development of Internet fiber throughout the town as well as street improvements to promote economic development in the industrial zone. Successfully fostered positive relationships with the LaConner business community, residents, state agencies, Skagit County, Skagit County PUD, the Port of Skagit County and neighboring jurisdictions.

April 1999–August 2000 City of Renton Renton, WA

Development Services Director

Managed the current planning, customer service, public works plan review and inspections, and the building plan review and inspections assuring proper review and approval of all development within the City through planning, utility construction and final occupancy phases.

- Managed division of 40 employees and a budget of over $2 million.
- Processing of all land use, subdivision and shoreline permits.
- Environmental review.
- Building review and inspections.
- Public works plan review and inspections.
- Drafted development regulations.

As the Development Services Director, I served as the Zoning Administrator, responsible for interpretations and determinations of all land use regulations and administered decisions on variances for commercial and residential developments. I also acted as the Board of Public Works Chairperson, issuing findings, conclusions and decisions on deferrals and waivers of public works standards. I headed the City's ESA task force group, attended Tri-County meetings and managed a consultant to evaluate the City's regulations and practices in light of the ESA.

May 1994–April 1999 City of Renton Renton, WA

Land Use Review Supervisor

Successfully managed both the Current Planning and Land Use Code Compliance functions of the Development Services Division.

- Reduced the Land Use Permit process from 12-24 weeks to 6-12 weeks improving efficiency, effectiveness and customer service while still meeting State mandated regulations and procedures.
- Eliminated unnecessary review processes and simplified the City's development regulations.
- Helped improve the City's reputation and image with the development community by promoting changes in staff attitude and implementing a developer assistance program, which was and still is highly regarded throughout the state.
- Implemented provisions of the State's Regulatory Reform Act prior to the State's adoption of the Act.
- Served on a State advisory committee that dealt with amendments to the SEPA regarding the Planned Action legislation. This process was utilized to assist the Paul Allen Company on the development of the Port Quendall site.

June 1992–May 1994 City of Renton Renton, WA

Development Analyst

Project manager for both minor and complex land use projects; reviewed projects under SEPA, the Shoreline Management Act and specialized in environmental review of remediation activities associated with contaminated sites.

December 1983–November 1988 City of Duarte Duarte, CA
Assistant and Associate Planner

Worked on both long range and current planning. Together with consultants, developed specific plans and elements for the City's General Plan. Project lead for capital improvement projects.

EDUCATION

1979–1983 Sonoma State University Rohnert Park, CA

- B.A., Environmental Studies and Urban Planning – Dean's Honor List.

EXHIBIT JH -2

City of Mount Vernon

2005 Buildable Lands Analysis

Prepared By:
Development Services Department
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Mount Vernon, WA 98273
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Fax: (360) 336-6283
Contact: Jana Hanson or Rebecca Bradley

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BACKGROUND

There are six (6) counties in Washington State that are mandated to complete buildable lands inventories per an amendment to the Growth Management Act (GMA) in 1997 (RCW 36.70A.215); however, Skagit County is not one of the six (6). Even though there is not a State mandate to do so, the City feels strongly that the only way to decide the future vision of the City is to have an accurate account of the existing lands available for development. To this end, the City made a commitment to complete an in-depth inventory of the available buildable land within the City limits and the urban growth areas (UGAs) during its 2005 Comprehensive Plan update.

After looking at the way in which other counties in the State have inventoried their buildable lands, the City devised a methodology and data collection system that is described in the following sections. The methodology utilizes what was deemed as the best available information and reasonable methodological assumptions have been made. All information sources are cited and the methodological assumptions are explained in this document.

This inventory will provide the City with a coordinated system for collecting and monitoring data with regard to growth and development occurring within the City and the UGAs even after the 2005 Comprehensive Plan update process. City staff will be able to update this inventory as often as needed to provide City officials with the information they will need in the future to recommend sound planning policies.

BUILDABLE LANDS TARGET

The Buildable Lands analysis shows that the City is able to accommodate the additional residential growth anticipated through the year 2025. The following table shows the population allocation that was agreed to in 2003 by the Growth Management Act Steering Committee, which is comprised of City and County representatives.

Table 1.1: Population Allocation and Target

Jurisdiction (City & UGAs)	2000 Population	2025 Allocation	Population to Accommodate	Less Population Accommodated from 2000 to 2003	Target Population	Target Population Converted to Dwelling Units
Mount Vernon	28,332	47,900	19,568	2,857	16,711	6,076

Between 2000 and 2003 the City issued 1,039 residential building permits. The 2000 census established that the average household size in the City is 2.75 people. Using this information, it can be assumed that the City accommodated 2,857 people between 2000 and 2003. So, the number of people that the City is tasked with accommodating through the year 2025 can be reduced to 16,711 people. By taking the average household size of 2.75 the City can calculate the number of households needed, which would be 6,076.

The following analysis took into account the 1,039 residential building permits issued between 2000 and 2003 to make sure that these units were not counted as parcels were additional homes could be constructed to meet the 6,076 household target.

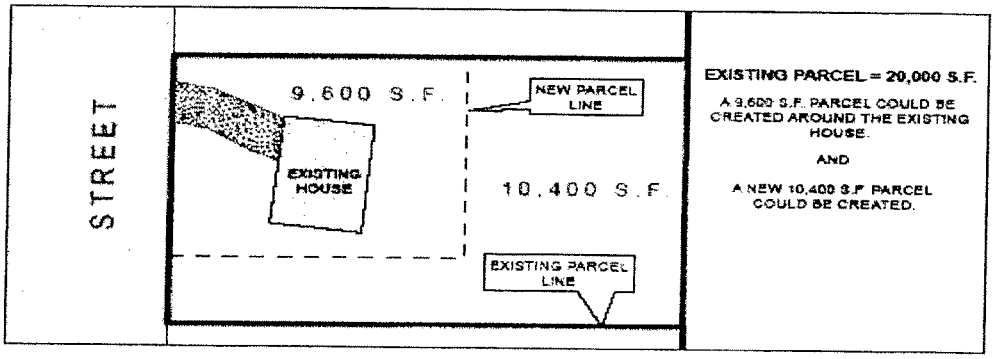
RESIDENTIAL LANDS

To quantify the amount of land currently occupied with residential structures, and the amount of land available for future residential development, a current Skagit County Assessor's parcel map with an aerial photograph overlay was downloaded into the City's Geographic Information System (GIS). For each parcel zoned Residential Agricultural (R-A), Single-Family Residential District (R-1), Two-Family Residential District (R-2), Multifamily Residential District (R-3) and (R-4) and Residential Office (R-O) the following base information was tabulated:

- Lot size.
- Minimum lot size for the zoning district in which the parcel is located.
- Approximate square footage of residential structures including any accessory structures such as garages or storage buildings greater than 200 square feet in size. Structures 200 square feet in size or less were not quantified as they are not regulated by the City building code and these types of structures are generally movable.
- Approximate square footage of critical areas including wetlands, streams, floodways or areas of geologic hazard, and their associated buffers. Please see the section labeled: *Critical Areas and their Buffers*, for additional information on how these areas were identified and quantified.

Following the collection of the above-referenced "base information" each **vacant** parcel zoned R-A, R-1, R-2 and R-O was then evaluated to see if there was land on that same parcel equal to the minimum lot size of the zoning designation of the parcel not encumbered by the applicable base data. If there was square footage over the minimum zoning requirements, the minimum lot size was divided into the square footage not encumbered by the "base data" to see how many lots could be created up to nine (9) additional lots.

If there was an existing structure on a parcel, the minimum lot size of the zoning district in which the house was located was subtracted from the gross parcel area to see if additional lots could be created on the parcel. For example, if a parcel zoned Residential-1, with a 9,600 square foot minimum lot size was 20,000 square feet it size and it had an existing home on it, the existing home would be tabulated and it would be assumed that one (1) additional lot could be created.



Parcels that had existing structure(s) that were found to have enough square footage to create additional lots were also evaluated to make sure that the placement of the existing structure(s) did not preclude additional development on the parcel. There were over 200 parcels within the Residential zones were further development was not possible because the existing structure(s) were placed in a way (generally near the middle of the parcel) making it impossible to subdivide and construct another home.

In situations where more than nine (9) lots could be created on a parcel after taking out the "base data" and dividing the "left over" square footage by the minimum lot size dictated by the zoning of the site; an additional twenty percent (20%) of the square footage was taken out of the area that could be used to create lots to account for the roads and stormwater facilities necessary to serve these lots. The threshold of nine (9) lots was chosen as the City allows short plats up to nine (9) lots and the City allows private streets to serve short plat developments. Private streets are usually located within easements and the area of the private street is part of the lot that is created.

The twenty percent (20%) roads and stormwater facilities figure was determined by looking at the streets and detention areas needed to serve ten (10) plats located throughout the City. All of the plats chosen, with the exception of the Rosewood P.U.D., were submitted to the City between 2002 and 2005. Each of the plats was analyzed to see how much of the original parcel was necessary to provide for streets and utilities. On average, it was found that 23% of the gross site area was needed for roads and stormwater facilities. To account for future technologies and reduced right-of-way widths for roads (that will likely be utilized in the future) twenty percent (20%), instead of twenty-three percent (23%) was used for this calculation. Reduced right-of-way widths on developments will be utilized to a greater extent in future developments because in January 2005 the City adopted new road standards that in most cases will reduce right-of-way widths from 60 feet to 47 feet, or less on some types of roads within a plat. Copies of the referenced plats and calculations are contained in **Appendix A**.

For parcels zoned R-2 and R-2A that were between 6,000 and 7,599 square feet in size it was assumed that one (1) single-family home would be constructed, per the City zoning ordinance. On parcels 7,600 square feet or larger, 7,600 was divided into the area of the parcel to determine how many duplex units could be constructed.

