

Appendix E

Economic Development



CITY OF MONROE COMPREHENSIVE PLAN UPDATE



ECONOMIC DEVELOPMENT STRATEGY

PREPARED FOR



PREPARED BY



LELAND CONSULTING GROUP



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Economic Development Strategy Summary

As part of the City of Monroe’s Comprehensive Plan Update, Leland Consulting Group (LCG) was engaged to develop this Economic Development Strategy.

The future holds the promise of both *continuity* and *change* for Monroe. Monroe will likely continue to retain and build on some of its key assets—its small city charm, neighborliness, and great access to both exceptional outdoor recreational opportunities, and the Puget Sound region—one of the nation’s most robust centers for job and business growth. At the same time, Monroe’s citizens and leaders have aspirations for change. Those interviewed as part of the Comprehensive Planning process hoped for a more vibrant Main Street, a stronger local business community, improved connections to the Skykomish River, and the further realization of the “adventure starts here” brand.

Six key strategic economic development themes emerged from the interviews, research, workshops, and public outreach events conducted as part of this Comprehensive Planning process. LCG recommends that these themes guide the City’s economic development policies, actions, investments, and partnerships in the decades to come. Specific “next step” actions are recommended later in this report. LCG believes that, by pursuing these themes, Monroe can continue to increase its appeal to residents, businesses, shoppers, and tourists, and thereby create a virtuous cycle of investment, private and public revenues, and economic health. These themes are:



Develop a Thriving Downtown with Vibrant Main Street Character. Downtown Monroe is a focal point of the City. As people and businesses become increasingly mobile, quality of place is a critical piece of economic development.



A Great Place to Start and Grow a Business. Job and business growth leads to enhanced quality of life, higher household incomes, and more stable local economy.



Active Sports and Outdoor Adventure Destination.

Monroe boasts an exceptional location at the foot of the North Cascades and adjacent to the Skykomish River; and the city is well known to visitors for a variety of outdoor pursuits and high-energy spectator sports, such as wakeboarding and events at the Evergreen Speedway and Fairgrounds. The city has the opportunity to continue to build on this brand and in so doing, to enhance its appeal to tourists, businesses, and residents.



Continued Growth and Development. Limited opportunities to expand outward mean that it's important for Monroe to make the most efficient and effective use of the land within the city's boundary by encouraging appropriately scaled infill development and seeking to reuse and redevelop key sites in the City.



Complete Regional Retail Center. Monroe's regional retail center on Highway 2 is an important generator of public revenues via sales and property taxes, a job center, and one of the City's most important gateways. This area can present a better "front door" to the community through better signage, landscaping, and other measures.



Walkable, Accessible, and Interconnected Community. Monroe's residents repeatedly indicated their support for a walkable and interconnected community during outreach for the Comprehensive Plan update. "Quality of place" attributes such as pedestrian accessibility lead to increased housing demand and desirability, reinvestment by residents in the community, and therefore a growing tax base over the long term.

Summary of Existing and Forecast Conditions

In combination with several other reports and public outreach, the consultant team provided an Economic Conditions Assessment analyzing background on economic and demographic conditions to inform the 2014 Comprehensive Plan Update and specifically this Economic Development Strategy. The Economic Conditions Assessment, completed in November 2013, analyzed the following economic indicators as summarized below. The following sections will serve to summarize existing and forecast economic conditions as revealed through research and data analysis, public open houses, interviews with elected officials, staff and other stakeholders:

- Demographics: Population, education, and other characteristics of Monroe;
- Economy: Local, regional, and national trends, including growing industries and industry clusters; and,
- Real estate markets: Current conditions and characteristics of the office, retail and industrial markets.
- Adventure Starts Here branding concept.

Demographics and Housing

- Whereas in the 19th century, natural resources and value-added manufacturing drove economic growth, *people* and their skills and expertise are now the primary source of wealth and economic growth for cities. The human capital of residents and workers—whether they are homebuilders, machinists, doctors, or technology workers—provides the foundation for future business growth, and also suggests what housing and other types of real estate will be in demand. This educational data could suggest multiple economic development approaches, including encouraging additional education at Everett Community College or other institutions, and attracting jobs that are relatively high wage but do not require advanced degrees, such as in the health care and manufacturing sectors.

Table 1 summarizes the City of Monroe’s demographics along with several “comparison geographies”—the City of Snohomish, Snohomish County, the Puget Sound region, and Washington State—in order to identify themes and trends that connect and distinguish Monroe from other areas.¹

- **Large families** - 71 percent of Monroe households are comprised of families, a figure between four and 10 percent higher than comparison areas. Average household sizes are larger in Monroe, too, at 2.97 persons versus 2.5-range averages seen with neighbors and across the State.²
- **Large households** - Monroe has significantly fewer one and two-person households (49%) than the County, Puget Sound region, or State (all ranging from 57% to 63%). This is important, as one and two-person households tend to drive downtown housing.
- **Younger residents** - Monroe is home to more people in the 25 to 44 year-old age range than comparison areas, likely reflecting the city’s affordable housing options for younger wage-earners, accessibility to and from employment centers, and outdoor and recreational amenities.
- **Mid-range incomes** - Median household incomes of \$59,000 are slightly lower than County or regional norms (both around \$62,000), but higher than the statewide or City of Snohomish figures (both around \$55,000). Monroe is a very middle-income area, with fewer households making below \$15,000 than the state or region, but also fewer households making above \$100,000.
- **Hispanic residents** – Monroe has nearly double the Hispanic population (18%) of the City of Snohomish (8%), the County (9%) or the Puget Sound Region (9%). While the reasons for the number of Hispanics in Monroe are unclear, good schools, a walkable core, quality housing and affordable downtown commercial space may be factors – and which benefit all residents. There may be additional opportunities to celebrate this community or capture spending from this demographic segment.

¹ The “Puget Sound Region” is defined as the U.S. Census’ Seattle-Tacoma-Bellevue Metropolitan Statistical Area (MSA).

² U.S. Census definition of ‘family’ includes married couples without children.

- Education** –37 percent of Monroe residents have some college or an associate’s degree - on par with the City of Snohomish and the County, and higher than the Puget Sound region or the State. However, beyond an associate’s degree, residents of Monroe have lower educational attainment than the comparison areas. Only 20 percent have a bachelor’s degree or higher, versus the Puget Sound Region’s 37 percent and statewide averages at 31 percent. This educational data could suggest multiple economic development approaches, including encouraging additional education at Everett Community College or other institutions, and attracting jobs that are relatively high wage but do not require advanced degrees, such as in the health care and manufacturing sectors.

Table 1. Demographics: Monroe and Comparison Geographies

	City of Monroe	City of Snohomish	Snohomish County	Puget Sound Region	Washington State
Population (2013 OFM official estimates)	17,510	9,220	730,500	3,526,900	6,882,400
Median age (2012 estimate)	33.4	38.9	37.2	36.9	37.4
Average household size (2012 estimate)	2.96	2.41	2.63	2.48	2.52
Families as a percent of households (2012 estimate)	71%	61%	67%	62%	64%
Average family size (2012 estimate)	3.44	2.99	3.12	3.07	3.07
Median household income (2012 estimate)	\$59,152	\$55,448	\$62,235	\$62,069	\$55,073
Hispanic Origin (2012 estimate)	18%	8%	9%	9%	12%
Population by age (2012 estimate)					
0 to 24	35%	32%	33%	32%	33%
25 to 34	18%	13%	14%	16%	14%
35 to 44	17%	13%	14%	14%	13%
45 to 54	14%	16%	16%	15%	14%
55 to 64	8%	13%	12%	12%	13%
65+	8%	13%	11%	11%	13%
Housing Tenure (2012 estimate)					
Owner occupied housing	59%	49%	62%	56%	57%
Renter occupied housing	35%	44%	32%	37%	34%
Vacant housing units	6%	8%	7%	7%	9%
Households by Size (2010 Census)					
1 and 2 person households	49%	63%	57%	62%	62%
3 and 4 person households	35%	29%	32%	29%	28%
5+ person households	16%	8%	11%	9%	10%
Education (American Community Survey)					
Less than high school	14%	16%	9%	9%	11%
High school or equivalent	28%	26%	26%	22%	25%
Some college	37%	37%	37%	32%	34%
Bachelor's or higher	20%	22%	28%	37%	31%