The City's Comprehensive Plan allows for a density of between 12 and 18 dwelling units per acre on sites zoned R-3 and R-4. The range in density is due to the fact that increases in density can be achieved by going through a planned review process, by providing parking under the proposed apartment buildings or by developing affordable housing. For parcels with these zoning designations a density of 13 dwelling units per acre was calculated from the gross acreage of the parcel if it was greater than 7,600 square feet in size. This density was determined by analyzing five (5) multi-family developments that had been submitted between 1998 and 2004 in the City and taking an average of the densities on these developments. **Appendix B** contains a table of the multi-family development that were analyzed.

For parcels zoned R-3 and R-4 that were between 6,000 and 7,599 square feet in size, per the City zoning ordinances, it was assumed that one (1) dwelling unit would be constructed, and for parcels that were 7,600 square feet in size it was assumed that a duplex unit would be constructed.

Within developments that have had Master Plans approved by the City Council; such as the Eaglemont and Skagit Highlands P.U.D.s, the future development potential was ascertained by evaluating the densities that their respective Master Plan allowed for, because these plans have the most accurate site specific information as they have already completed a planned process.

The City has 239 parcels which equal approximately 576 acres of property currently zoned Residential-Agricultural (RA) within the current City limits. Of the 239 RA zoned properties, 227 have an existing Comprehensive Plan designation of: Medium or High Density Single Family or Low to Medium High Density Multi-family. These parcels were categorized into the zoning designation that is consistent with their Comprehensive Plan designations. For example, parcels that had a Comprehensive Plan designation of Medium Density Single-Family were assumed as having a zoning designation of Single-Family Residential with a 9,600 square foot minimum lot size. Through the 2005 Comprehensive Plan update process the City will be putting Goals, Policies and Objectives and development regulations into effect that will encourage the rezoning of these RA properties. In addition, through the 2006 Comprehensive Plan update process the City will contact the property owners of all of these parcels and offer to complete a City initiated rezone to make all of these parcels consistent with their Comprehensive Plan designations.

COMMERCIAL, INDUSTRIAL AND RETAIL LANDS

To quantify the amount of land currently occupied with commercial, industrial and retail structures and the amount of land available for these types of developments; again a current Skagit County Assessor's parcel map with an aerial photograph overlay was downloaded into the City's Geographic Information System (GIS). For each parcel zoned Professional Office (P-O), Limited Commercial (LC), Central Business (C-1), General Commercial (C-2), Community Commercial (C-3), Neighborhood Commercial (C-4), Commercial/Limited Industrial (C-L), Light Manufacturing and Commercial (M-1) and Industrial (M-2) the following base information was tabulated:

- Lot size.
- Approximate square footage of any structures including any accessory structures such as garages or storage buildings greater than 200 square feet in size. Structures 200 square feet in size or less were not quantified as they are not regulated by the City building code and they are generally movable.
- Approximate square footage of discernable impervious surfaces such as driveways or parking lots.
- Approximate square footage of any detention or water quality facilities on the site.
- Approximate square footage of critical areas including wetlands, streams, floodways or areas of geologic hazard and their associated buffers.

Following the collection of the above-referenced "base information" each parcel was then evaluated to see if there was at least 10,000 square feet of contiguous land available on the same parcel that was not encumbered by the base data. If there was more than 10,000 square feet of land not encumbered by the base data, ten percent (10%) of the square footage was taken out to account for roads and utilities. The remaining square footage was then tabulated.

The ten percent (10%) that is taken out of the square footage for roads and utilities was determined by evaluating three (3) commercial/industrial developments within the City's UGA that were created between 1997 and 2003. These developments were utilized instead of developments within the City because Skagit County (who had jurisdiction over the development standards on these parcels) required that stormwater facilities for all of the proposed lots within the development be constructed prior to the subdivision of the sites. The City of Mount Vernon does not require this when a site is developed; instead the City requires stormwater facilities on a site by site basis following the subdivision of a parcel. The road and infrastructure requirements are comparable between the City and Skagit County as both jurisdictions mandate the use of the 1992 Department of Ecology's, Stormwater Manuel for the Puget Sound Basin, and the commercial/industrial road standards are similar. In **Appendix C** is a table of the three (3) above-referenced developments.

A 10,000 square foot lot size was chosen as the minimum lot size for a stand alone development after looking at 73 commercial/industrial lots within the City and finding that the average lot size of these lots was 1.44 acres. A table of these lots is contained in **Appendix D**. The smallest lot found in these developments was 10,000 square feet in size. Therefore, the assumption was that if a commercial/industrial lot with an existing development had between one (1) and 9,999 square feet of land not encumbered by the base data, that this area will be utilized by the existing development for future expansion. For lots that did not have any existing development; the square footage of these lots was tabulated even if they were less than 10,000 square feet in size.

The configuration of the commercial, industrial and retails lands available for development was also taken into consideration, because there were parcels where even through there appeared to be enough square footage for either an expansion of an existing building or for a new building to be constructed, the shape of the individual lot would prohibit it. The columns labeled "Summary" within **Table 1.4** has this square footage taken out the totals shown in these two columns.

PUBLIC LANDS

To quantify the amount of land currently occupied with public uses, which include areas with Comprehensive Plan designations of: Government Center (G), Churches, Community College, Schools (CH, CC, S), Community Park, Neighborhood Park (CP) and Open Space / Cemetery (OS); which usually have a zoning designation of Public (P), again a current Skagit County Assessor's parcel map with an aerial photograph overlay was downloaded into the City's Geographic Information System (GIS). For each of these parcels the following base information was tabulated:

- Lot size.
- Approximate square footage of any structures including any accessory structures such as garages or storage buildings greater than 200 square feet in size. Structures 200 square feet in size or less were not quantified as they are not regulated by the City building code and they are generally movable.
- Approximate square footage of discernable impervious surfaces such as driveways or parking lots.
- Approximate square footage of any detention or water quality facilities on the site.
- Approximate square footage of critical areas including wetlands, streams, floodways or areas of geologic hazard and their associated buffers.

The publicly zoned areas where tabulated; but not analyzed as areas for future development because for existing church and school sites a majority of the parcels analyzed showed that most of the site is currently utilized or Master Plans have been completed showing that future development is envisioned. In the case of parks, the open space areas are just that, open space, where development will likely not occur. Cemeteries were also not considered as developable areas as it is likely that unused land within existing cemeteries will be used for future burial sites.

CRITICAL AREAS AND THEIR BUFFERS

The City has several general mapping tools that identify potential critical areas within the City. For the purposes of this inventory, critical areas that were evaluated include streams, wetlands, floodways and steep slopes.

Streams

In 2001, the City hired Shannon & Wilson (S&W) to inventory the existing streams within the City and to provide general locations of suspected wetlands. A majority of the stream segments were walked from their confluence to their headwaters by biologists from S&W. There were instances where private property access did not allow a biologist to walk a stretch of stream; however, aerial mapping was used to fill in these areas. As a result of this work, the City has a useful set of maps with the locations of our stream systems shown.

In 2003, the City hired Jones & Stokes to complete a critical area update for the City. Part of this update included categorizing streams within the City and assigning new buffer widths. To date, Jones and Stokes has categorized the streams within the City as fish bearing, perennial and intermittent. Figures 1 through 4 identify the mapped streams. The streams shown in red are the fish bearing streams, the orange streams are perennial and the yellow streams are intermittent.

Exclusively for the purposes of this inventory, it was assumed that the inner management zones recommended by the initial work completed by Jones and Stokes would be considered undevelopable. This in no way implies that the City will adopt these buffer widths in 2006 when the development regulations for critical areas are officially adopted.

This means that for fish bearing streams (shown in red) a 75-foot buffer, for perennial streams (shown in orange) a 50-foot buffer, and for intermittent streams (shown in yellow) a 35-foot buffer was identified and assumed unusable for development. The buffer widths applied to both sides of a stream.

Table 1.2: Jones and Stokes Stream Buffers Utilized

Stream Type	Color on Map	Inner Buffer Width
Fish Bearing Stream	Red	75 feet
Perennial	Orange	50 feet
Intermittent	Yellow	35 feet

Wetlands

The City had reconnaissance level wetland mapping done by Shannon & Wilson (S&W) in 2000. This information proved to be the most difficult element to factor into the buildable lands analysis. This information was difficult to use because it is far more general than the stream, floodway or steep slope information is. The S&W wetland mapping is a compilation of soil information from the U.S. Soil Conservation Service, the National Wetland Inventory maps, the Department of Natural Resources mapping, a handful of actual delineation reports that had been previously submitted to the City, aerial photography, and windshield surveys by S&W biologists. This report states that, "this inventory is only an approximation of wetlands within the City limits and the UGA boundary" (1).

Comparing the wetlands shown on the S&W mapping and actual wetland reports and delineations generally shows that the S&W maps identify more wetland areas on a site than what is actually found when the site is evaluated by a biologist. **Appendix E** contains a table of 17 plats, P.U.D.s and developments and compares the approximate percentage of the site shown as wetlands by the S&W mapping and the known percentage of wetlands plus their buffers that have actually been delineated on each site. On the sites where more wetlands were shown than delineated by a biologist, on average, the S&W mapping showed 68% more wetland areas.

Even though a majority of the sites evaluated showed more wetlands on the S&W maps than what was actually delineated, there were exceptions. For instance, the area where the Plat of T.J. Townhouses was developed (Section 16, Township 34 North, Range 4 East, W.M.) there was only a 4% difference between what was shown on the S&W map and what was delineated, and the Plat of Big Fir (Section 28, Township 34 North, Range 4 East, W.M.) has 2% more wetlands delineated on the site versus what was shown on the S&W map.

Because of the significantly stronger trend of the S&W map to identify more wetland areas than actually exist, and because a property owner could go through the necessary steps to obtain approvals from the Corps of Engineers and the Department of Ecology to fill portions of wetlands that may exist on their property, it was assumed that if a wetland was shown on a parcel forty percent (40%) of what was shown was considered undevelopable.