Source: ESRI, US Census, Washington State Office of Financial Management, Leland Consulting Group

Growth and Demographic Shifts

The City of Monroe has opted to adopt the ‘high growth’ forecast for its future population growth scenario. Table 2 below shows the projected population for the City of Monroe as 22,102 by 2035 and just under 25,000 within the UGA. This anticipates a total UGA increase of 6,313 persons at a growth rate of approximately 1.25% per year. While City policy may help influence the type of growth Monroe experiences (demographically speaking), regional forces and broad demographic shifts will likely play a larger role in shaping demographics.

Table 2. Snohomish County Tomorrow, 2035 Population Forecast - City of Monroe

Area	2011 Estimated Population	2035 Projected Population	Net Increase 2011-2035
Monroe City	17,351	22,102	4,751
Unincorporated UGA	1,455	3,017	1,562
Total UGA	18,806	25,119	6,313

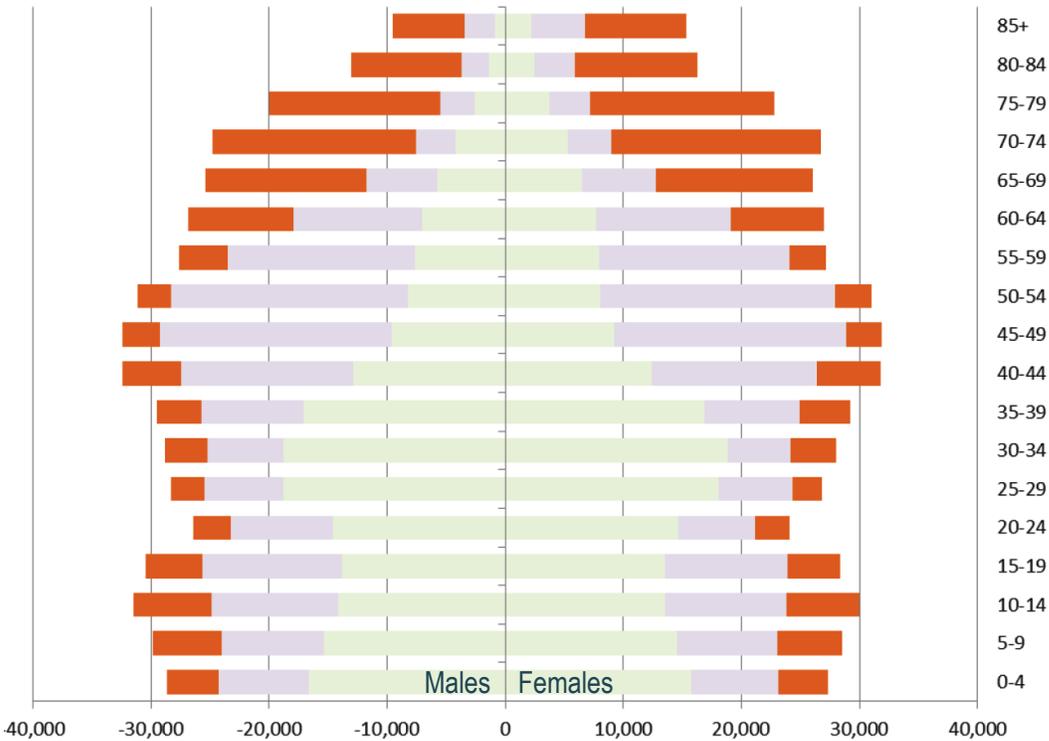
Source: City of Monroe Draft Land Use Element Update, September 2013; Snohomish County Tomorrow Buildable Lands Report, 2012; 2010 U.S. Census, Washington Office of Financial Management.

Some of the key demographic shifts projected for Snohomish County, which are therefore expected to affect Monroe, are summarized here; and the impacts on housing is discussed in the following section. Between 2015 and 2035, the population of Snohomish County and Monroe is expected to change in the following ways—many of which are in contrast to Monroe’s current demographics. In the two coming decades:

- Significantly more older residents are expected (See Figure 1 below). In most age cohorts of 65 and over, the number of residents in 2035 will be twice what it was in 2010. Between 2010 and 2035, 52 percent of population growth will be among residents aged 65 and over—a significant change from past growth, which was concentrated in those between 20 and 65.
- The County’s population is expected to grow more slowly, down from its peak years in the 1980s and 1990s.
- More households will be smaller and “non-traditional.” This is related to the overall aging population, since older households are typically smaller households. In addition, the share of small household types—including single people, couples, single parents with children, and roommates (“non-family households”) –is expected to increase.

Figure 1. Snohomish County Population Pyramid, 1985, 2010, 2035





Source: Snohomish County, 2015 GMA Comprehensive Plan Update, Commission Briefing, February 2014.

Housing

The 6,300 new individuals anticipated for Monroe by 2035 will certainly have significant impacts on housing and other land uses in Monroe. Demographic trends, including older and smaller households, changing consumer preferences across most demographic categories, and ongoing population growth, point to an interest in infill development for middle-income households, where residents can access goods, services, parks, and other amenities both on foot and by car.

Seniors in particular are expected to be looking for lower maintenance “lock-and-leave” housing options if and when they relocate. This can benefit Monroe through greater interest in small lot single-family homes, townhouses, and senior housing near downtown and in other areas that the City wants to revitalize. This housing demand can be met through small-scale infill development, and also major redevelopment sites like some in the Al Borlin Neighborhood, or other potential sites near the Skykomish riverfront.

Several infill housing models are shown below. These housing types should complement Monroe’s existing housing stock and neighborhoods (which are largely single family and three stories or less), meet the needs of 65+ aged and small households in the future, and increase the City’s tax base by allowing more investment within the City’s existing footprint.

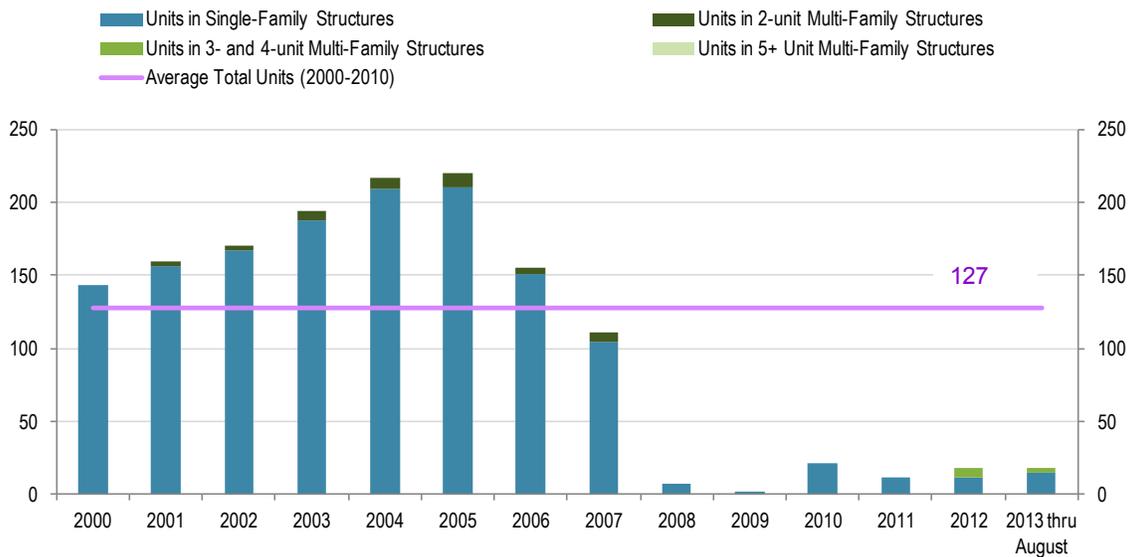
Townhouses/Attached Single Family

Cottage Housing



The housing markets in Snohomish County and Monroe have largely recovered from the recession and were some of the healthiest in the Puget Sound region when this background research was conducted. Monroe is known as a family housing market with a large stock of single-family homes. Historically, there has been very little multifamily construction as indicated in Figure 2, perhaps indicating a need for a greater variety of housing options for residents to choose from, in order to remain within the community throughout their life cycle. Since 2000, Monroe has averaged 127 new housing units per year. Providing a greater variety of housing options could help to revitalize Downtown and close-in neighborhoods.