After completing the first run of the buildable lands model assuming that forty percent (40%) of an identified wetland area would be considered un-developable, a second run was completed to ensure that the analysis did not understate the amount of wetlands that could be delineated within the City. The second run of the analysis assumed that sixty percent (60%) of an identified wetland area would be considered un-developable.

Floodways

Areas that have been classified on a Flood Insurance Rate Map (FIRM), which is mapped by the Federal Emergency Management Agency (FEMA), as being a floodway have been deemed undevelopable for this inventory as FEMA will not allow new development within these areas. There are areas in the City where there is existing development in areas designated as floodways; and these areas were tabulated, but as stated above, it was assumed that no new development would occur on these parcels.

The area located to the north of East Stewart and Hoag Roads, east of Interstate-5 and west of the Burlington-Northern railroad tracks was not considered as an area where additional homes would be constructed due to the close proximity of the existing levee system to the Skagit River. The analysis only tabulated the existing homes in this area.

Steep Slopes

Digital orthophotographic mapping was created for the City in the summer of 2000 by Entranco and Triathlon Mapping. This mapping was then used to create topographic maps for the City. The digital topographic maps were utilized to identify slopes over forty percent (40%) that were then considered undevelopable for this inventory. In addition, and in accordance with the current Mount Vernon Municipal Code (MVMC) 15.40.150, a 25-foot buffer from the top, toe and sides of any areas with a slope over forty percent (40%) was also deemed undevelopable.

CONCLUSIONS

The following tables identify the zoning designations within the City, the type and amount of development on those parcels, and the amount of land left for development.

Table 1.3, the Buildable Lands Residential Summary, shows that 11,207 additional residential lots could be created within the City and its associated UGAs. Utilizing the average household size of 2.75 people per household (which was calculated by the 2000 U.S. Census) 11,207 lots would equal a population of 30,816. This is in excess of the 16,711 people that the City has been tasked to accommodate through the year 2025.

To make certain the Buildable Lands Analysis does not overstate the number of additional lots that could be created, several factors have been applied to the base residential calculation. The first factor assumes that thirty percent (30%) of the potential lots would not be created due to a property owner's unwillingness to subdivide their property even if the City's zoning code would allow it. The second factor increased the assumption with regard to the amount of wetlands assumed present within the City from a forty percent to a sixty percent (40% to 60%) assumption. With the application of both factors the number of potential lots is reduced to 7,495 which would accommodate a population of 20,608, which is 3,897 people more than what the City has been tasked to accommodate.

In addition to the factors applied to the available residentially zoned lands discussed above, a total of 155 acres of residentially zoned lands were also subtracted out of the UGAs to account for future public uses. It was assumed that the Mount Vernon School District would need 55 acres for future schools (this breaks down to 20 acres for two (2) new elementary schools, 15 acres for one (1) additional meddle school, and twenty acres for another middle or high school

site). A total of 50 acres was subtracted out for future police, fire or other City or public uses; and another 50 acres was subtracted out for public uses such as churches and parks. The number of lots and the population information provided in **Table 1.3** reflects the subtraction of the 155 acres.

Additional controls were applied to the methodology utilized in determining the number of additional potential residential lots to make sure that the calculations were conservative. First, all calculated numbers were rounding down. Second, density increases that could be utilized by a developer such as the twenty percent (20%) density increase for a Planned Unit Development or the additional unit per acre that could be achieved by purchasing Transfer of Development Rights (TDRs) was not taken into account at all within the methodology. In addition, within the C-1, C-3 and C-4 districts it is possible to permit residential development and these possible housing units have also not been taken into consideration.

In conclusion, the Buildable Lands Analysis clearly shows that the City will be able to accommodate the residential growth allocated to the City through the year 2025. As areas are developed within the City the density achieved will be monitored and the Buildable Lands Analysis will be updated yearly to ensure that the densities projected within this document are realized.

EXHIBIT JH-3

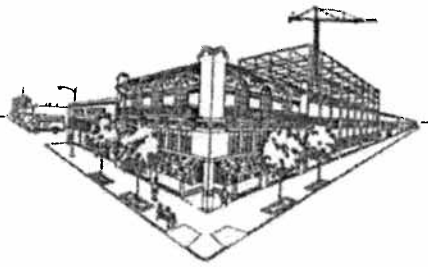
CITY OF MOUNT VERNON COMMERCIAL & INDUSTRIAL LAND NEEDS ANALYSIS

Prepared for:
City of Mount Vernon

September 2006

E. D. Hovee
& Company, LLC

Economic and Development Services



City of Mount Vernon Commercial & Industrial Land Needs Analysis

Final Draft

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September 2006

EXECUTIVE SUMMARY

This report provides an updated policy forecast for employment and associated commercial and industrial land needs for the Mount Vernon UGA through 2025. What follows are principal observations and findings detailed in the body of the report.[1]

Employment Trends. Between 1995 and 2005, Mount Vernon area employment increased at an average rate of 1.8% annually to total just over 17,000 jobs as of 2005. The UGA's annual job growth rate was below that of Skagit County and the adjacent City of Burlington, which has rapidly increased its commercial jobs base and has captured an increasing share of employment growth within the three nearby UGAs of Mount Vernon, Burlington and Sedro-Woolley. Mount Vernon's employment base is bolstered by the government sector, which comprised roughly one quarter of the City's employment total as of 2005, well above the County average for government employment.

2025 Jobs Forecast. The Mount Vernon *employment policy forecast* provided with this analysis anticipates an increased growth rate to 2025. This policy forecast is based both upon observed trends and target goals for improving the City's jobs/housing balance and in particular its share of commercial employment. These goals reflect the policies and objectives of the City's Comprehensive Plan. The forecast is comprised of three primary elements:

1. Trending commercial and government growth according to the average annual job growth realized over the past ten years;
2. Assuming a midline rate of increase in the manufacturing sector, rather than a continued decline as Mount Vernon experienced between 1995 and 2005; and
3. Then increasing total projected employment so that government jobs represent 21% of the total (the County average) rather than the 25% share it would represent if observed trends were carried forward without adjustment. The resulting increase in total Mount Vernon UGA jobs is assigned to the commercial sector. These adjustments represent policy decisions to target a healthy jobs/housing balance and diversify Mount Vernon's employment base to capture increased commercial employment – key to providing revenue for city services – and decreases reliance on the government employment that has historically bolstered the City's employment base.

Total employment of 31,388 is projected for 2025, an increase of 14,344 jobs over 2005 employment. This job increase is then translated into land demand.

2025 Land Demand. Assumptions that influence the land demand analysis include:

- Employment density by job sector to translate jobs into net land demand;
- 2005 vacant land supply (which is subtracted from 2025 projected land demand); and
- Adjustment of net land demand into gross land demand, including factors such as environmental constraints, infrastructure requirements, land in holding (not made

available for development) and a market factor (ensuring diversity of supply and competitive pricing).

The 2005 available land supply figures are available via the recently completed Mount Vernon 2005 Buildable Lands Analysis, which is attached to this report as Appendix A. For this analysis, only parcels greater than one acre were included as being potentially suitable for industrial development, and only parcels greater than one-quarter acre for commercial development. While market trends strongly favor larger parcel sizes – and new land brought into the UGA is recommended to primarily include larger parcels – smaller parcels within the existing inventory can meet the demand for smaller infill sites that may arise over the next 20 years. In addition, Map 2 identifies parcels within the existing inventory that could be aggregated to create larger parcels, although these aggregations should be considered less 'market ready' than single-parcel large lots. The provision of ample, large-size commercial parcels in adjacent jurisdictions (e.g. Burlington) has successfully led to a significant increase in commercial jobs.

The 2005 Buildable Lands Analysis reports a total of 361 net acres currently available within the Mount Vernon UGA within the parcel size range this report considers to be viable for development. This consists of 27 industrial and 334 commercially designated acres. No land zoned for public uses was identified as available. All land within the existing inventory – including those parcels below the size threshold this analysis considers viable – are illustrated in Map 1.

When translated into land demand, projected Mount Vernon UGA job growth by 2025 calls for a total of 827 net acres. Subtracting 2005 net land supply results in an unmet need for 466 net acres by 2025. Adjusted for the factors listed above – and detailed within the report – this unmet demand for net acres translates into an unmet demand for **809 gross acres**. More than half of this demand – 450 gross acres – is for commercially zoned property. Commercially zoned land is expected to accommodate both commercial employment and a portion of government employment (the non school-related portion of government employment, estimated at 60%). To accommodate industrial job growth, an estimated additional 359 gross acres will be needed by 2025.

Existing & Recommended Parcel Size. The Buildable Lands Analysis illustrates that for both industrial and commercial parcels, Mount Vernon's inventory is slanted towards small parcel sizes.

- For commercial lots considered within this report – which excluded the smallest of lots, under one-quarter acre – 26% average one-half acre in size and another 40% average two acres.
- This report did not consider industrial lots below one acre. Above this size cut-off, 72% of industrial lots average just over two acres in size.

It is recommended that the size distribution for new parcels brought into the UGA focus heavily on larger lots for both commercial and industrial uses to accommodate current market trends – e.g. half of all retail development in 2005 nationwide was classified as either big box or regional

mall – and to encourage the significant development necessary to impact Mount Vernon's commercial job capture and jobs housing balance. For commercial uses, this recommendation means 93% of newly assigned parcels should be larger than 10 acres; for industrial use, it is recommended that 62% of parcels are in the 5-10 acre range and 21% are larger than 10 acres. Mount Vernon's existing inventory can accommodate demand for smaller in-fill sites; larger sites are needed to compliment this inventory and significantly impact growth in both jobs and local tax revenue.

The City completed an analysis of sites that can be aggregated to create larger parcels; this is attached with Map B. Nine parcel aggregations were identified that range from around five to 25 net acres, made up of up to five ownerships. The extent of property owner or developer interest in pursuing these aggregations – so that the UGA's existing land supply better matches the market's interest in large sites – is yet unknown.