Figure 2. Building Permits, City of Monroe (2000-2013 through August)



Source: State of the Cities Database, Leland Consulting Group

Economy

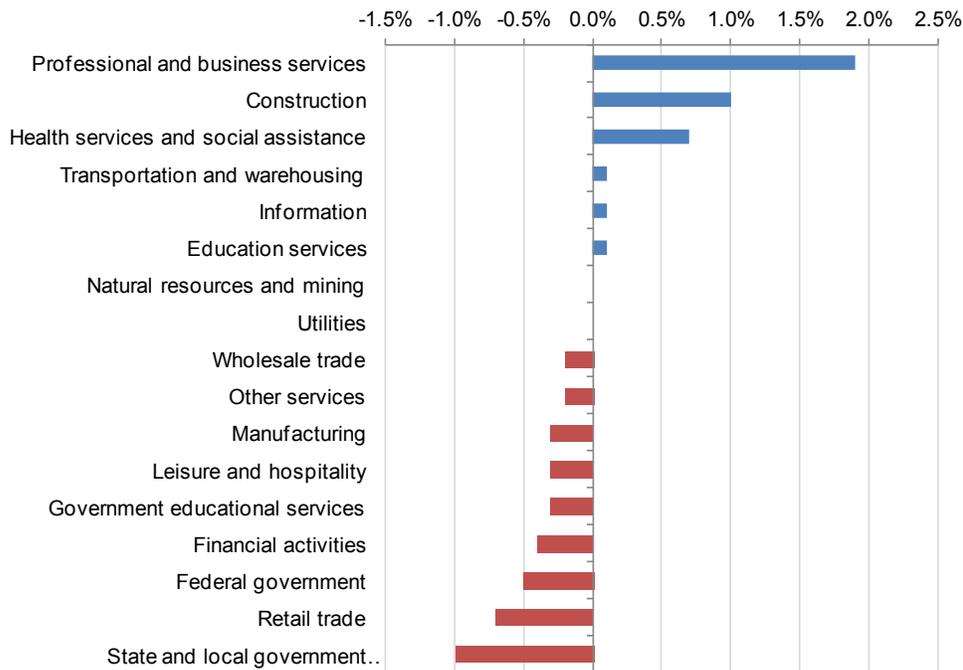
Modern economies are deeply interconnected, and Monroe is reliant on nearby communities for many of its employers, industry and economic drivers, labor force and other resources. As is discussed further below, most of Monroe’s residents commute to jobs outside of the City, while most of those employed in Monroe come from outside the City. Both commuting flows are indicators of Monroe’s strong economic connections to other parts of Snohomish County and the Puget Sound region.

External connections can be a positive source of economic growth, as is generally the case for Monroe. The primary sectors of the region’s existing economy - including high tech, clean tech, aerospace, and international trade – are expected to grow vigorously during the 21st century.

Statewide Employment

As Figure 3 below shows, the State’s professional and business services sector is projected to have the largest increase by share of statewide employment, followed by construction, health care and social assistance. Government employment is expected to have the largest decrease in share of employment in the state through 2020, along with retail trade and financial activities.

Figure 3. Change in Employment Share, Washington State (2011 through 2021)



Source: 2013 Employment Projections, LMEA/Washington State Employment Security Department.

Monroe may want to take advantage of the growing employment sectors by attracting employers and workers skilled in these industries to the City. For example, Monroe may want to make sure it is well positioned to capture as much healthcare employment as possible - through the addition of new clinics, hospital expansions, etc. - since this is a fast growing employment sector and a source of high paying jobs.