Mount Vernon Land Allocation History. Mount Vernon's UGA has not been amended since its initial adoption in 1996. Planning processes since 1996 have allocated additional commercial and industrial acreage to the City, but these allocations have not been mapped by the city.

- Between 2000 and 2006, two processes have called for an increase in Mount Vernon's UGA of 188 (net) acres; these acres were never assigned. These allocations account for market factor but not critical areas or public infrastructure. Translated to gross land area according to the methodology advocated in this study – with appropriate adjustments for holding factor, environmental constraints and infrastructure – the 188 acres previously allocated equate to 279 acres of *gross* acreage required.
- The original 1996 UGA estimate describes 1,260 acres in commercial and industrial zoning (both developed and vacant). The 2005 Buildable Lands Analysis concludes that 1,218 acres are in commercial and industrial zoning, a difference of 43 acres. Together, these discrepancies call for an increase of 322 additional gross acres of commercial and industrial zoned land within Mount Vernon's UGA (279 acres + 43 acres = 322 acres).

While this report diverges from the methodology of previous county-wide employment forecasts, its results are consistent with this previous work. The percent of county *employment* capture this report recommends (48%) is only slightly higher than the percent of County *population* capture allocated to Mount Vernon through the 2003 Population & Employment Allocation process (42%). The 2003 Population & Employment Allocation, by Berryman & Henigar, Inc. in association with Michael J. McCormick, is attached as Appendix B. The discrepancy in employment versus population capture is justified by Mount Vernon's need to compensate for past population growth that has outpaced employment growth, eroding its jobs/housing balance and ability to support services for its growing residential base.

This current report represents a fresh look at both supply and demand based on 2005 employment, 2025 employment projections and 2005 land supply via a city-specific analysis. As such, previously allocated acres should not be construed as being *in addition* to the demand for additional acres documented with this updated analysis.

However, Mount Vernon's history of past demonstrated need without any corresponding actual land assignment does provide an important context to understanding the challenge the City has faced in providing the job base needed for local economic vitality. Of particular importance has been the inability to provide land zoned for employment uses in parcels large enough both to meet market demand and to sufficiently increase the community's commercial jobs share. The result has been inadequate growth of jobs and services to support Mount Vernon's rapidly growing residential population.

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I. INTRODUCTION

This report provides an updated policy forecast for employment and associated commercial and industrial land needs for the Mount Vernon Urban Growth Area (UGA) through 2025. This analysis is based on land supply as of 2005 and employment growth projected over the period between 2005 and 2025. It constitutes a fresh approach to the question of Mount Vernon's current and future land needs, and a divergence from the employment allocation approach Skagit County has pursued in the past.

The policy employment forecast this report recommends incorporates both observed growth trends and policy targets to increase the UGA's commercial job capture and its jobs/housing balance. To achieve these important policy goals, Mount Vernon must provide sufficient land both to accelerate its recent job growth rate and to accommodate the market's interest in large parcels (10+ acres at a minimum).

Terminology. Key terms used in this report include the following:

- *Employment Land* – refers to land zoned for both industrial and commercial uses. Less detailed analysis is provided for the forms of public sector employment (such as schools) that typically do not require location on industrially- and commercially-zoned property.
- *Net Acres* – Acreage required to accommodate employment growth, not adjusted to reflect factors that decrease the amount of land actually available for development. Net acres can be thought of as describing a platted landscape in which roads and environmental constraints have been removed from consideration, and all that remains are subdivided, buildable sites. It also does not account for market and holding factors, both of which are adjustment factors intended to better match supply to market demand.
- *Gross Acres* – Acreage required to accommodate employment growth adjusted for factors that decrease the amount of undeveloped land actually available for development. Factors considered in this report include infrastructure, environmental constraints and holding and market factors. Gross acres can be thought of as describing a scenario in which undeveloped land – without roads or other improvements – is first brought into urban usage.
- *Urban Growth Area (UGA)* – defined for purposes of this analysis to include land within the existing city limits *plus* the unincorporated portion of an urban growth area.

Employment Policy Forecast Relation to Population Projection. Mount Vernon's role as a growth center was highlighted through the latest round of population allocations that the City adopted as part of their state mandated 2005 Comprehensive Plan update.

Mount Vernon's population projections derive from a countywide population projection of 149,080; this is 2% below the midpoint of the Office of Financial Management's (OFM) 2025 low and medium forecasts. The County, Cities and Technical Advisory Committee agreed to this countywide population projection after considering a variety of allocation methodologies. This countywide total was then allocated to UGAs as outlined within the *Skagit County Population &*

Employment Allocation Final Report, December 2003, which is attached to this report as Appendix B.

Through the population allocation process, the City of Mount Vernon was allocated 19,568 people, representing a 69% increase in its UGA's population between 2005 and 2025. This projected growth rate was exceeded only for the Bayview UGA (which is projected to increase its population by 229%, from 1,700 to 5,600). The population base of Sedro-Woolley and Burlington were projected to grow by 45% and 37% respectively. A comparison of projected population growth rates for Skagit County UGAs is provided below.

Figure 1. 2005 – 2025 Population Allocations for Skagit County UGAs

Jurisdiction	2000 Population	2025 Allocation	Net Increase	% Increase from 2000 Population	Increase as % of County Total Increase	Increase as % of Urban Total Increase
Bayview	1,700	5,600	3,900	229%	8%	11%
Mount Vernon	**28,332**	**47,900**	**19,568**	**69%**	**42%**	**53%**
Hamilton	309	450	141	46%	0%	0%
Sedro-Wooley	10,358	15,000	4,642	45%	10%	13%
Concrete	960	1,350	390	41%	1%	1%
Burlington	8,728	12,000	3,272	37%	7%	9%
Swinomish	2,664	3,650	986	37%	2%	3%
Lyman	409	550	141	34%	0%	0%
Anacortes	14,647	18,300	3,653	25%	8%	10%
LaConner	761	950	189	25%	0%	1%
Total Urban	68,868	105,750	36,882	54%	80%	100%
Total Rural	34,110	43,330	9,220	27%	20%	-
Total County	102,978	149,080	46,102	45%	100%	-

Source: City of Mount Vernon 2005 Comprehensive Plan Update, Land Use Element.

Mount Vernon is projected to capture 42% of the county's total population growth between 2005 and 2025; 53% of the growth within UGAs. Increasing local jobs and particularly commercial employment is key to the city's ability to support this population growth.

Additional information with regard to the population allocation that the City of Mount Vernon received through the 2005 update to its Comprehensive Plan and how that allocation compares to other cities within Skagit County can be found within the City's Land Use Element of the Comprehensive Plan which is attached and labeled as Appendix C.

The remainder of this report is organized as follows:

Employment Trends
2025 Jobs Forecast
2025 Land Demand & Supply
Existing and Recommended Parcel Size
Mount Vernon Land Allocation History

II. EMPLOYMENT TRENDS

As of 2005 there were approximately 17,044 jobs within the Mount Vernon UGA. This equates to an average annual growth rate of 1.8% over the past 10 years, slightly above the state's average growth of 1.6% but below Skagit County's average annual growth of 2.5% and Burlington's rate of 3.0%.

Figure 2. Mount Vernon UGA Vicinity Employment Trends

	Total Jobs			
	Commercial	Industrial	Government	Total
1995	6,399	4,890	3,033	14,322
2000	9,133	4,174	3,419	16,726
2005	9,162	3,651	4,231	17,044

Source: Washington Employment Security, E.D. Hovee & Company, LLC.

Employment data for Mount Vernon has been obtained from the Washington Employment Security Department (WES) via a special data run according to three generalized jobs categories that reflect the aggregation of numerous more detail employment sectors. For data from 2000 and 2005, these aggregations are based on the North American Industrial Classification System (NAICS) as follows:

Broad Industrial Aggregation:

- Agriculture: Agriculture, forestry, fishing & hunting.
- *Construction & Resources:* Construction; Mining.
- *Manufacturing:* Manufacturing.
- *WTU:* Wholesale Trade; Transportation & warehousing; Utilities.

Broad Commercial Aggregation:

- *Retail trade:* Retail Trade.
- *FIRE:* Finance and insurance; Real estate and rental and leasing.
- *Services:* Information, Professional, scientific and technical services; Management of companies and enterprises; Administrative and support and waste management and remediation services; Health care and social assistance; Art, entertainment and recreation; Accommodation and food services; Education; and Other services.

Broad Government Aggregation:

- *Government*: Local, state and federal employment. Includes public school employment.

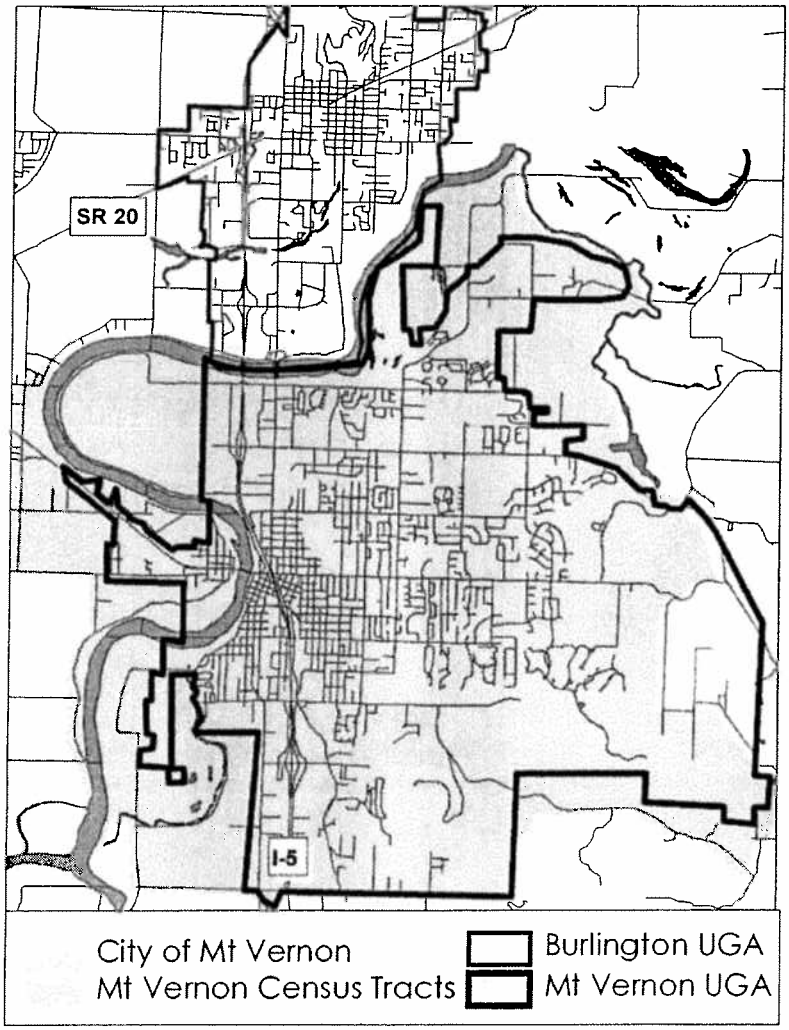
Data from 1995 is based upon the Standard Industrial Classification (SIC) system – replaced by NAICS since about 2000. Comparing data from these two classification systems at any level of aggregation introduces some unknown level of error. However, at this highly aggregated level

the margin of error is considered to be fairly minimal, and this approach provides the only readily available means to compare employment trends pre-2000 to current conditions.

Also noted is that employment data does not correspond to UGA boundaries exactly, but to census tracts that generally approximate UGA boundaries. Census tracts were the best available geography for which WES could provide data.

The following map illustrates the relationship between the census tract geography upon which employment numbers are based and the actual UGA. Given Skagit County's predominately rural nature outside of designated UGAs, it is expected that the impact of this geographic discrepancy on employment allocation is relatively minor.

Figure 3. Map of Employment Geography



Note: Available water coverage (e.g. the Skagit River) is incomplete but is included for reference.

Source: City of Mount Vernon, Skagit County GIS, E.D. Hovee & Company, LLC.

The next charts compare Mount Vernon jobs with adjacent UGAs to illustrate how Mount Vernon's share of the area's jobs base has shifted.

Mount Vernon's employment base has been strongly influenced by its status as the county seat and the county jobs that this designation brings to the City. Government sector jobs comprised 25% of total Mount Vernon UGA jobs in 2005 (Figure 4), as opposed to 21% for the County as a whole. Burlington's government jobs base, in comparison, is only 9%. Sedro-Woolley also reports a relatively high representation of government sector jobs at 33% of its employment total.

From 1995-2005, government increased from 21% to 25% of Mount Vernon's employment. The commercial share of total jobs also increased, while the industrial job share declined.

Figure 4. Adjacent UGA Trends

	Burlington UGA Vicinity				Sedro-Woolley UGA Vicinity				Three UGAs			
Year	Comm	Indust	Govmnt	Total	Comm	Indust	Govmnt	Total	Comm	Indust	Govmnt	Total
1995	3,575	3,088	522	7,185	1,533	1,193	720	3,446	11,507	9,171	4,275	24,953
2000	4,528	2,261	702	7,492	1,717	1,154	794	3,665	15,379	7,590	4,915	27,883
2005	6,392	2,451	853	9,696	1,505	1,108	1,312	3,925	17,059	7,210	6,396	30,665

Source: Washington Employment Security, E.D. Hovee & Company, LLC.

Figure 5. Sectoral Distribution within UGAs

	Mount Vernon UGA Vicinity				Burlington UGA Vicinity				Sedro-Woolley UGA Vicinity			
Year	Comm	Indust	Govmnt	Total	Comm	Indust	Govmnt	Total	Comm	Indust	Govmnt	Total
1995	45%	34%	21%	100%	50%	43%	7%	100%	44%	35%	21%	100%
2000	55%	25%	20%	100%	60%	30%	9%	100%	47%	31%	22%	100%
2005	54%	21%	25%	100%	66%	25%	9%	100%	38%	28%	33%	100%

Source: Washington Employment Security, E.D. Hovee & Company, LLC.

Figure 6. Share of Three UGA Employment by UGA

	Mount Vernon UGA Vicinity				Burlington UGA Vicinity				Sedro-Woolley UGA Vicinity			
Year	Comm	Indust	Govmnt	Total	Comm	Indust	Govmnt	Total	Comm	Indust	Govmnt	Total
1995	56%	53%	71%	57%	31%	34%	12%	29%	13%	13%	17%	14%
2000	59%	55%	70%	60%	29%	30%	14%	27%	11%	15%	16%	13%
2005	54%	51%	66%	56%	37%	34%	13%	32%	9%	15%	21%	13%

Source: Washington Employment Security, E.D. Hovee & Company, LLC.

Mount Vernon's share of the three UGAs employment total declined very slightly between 1995 and 2005, from 57% to 56%. While Mount Vernon represented 58% of the three UGAs' job base in 1995, it captured only 48% of the UGAs' job growth over the following 10 years.

In contrast, Burlington's share of total three UGA employment increased from 29% to 32%. Burlington represented 28% of the job base in 1995 but captured 44% of the UGAs' jobs growth over the next ten years. Much of this capture occurred as a result of substantial Burlington area commercial development.

Overall job growth rates tell the same story: Burlington grew at a faster rate than adjacent UGAs and added an average of 251 jobs per year, close to Mount Vernon's average growth of 272 jobs per year despite its smaller base.

Figure 7. Employment Trends (1995 – 2005)

	Average Annual Growth Rate				Average Annual Increase			
UGA Vicinity	Comm	Indust	Govmnt	Total	Comm	Indust	Govmnt	Total
Mount Vernon	3.7%	-2.9%	3.4%	1.8%	276	-124	120	272
Sedro-Woolley	-0.2%	-0.7%	6.2%	1.3%	-3	-9	59	48
Burlington	6.0%	-2.3%	5.0%	3.0%	282	-64	33	251
Three UGAs	4.0%	-2.4%	4.1%	2.1%	555	-196	212	571

Source: Washington Employment Security, E.D. Hovee & Company, LLC.

These trends provide a context for developing a jobs forecast for the Mount Vernon UGA that reflects both market trends and appropriate local public policy objectives.

III. 2025 JOBS FORECAST

The forecasting process involves review of alternative methodologies – including trend forecasting and an alternative recommended trend plus policy approach.

Trend Forecasts. Two basic approaches to projecting job growth from observed trends have been utilized for this analysis, as illustrated below. The *straightline* approach continues to add the average number of jobs that were added each year between 1995 and 2005; in contrast, extrapolating an average *annual growth rate* (AAGR) projects compounding growth and often results in a higher future jobs figure.

Figure 8. Employment Trends Extrapolated to 2025

Trend Extrapolation Method	Comm	Indust	Govmnt	Total	Basis
Avg. Annual Growth Rate (AAGR)	18,782	2,035	8,233	29,050	Compounded annual growth rate of 1.8% on 2005 base.
Distribution	*65%*	*7%*	*28%*	*100%*	
Straightline (Constant increase)	14,688	1,172	6,627	22,487	Annual increase of 272 (total jobs) on 2005 base.
Distribution	*65%*	*5%*	*29%*	*100%*	

Source: Washington Employment Security, E.D. Hovee & Company, LLC.

Neither of these approaches is recommended without adjustment. One disadvantage of both approaches is that they carry forward the significant reduction in manufacturing jobs that Mount Vernon has realized over the past ten years. Both forecasts also continue to increase the dominance of the government sector within Mount Vernon's jobs mix.

Trend & Policy Approach. The recommended forecast for the Mount Vernon UGA combines observed employment trends with the policy objectives of increasing commercial sector jobs and maintaining the UGA's jobs-housing ratio. These policy objectives are intended to better serve adopted goals, policies, and objectives of the City's Comprehensive Plan.

Figure 9. Recommended Mount Vernon UGA Jobs Forecast, 2025

Steps in Forecast Generation	Commercial	Industrial	Government	Total
Project each sector to 2025 based on trend review				
1. Straight line commercial & government sectors	14,688	–	6,627	–
2. Increase industrial by 1.8% annually		5,170		
Employment Totals	14,688	5,170	6,627	26,485
Sectoral distribution	55%	20%	25%	100%
Set government job share equal to countywide share – overall increase allocated to commercial				
3. 2025 Policy Projection	19,591	5,170	6,627	31,388
Increase from step 2	4,903	-	-	4,903
New sectoral distribution	62%	16%	21%	100%
Change from 2005				
Job Increase	10,429	1,519	2,396	14,344
Percent Change	114%	42%	57%	84%
Avg. Annual Growth Rate	3.7%	1.7%	2.2%	3.0%

	Year	Estimated Households	Jobs Housing Balance	
Job: Housing Balance	2000	10,019	1.67	Observed
	2025	17,416	1.80	Goal

Note: Year 2000 Households in Mount Vernon UGA is estimate based on 2000 household size for city and 2000 population reported in ***Skagit County Population & Employment Allocation Final Report, December 2003.***

Source: Washington Employment Security, E.D. Hovee & Company, LLC.

As illustrated by the chart above, key steps involved in creating the *Recommended Forecast* are as follows. Numbered paragraphs correspond to numbers in the chart above.

1. A job forecast for each of the three primary job sectors (commercial, industrial and government) was calculated independently. *An initial trend extrapolation through 2025* was applied to the commercial and government sectors independently using a straight line approach, or constant annual increase. This means that for these two job sectors, annual job increase between 2006 and 2025 was assumed to be equal to the job increase (number of new jobs per year) observed between 1995 and 2005.

2. *Rather than projecting a continuing downward trend for industrial jobs, the 2005 industrial job base was increased by the annual average total job growth for Mount Vernon, 1995 – 2005 (1.8%).* This reflects a policy commitment to maintain and grow the city's industrial jobs base and to maintain a strong source of higher paying jobs. This commitment is reflected in the Economic Development Element of the City of Mount Vernon's 2005 Comprehensive Plan Update, which is attached as Appendix D:

    - Objective ED 1.3 Sustain and expand the current industrial and manufacturing employment base.

- Policy ED 1.1.3 Increase the diversity of employment opportunities within the City.

The end result of these two steps is a total 2025 jobs figure of 26,485. However, the total jobs figure generated by this approach results in a jobs-housing balance of 1.52 in 2025, a decline from the estimated 2000 level of 1.67.[2] A declining jobs-housing balance indicates that households are growing more rapidly than jobs, leading to increased out-commuting, regional traffic congestion and decreased revenue to support the public services the City provides. City policy calls for a healthy jobs housing balance; the Land Use Element of the City of Mount Vernon's Comprehensive Plan (found in Appendix C) includes the following language:

- Objective LU-25.1 Balance residential, commercial, industrial and public land uses within the City.
- Policy LU-25.1.3 Provide adequate capacity for the City's projected residential growth and provide enough commercial/industrial areas within the City to balance residential growth.

3. *Finally a policy-based adjustment was made to improve both the UGA's target jobs-housing balance and its representation of commercial jobs in 2025* – as both variables are important to the City's economic well-being and ability to fund public services. While industrial jobs are important for wage stability, commercial (particularly retail sector) activity has become of increased importance for local government revenues due to statewide voter-approved property tax limitations. Mount Vernon has been negatively affected by the gravitation of commercial development to Burlington. This is due in large measure to lack of suitable development sites in Mount Vernon. Policies within the City's Economic Development Element of the Comprehensive Plan (found in Appendix D) seeking to rectify this situation include:

   - Policy ED 1.2.1 Encourage retail business that increases the sales tax base of the City.
   - Policy ED 1.2.4 Promote regional office and commercial enterprises in core areas of the City.

   The recommended 2025 forecast targets strong commercial job growth to increase job opportunities and services available to city residents, and businesses that will provide sales tax revenue critical to fund local public services. Commercial employment also includes office-related professional, business, and health services – which can be expected to increase as local and county-wide population growth provides more of a *critical mass* necessary to support such services.

   Total jobs projected (26,485) was adjusted upwards so that by 2025 government sector jobs would approximate 21% of the new total, as opposed to the 25% this sector would otherwise be anticipated to represent. This adjustment calls for a more balanced economy, and one that provides greater revenue to support local services.

   This adjustment increased total Mount Vernon employment in 2025 by 4,900 jobs, to a new total of 31,388. These additional jobs were allocated to the commercial sector, bringing that sector's share of total 2025 jobs to 62%. The recommended 62%

commercial sector share is well above the original 52% share projected for the commercial sector, but still below Burlington's commercial share of 66% in 2005.

The end result is a projected average annual growth rate for Mount Vernon commercial jobs of 3.7%, equal to that sector's growth rate between 1995 and 2005. The industrial and government sectors, in contrast, are slated to diverge from historic average annual growth rates (industrial is projected to grow more rapidly, government less rapidly).

The resulting jobs/housing balance in 2025 is 1.80, representing a modest but important increase from the city's estimated 2005 level of 1.67. A strong jobs-housing balance should be expected given the countywide employment draw that government jobs represent, due to Mount Vernon's role as the largest incorporated city and service center for all of Skagit County, and due to the population allocation that the city accepted as part of the 2005 update to its Comprehensive Plan as discussed in the Introduction portion of this report.

Job growth anticipated by 2025 pursuant to this recommended forecast methodology is 14,344, which brings the UGA's 2025 employment total to 31,388. Employment growth is comprised primarily of commercial sector jobs (10,429), followed by government sector jobs (2,396) and industrial jobs (1,519).

The next step of this analysis translates projected new job growth into additional land demand by 2025.

IV. 2025 LAND DEMAND & SUPPLY

This section of the analysis converts projected employment growth to demand for commercial and industrial land. This demand is then compared to existing supply based on the existing 2005 Buildable Lands Analysis (found in Appendix A). Key assumptions in the conversion of land to employment, and net acres to gross acres, are outlined below.

Net Land Need. The 2025 land demand table translates jobs into land by combining the job forecast with assumptions about the density of future development. Existing land supply is subtracted from future land needs to determine the *net need* for additional UGA commercial and industry acreage by 2025. This initial calculation of land demand is then adjusted to reflect land constraints and other adjustments (outlined below), resulting in an estimate of *gross* land demand.

Employment Density. The density assumptions this report employs were developed as urban density standards for the 1995 Overall Economic Development Plan for Skagit County completed by E.D. Hovee & Company; which is attached as Appendix E. These assumptions are also reflected in the *2003 Updated Skagit County Employment & Land Demand Forecasts* memo, November 21, 2003; which is also attached as Appendix F.

Environmental Constraints. This report employs assumptions about average percent of land impacted by environmental constraints based upon City of Mount Vernon observed experience in recent citywide development. In its 2005 Buildable Lands Analysis report (found in Appendix A), the City provides a summary of recent single family and multi-family subdivisions and commercial and industrial parcel development. Average percent of land impacted by environmental constraints – including wetlands, streams and buffers – ranged from 10% to 17%. Using this city specific data, this report employs the weighted average of 13%.

Infrastructure. The infrastructure adjustment is also based on observed local experience. Data is available for recent residential subdivisions and commercial and industrial developments; infrastructure allotments ranged from 13% to 23% (again, included in the 2005 Buildable Lands Analysis appendices). This report employs the weighted average of 20%.

Market Factor. This adjustment reflects the fact that even within the pool of properties offered for sale or lease, not all will be equally suited to the needs of businesses looking to site or expand in the area. A market factor provides a cushion to the supply of available land to better assure that prospective users and land owners will find a match and that land pricing competitive with alternative sites regionally and beyond can be maintained.

The importance of providing both adequate holding/market factors and an inventory with a substantial representation of large, well-located sites is illustrated by Burlington's successful capture of large scale commercial development in recent years – just to the north of Mount Vernon. A factor of 25% is employed for both commercial and industrially zoned land – well within the bounds of what has been used by other Washington Counties. (For instance, Clark, Lewis, Kitsap and Mason Counties have all applied a 50% market factor to industrial lands.)

Holding Factor. This adjustment factor reflects the likelihood that a certain portion of landowners whose land is included in a UGA expansion will be uninterested in developing their land in accordance with new zoning. A factor for land in holding is recommended for Mount Vernon in part because the UGA's land supply analysis includes both vacant lots and portions of larger lots on which some development already exists. According to the 2005 Buildable Lands Analysis, 46% of all vacant land within the parcel size range this report considers is located within a remainder parcel, or a parcel on which there is existing development. Development of remainder lots requires either expansion of an existing business located on that lot, development of space for lease by the existing land owner or subdivision and sale of the undeveloped portion of the lot.

Application of a holding factor to the UGA's commercial and industrial land supply accounts for the fact that a portion of landowners will likely not be interested in developing or subdividing their lots due to factors such as an owner holding land for future (long-term) business expansion, lack of market appeal for the site, or simply lack of interest in the development opportunity. In the 2005 Mount Vernon Buildable Lands Report a similar adjustment factor was employed for residential land – of the developed properties that could be subdivided, it was assumed that 30% of property owners would not chose to do so. The Municipal Research and Services Center of Washington provided the City with examples of other jurisdictions that had utilized a similar factor to account for a property owner's unwillingness to develop his property even if zoning allows for further development.

The potential discrepancy between zoning vacant land for development and development interest on the part of landowners also exists for lots that are vacant in their entirety. This discrepancy is difficult to quantify and little empirical research has been done on the topic. This analysis employs a holding factor of 15% applied to all land as a conservative estimate to account for the fact that a portion of the land within the vacant land supply will not actually be offered for sale/development on the market.

The combined effects of these factors are illustrated by the calculations provided with Figure 10 on the following page.

Figure 10. 2025 Mount Vernon Commercial & Industrial Land Demand

	Industrial	Commercial	Government	Total Non-Industrial*	Notes
Assumptions					
Employees/net acre	6.5	20	20		Based on assumptions for urban densities in the Skagit countywide 2003 land need forecast
Land adjustments (net to gross)					
Environmental constraints	13%	13%	13%		Weighted average of documented Mount Vernon developments (Buildable Lands Analysis appendices)
Infrastructure	20%	20%	20%		Weighted average of documented Mount Vernon developments (Buildable Lands Analysis appendices)
Market factor	25%	25%	25%		To account for varying market preferences & user requirements
Land in holding	15%	15%	15%		To account for land not offered for sale
Land Demand by 2025					
Job growth by 2025	1,519	10,429	1,438	11,866	Based on 2025 employment projection. 40% of government increase excluded to approximate for school employment
Net acres needed by 2025	234	521	72	593	Total job growth divided by employees/net acre
2005 net acres supply	27	334	-	334	Existing supply is reported in net acres (2005 Buildable Lands Analysis)
Difference: net acres	207	187	72	259	Net acres needed by 2025 minus 2005 net acre supply
Adjustments to Land Demand by 2025: Net to Gross					
Environmental constraints	234	212	81	293	Adjustment to net acre demand by 2025
Infrastructure	282	255	98	353	Adjustment to net acre demand by 2025
Market factor	352	319	122	442	Adjustment to net acre demand by 2025
Land in holding	405	367	141	508	Adjustment to net acre demand by 2025
Difference: gross acres	359	325	125	450	UGA expansions will be determined in gross acreage
Total acres needed	809				

*Note: Total non-industrial is the sum of the commercial and government columns.

Source: E.D. Hovee & Company, LLC; City of Mount Vernon 2005 Buildable Lands Analysis; *Historic Commercial & Industrial Land Allocation*, EDH memo February 22, 2005.

Future employment growth (and the land it requires) will in part be accommodated by land available for development as of 2005. The 2005 Buildable Lands Analysis indicates that a total of 361 acres are currently available in lots within a potentially usable size range (27 industrial acres in parcels greater than one acre; 334 commercial acres in parcels greater than one-quarter acre). While new development interest is expected to focus on much larger size lots – based on broker and economic development council (EDASC) input as described in the following section – smaller existing lots have been included in the inventory of viable sites as they will accommodate (likely more limited) interest in smaller, infill sites. No available vacant land was identified in the report as being currently available for public (government sector) uses.

In summary, this analysis indicates need for an additional 809 *gross* acres of commercial and industrially designated land. Net land demand was translated into gross land demand through the adjustments outlined in the preceding text and Figure 10.

More than half of the identified need is for commercial zoning, 450 gross acres. Demand for commercial acres is generated through both commercial and government job growth, as many government sector jobs are sited within typical office buildings developed on commercially zoned land. (60% of total government sector jobs were estimated to locate within commercially zoned land.)

Demand for additional industrial acreage (future need minus existing supply) is estimated at 321 gross acres. Depending on precise zoning categories, it is possible that some industrial acreage may also accommodate a portion of commercial needs. An example would be Mount Vernon's combined Commercial-Limited Industrial (C-L) zone, offering greater flexibility and responsiveness to changing market conditions as they arise.

To satisfy these needs for additional commercial and industrial acreage, Mount Vernon will need to look primarily outside the existing UGA as substantial opportunities for redevelopment or re-zoning within the existing UGA are relatively limited. A particular priority for this analysis is to also address the City's policy priority for larger sites competitive in the regional market. This is based on the recognition that much of the existing inventory – dominated by small parcels – is not suitable for substantial industrial and commercial development. A discussion of parcel size appropriate to accommodate market demand follows.

IV. EXISTING AND RECOMMENDED PARCEL SIZE

A final remaining consideration is the parcel sizes associated with Mount Vernon's existing land supply. In addition to total acres, to attract and accommodate development an urban growth area's land supply should be configured in appropriately sized parcels. 'Appropriate' includes a range of sizes to meet market demand and can vary by specific industrial/commercial land use.

Existing Parcel Size Distribution. The City's existing inventory of vacant commercial and industrial lands is detailed in the following table, classified both by parcel size and whether the parcel is vacant in its entirety or is a portion of a larger parcel on which some development exists – these are referred to as remainder parcels. The table excludes industrially-zoned parcels under one acre and commercially-zoned parcels under one-quarter of an acre.

It is noted that these relatively small parcel size thresholds should not be expected to adequately address that majority of the City's employment growth needs over the 2005-2025 period. While smaller firms can utilize some smaller parcels and there may be some opportunities to assemble contiguous parcel, the majority of the need should be anticipated to be met by substantially larger parcels.

Parcel Size Limitations. Inventory results indicate that for both industrial and commercial parcels, Mount Vernon's inventory is slanted towards small parcel sizes. For commercial lots considered within this report – which excluded the smallest of lots, under one-quarter acre – 26% average one-half acre in size and another 40% average two acres.

As illustrated by the next section to this report, shifting to much larger acreage sites is recommended to be more broadly competitive to meet current commercial center requirements. Recommended is that 85% of the commercial inventory be in 10+-acre sites.

This analysis does not consider industrial lots below one acre in size – due to lack of market viability at this small size for most industrial uses. Above this size cut-off, 72% of industrial lots average just over two acres in size. Even at two acres, the inventory is substantially *out of synch* with current and anticipated market requirements. As illustrated by the next section, greater emphasis is needed in the parcel size ranges of 5-10 acres and 10+ acres.

Of the total inventory of 361 industrial and commercial acres it is noted that:

- Close to one half of the acreage is comprised of remainder rather than stand-alone parcels; these may be less likely to develop, especially for firms not currently in the Mount Vernon area.
- Mount Vernon currently has no industrial parcels of 10+ acres in size and no commercial parcels of 15+ acres in size; lack of larger parcels limits competitiveness for both uses.
- The City has identified and evaluated nine areas in which contiguous parcels with developable land (within the existing UGA) may be aggregated to form bigger parcels ranging from approximately five to 25 *net* acres under up to five ownerships. This evaluation is detailed in the narrative accompanying Map B. Aggregations are another constructive approach to shifting the UGA's vacant land supply to better match market

demands. However, these potential aggregations are not reflected within Figure 11 as aggregating parcels – particularly under separate ownerships – introduces numerous additional hurdles into the development process, and the extent of property owner interest has yet to be ascertained.

The remainder of this section of the report compares the size distribution of the UGA's existing inventory with market input on parcel sizes that would best match market demand.

Figure 11. Land Supply by Parcel Size (2005)

	10,000 sf - 1 acre		1 - 5 acres		5 - 10 acres		10 – 15 acres		15 - 20 acres		>20 acres		Total	
Type of Lot	Parcels	Acres	Parcels	Acres	Parcels	Acres	Parcels	Acres	Parcels	Acres	Parcels	Acres	Parcels	Acres
Stand Alone Parcels														
Commercial	56	32	27	57	5	30	5	60	-	-	-	-	93	180
Industrial			3	6	1	8	-	-	-	-	-	-	4	14
Total	56	32	30	63	6	38	5	60	-	-	-	-	97	193
Remainder Parcels														
Commercial	117	53	35	76	2	12	1	12	-	-	-	-	155	154
Industrial			6	13	-	-	-	-	-	-	-	-	6	13
Total	117	53	41	89	2	12	1	12	-	-	-	-	161	168
All Parcels														
Commercial	173	85	62	133	7	43	6	72	-	-	-	-	248	334
Industrial			9	15	1	8	-	-	-	-	-	-	10	27
Total	173	85	71	153	8	50	6	72	-	-	-	-	258	361
Per. of acres stand alone*		60%		41%		76%		83%					38%	54%

*Note: Describes percent of existing inventory represented by parcels vacant in their entirety as opposed to remainder parcels.

Source: City of Mount Vernon, E.D. Hovee & Company, LLC.

INDUSTRIAL LAND PARCEL SIZING

Market Input. Key factors in the provision of industrial land are cost and accessibility. Don Wick, Executive Director of the Economic Development Association of Skagit County (EDASC), states that the average cost of Skagit County land is around $4 per square foot. Prices tend to be well above this range within Mount Vernon, around $8 per square foot, in part due to the location of many industrial lots along the freeway. Much of this land is along I-5 in South Mount Vernon.

To encourage new industrial investment within Mount Vernon, Wick sees providing lower cost land options as being of fundamental importance. Current development patterns for higher priced Mount Vernon land indicate a relatively slow development pace for this higher cost land. Development that does occur is limited to those industrial or manufacturing companies that most need direct freeway visibility. Land that is not developed is under pressure to transition to commercial zoning.

In terms of access, EDASC does not see Mount Vernon as necessarily better positioned than other areas of Skagit County outside of the city. The biggest need regarding access is for *larger sites* served by rail; Wick describes demand for these sites as on the rise – which corresponds with recent experience generally throughout the Pacific Northwest and U.S.

The most typical request for industrial sites currently is within the five to ten acre range. Anything below three acres is considered 'very small' for industrial development, particularly for manufacturing employment (which tends to be higher density and higher income).

EDASC receives inquiries for land above the 10 acre range as well. Although these are less frequent, Mount Vernon has virtually no inventory of these parcels at present. In effect, EDASC is most frequently unable to work with such requests given the historic unavailability of this parcel size.

Existing & Recommended Supply. Mount Vernon's existing land supply includes only a single parcel of land zoned for industrial use larger than five acres (the parcel is eight acres). An additional nine parcels are available in the one to five acre range; the average size of these parcels is 2.1 acres, below the size range of the bulk of industrial land inquiries.

In light of this mismatch between the city's existing supply and market demand, it is recommended that industrial lands brought into the City's UGA consist primarily of larger parcels. The following table illustrates one potential distribution to reach the city's estimated land need. Total acres are equivalent to 2025 demand for gross industrial acres (359) minus infrastructure (20%). Acreage ranges are intended to describe actual parcel size, deducting for roads but not for environmental constraints.

Figure 12. Recommended Industrial Parcel Size Distribution

	# of Parcels	Avg Size (acres)	Total Acres	% of Total
3-5 acres	12	4	48	17%
5-10 acres	22	8	176	62%
10+ acres	4	15	60	21%
	38	7	284	100%

Source: E.D. Hovee & Company, LLC.

COMMERCIAL LAND PARCEL SIZING

Market Input. The appropriate range for commercial sites is more difficult to generalize, as it varies by retail type. Commercial real estate brokerage firms describe numerous types of retail currently missing from not only the Skagit County market, but the entire region north of Seattle. These retail types could be targets for growth, and include hard goods – automobiles, boats, motorcycles – and retailers that target disposable income, such as higher quality home furnishings, clothing and electronics.

Mount Vernon is geographically well-positioned to serve as a retail hub for a multi-county region, and retailers have yet to catch up with the changing demographics of northwest Washington State. The key question is whether area incomes will continue to increase on their current trajectory to attract retailers that have previously by-passed the Skagit County and in some cases the entire northern Puget Sound market.

In terms of the form that new retail development would take, one commercial realtor stated that the largest need for Mount Vernon retail space is for a large format lifestyle center. This center type is currently the dominant forms of retail development, comprising 43% of new retail construction nationwide in 2005. A power center and/or lifestyle center would require around 20 – 40 acres (corresponding to a building size range of 250,000 to 450,000 square feet at a 0.30 lot coverage ratio). One commercial realtor stated that retailers tend to follow one another and lifestyle centers are the current trend. Mount Vernon currently has no parcels available in this size range.

Urban retail is another prominent development type at 30% of nationwide construction (Shopping Centers Today, January 2006). Urban retail development has clustered in regions in which in which the urban core is supported by strong housing growth and demographics. In less densely developed areas, larger format retailers tend to dominate local commercial construction trends.

Smaller retail centers have become less successful over the past few years, largely due to the financial struggles of their traditional anchor – the neighborhood grocery store. For example, large format grocers (Wal-Mart, Costco) have exerted pressure on mid-size and mid-priced grocers such as Safeway and Albertsons, evidenced in their recent quarterly losses (last two quarters of 2005), struggles to maintain market share, closure of weaker stores and lack of new store expansion.

Neighborhood centers comprised just 8% of retail construction in 2005. Even these smaller neighborhood centers generally require anywhere from 10 – 25 acres. While Mount Vernon does have commercial sites in the 10-15 acre range, none are available at 15+ acres.

In terms of capturing new retailers and significantly impacting Mount Vernon's retail sales tax base, targeting larger format retailers and centers that will house higher-end retailers may be the City's best bet.

Reinvestment in existing commercial space is another important component of accommodating commercial growth and ensuring responsible land use. Downtown Mount Vernon was described as having sufficient and appropriately sized leasing opportunities but as in need of investment (including flood protection and parking improvements) to help it serve more effectively as a more substantial retail destination. Additional housing units, parking and the completing of the on-going waterfront revitalization effort were also cited as keys to supporting downtown commercial space.

The other commercial hub cited as in need of additional investment was the Riverside Drive and East College Way area, where buildings have not been upgraded in 20 years and at this point are behind current retail trends. The aging character of this corridor coupled with lack of consistent reinvestment will draw tenants away from the commercial corridor and towards newer space opportunities.

Existing & Recommended Supply. The City's supply of commercial space, like its industrial land inventory, is dominated by small lots – one-quarter average 0.5 acres, another 40% average two acres. For commercial use, lots smaller than one acre have not been omitted given the in-fill potential they represent.

A recommended distribution of new land focuses exclusively on parcels larger than five acres, and includes several very large parcels (three at 40 acres) to accommodate and provide market selection for a possible regional lifestyle or other format retail center.

Figure 13. Recommended Commercial Parcel Size Distribution

Parcel Size	# of Parcels	Avg Size (acres)	Total Acres	% of Total
5 acres	5	5	25	7%
10 acres	11	10	110	31%
20 acres	5	20	100	28%
40 acres	3	40	120	34%
Total	24	15	355	100%

Source: E.D. Hovee & Company, LLC.

Use of larger parcels is not limited only to retail use. In particular, parcels in the 20-40 acre range can be appropriate candidates for office and business parks. The target total commercial square footage is equal to the 2025 gross demand for commercial land (450 acres including government jobs in commercial settings) minus a 20% deduction for roads and infrastructure. Again,

recommended size distribution is intended to describe actual parcel size, deducting for roads but not for environmental constraints.

Commercial & Industrial Parcel Location

While evaluating the suitability of unincorporated land surrounding Mount Vernon's existing UGA is beyond the scope of this report, realtors interviewed did express opinions about what locations are most viable from a market perspective.

For commercial development, highway access and highway visibility were consistently cited as key criteria. These characteristics are especially important to large format retailers and larger retail centers (e.g. lifestyle centers). Mount Vernon's ability to attract these retail types is in part dependent on the provision of sufficiently large commercial lots with easy arterial/highway access and highway visibility.

In contrast, for many industrial businesses highway visibility is not as important. More important is land that is priced right – within the $4 per square foot range. Second to this may be access, the ability for materials to move in and out of the site with ease. Access via arterials and highways is important. Parcels with rail access are especially hard to come by; rail access should be a criteria considered in allocating future industrial land.

Evaluating the accompanying Map A and taking the above-referenced factors into account (i.e., highway visibility, availability of large lots and easy access), it appears that the City will be need to look outside of the existing UGA to site the needed commercial and industrial acreage. Areas to the east of Interstate 5 are largely zoned for residential uses needed to accommodate the population that the City is slated to receive through the year 2025. While the City's Buildable Lands Analysis does indicate that the City has a supply of residentially zoned land slightly in excess of what may be needed, the location of the undeveloped residentially zoned land – generally in the eastern portion of the City – is undesirable for siting commercial or industrial developments given its indirect access and for commercial uses, lack of visibility.

VII. MOUNT VERNON LAND ALLOCATION HISTORY

This needs analysis concludes with a review of land allocation for industrial and commercial use dating to the inception of planning pursuant to the 1994 statewide Growth Management Act. This section summarizes that history to provide a context for understanding and documenting Mount Vernon's continued shortage of commercial and industrial land. Attachment G is a 2005 E.D. Hovee & Company memo analyzing the City's historic commercial and industrial land allocations.

Initial GMA Plan. Mount Vernon's UGA boundary has not been amended since its initial adoption in 1996. Upon adoption in compliance with the Growth Management Act (GMA), Mount Vernon's UGA was understood to include 771 acres of vacant commercial and industrial land and 489 acres of developed commercial and industrial land. In the past 10 years, numerous studies have been completed with the intent to better define the City's available land supply and to demonstrate the need for additional commercial/industrial land allocations.

2000 Update. In 2000, Mount Vernon was allocated 98 acres of commercial/industrial land via the Countywide Planning Policies adoption. However, this allocation was never actually assigned (the actual UGA boundary was never changed). Translated to gross acres – meaning increasing the allocation to account for environmental constraints, infrastructure and a holding factor – this equates to roughly 146 acres. The 98 acre figure already incorporated a market factor.

Current Update Process. A second Mount Vernon UGA allocation process is currently underway. With this process, 90 acres are proposed to be allocated to Mount Vernon as part of the county's 2005 Comprehensive Plan update. The anticipated completion date for that project is August 2006. These acres are not associated with actual parcels at this stage; the assignment of specific parcels would be a second step. As proposed, the allocation also describes net acres (but including market factor); it corresponds to roughly 134 gross acres according to the methodology employed in this report.

Figure 14. Discrepancies in Mount Vernon UGA Land Assumptions

Acres	Notes
489	Original UGA estimate, for *developed* commercial and industrial land as of UGA adoption
771	Original UGA estimate, *vacant* for commercial and industrial land as of UGA adoption
1,260	Original UGA estimate, *total* for commercial and industrial land
146	Gross acre equivalent of recommended 98 net acre increase for vacant commercial and industrial land via Countywide Planning Policies 1.1 (adopted in 2000). Acreage recommended was never assigned.
134	Gross acre equivalent of anticipated 90 acre allocation for vacant commercial and industrial land via the 2005 Skagit County Comprehensive Plan update. Represents net rather than gross acres. Update anticipated complete in August 2006; acreage not yet assigned.
1,5390	Theoretical UGA total for commercial and industrial land, 2006
1,218	Actual UBG total for commercial and industrial land, 2006
322	Difference between planning documents and actual land inventory.

Source: *Historic Commercial & Industrial Land Allocations, February 22, 2005,* E.D. Hovee & Company; interview with Skagit County planning department staff; City of Mount Vernon; City of Mt Vernon 2005 Buildable Lands Analysis.

Report's Relation to Previous Work. While this report diverges from the methodology of previous county-wide employment forecasts, its results are consistent with previous work. The percent of County *employment* capture this report recommends is only slightly higher than the percent of County *population* capture allocated to Mount Vernon through the 2003 Population & Employment Allocation process, detailed in the report attached as Appendix B.

County planning staff has described the on-going 90 acre allocation as derived from a countywide employment and land demand forecast completed by E.D. Hovee & Company in 2003 (Appendix F). That report called for a total of 65,100 countywide jobs (excluding self-employed residents) by 2025, a population-driven projection that increased labor force participation slightly according to state trends but otherwise held the jobs to population ratio constant. A portion of countywide projected employment growth and associated land needs (the majority) was then allocated to Mount Vernon as follow-up to that study.

This report contrasts with the 2003 Countywide Employment Forecast in that it provides a policy-driven, city-specific employment projection incorporating both observed job growth trends and policy objectives to increase the City's jobs/housing ratio and its share of the region's commercial employment. It calls for 31,388 jobs within the Mount Vernon UGA by 2025, or 48% of the 2025 countywide employment total projected through the 2003 E.D. Hovee & Company study.

With the recommended allocation, Mount Vernon's 2025 share of countywide employment (projected in 2003) is thus only slightly higher than Mount Vernon's share of 2025 countywide population growth as allocated through the 2005 Skagit County population allocation process (see Figure 1). The 2005 Skagit County population allocation process called for Mount Vernon to capture 42% of countywide population growth by 2025.

The discrepancy between these capture rates – 48% of countywide job growth and 42% of countywide population growth – is justified by Mount Vernon's need to compensate for past

population growth that has outpaced employment growth, eroding its jobs housing balance and ability to support services for its growing residential base.

Summary Notes. This updated 2006 *Commercial & Industrial Land Needs Analysis* represents a fresh look at both supply and demand based on 2005 employment, 2025 employment projections and 2005 land supply via a city-specific perspective. As such, previously allocated acres should not be construed as being *in addition* to the need for additional acres by 2025 documented with this updated analysis.

However, Mount Vernon's history of past demonstrated need without any corresponding actual land assignment does provide an important context to understanding the challenge the City has faced in providing the job base needed for local economic vitality. Of particular importance has been the inability to provide land zoned for employment uses in parcels large enough both to meet market demand and to sufficiently increase the community's commercial jobs share. The result has been inadequate growth of jobs and services to support Mount Vernon's rapidly growing residential population.

ENDNOTES

[1] Information for this report has been compiled from sources that are specifically cited within the body of this report. E.D. Hovee & Company, LLC does not guarantee the accuracy of information from third party sources.

The findings and conclusions contained in this report are those of the author. They should not be construed as representing the opinion of any other party prior to their express approval – whether in whole or in part.

[2] The 2000 Mount Vernon UGA jobs-housing figure was derived from the 2000 UGA population estimate as reported by Berryman & Henigar and the 2000 UGA job count as reported by Washington State Employment Security. The average City of Mount Vernon household size (Census) was applied to the UGA population to determine households within the UGA geography.