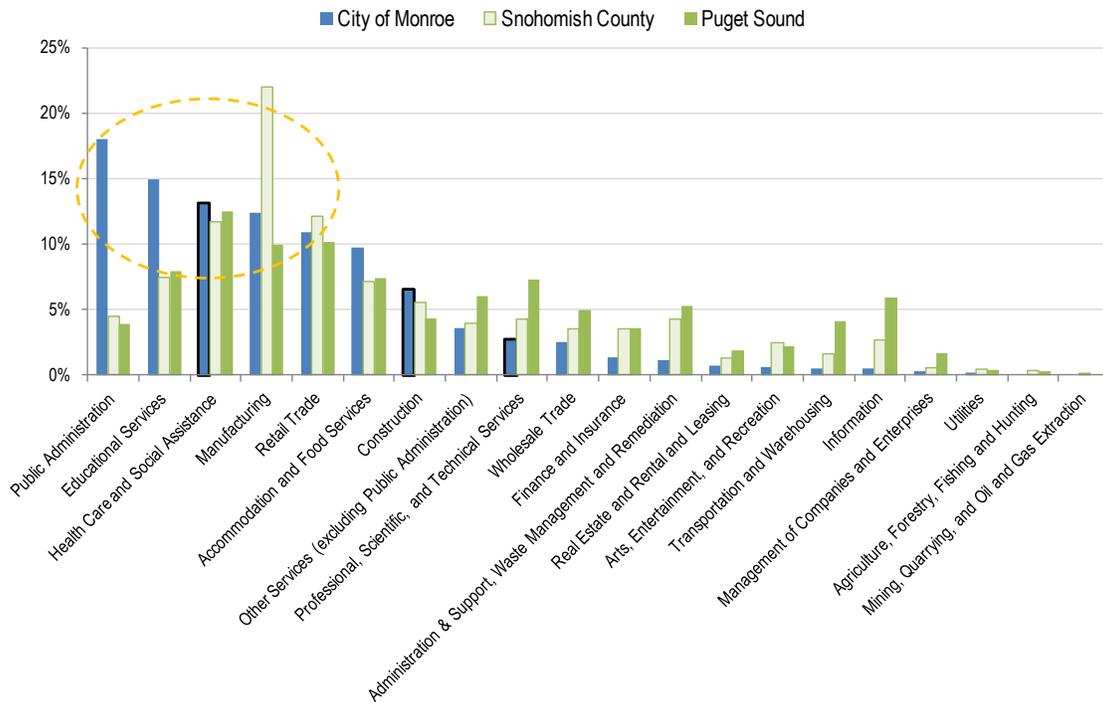
Employment in Monroe

Figure 4 shows the employment sectors for jobs located within Monroe, Snohomish County, and Puget Sound. Monroe’s top employment sectors (those above 10 percent of total) include public administration (government), educational services, healthcare, manufacturing, and retail. According to the State’s employment projections, only one sector falls within both Monroe’s top employment sectors and the State’s fastest growing sectors - health care and social assistance.

One principal of economic development is that cities and counties should build on their historic strengths and add to their competitive advantages in these areas. Therefore, Monroe should seek to build on its strengths in public administration, education, health care, manufacturing, retail, and accommodations.

Health care is a specific industry sector where Monroe will have opportunities to add jobs, and therefore the City should look for opportunities to encourage job growth and development at EvergreenHealth and related healthcare facilities. Manufacturing is another opportunity sector. Monroe currently captures a greater share of manufacturing than the region, but falls well below the capture rate of Snohomish County, which enjoys more than 20 percent of the County’s total employment. This indicates an opportunity for Monroe to continue to attract businesses from further west in the County.

Figure 4. Employment Sectors in Monroe, Snohomish County, and Puget Sound Region MSA



Source: US Census, LED On the Map, 2011

Comparing Employees in Monroe and Monroe Residents

While Monroe is known as a residential community, it is also an employment center within the northern Puget Sound region. As Table 3 shows, only 15 percent of Monroe’s employed residents remain in Monroe for their jobs—85 percent commute elsewhere. 30 percent commute to “other locations”—likely unincorporated Snohomish County, and 15 percent commute to the City of Seattle; Everett, Redmond, and Bellevue, are also common work destinations. This underscores Monroe’s connections to Puget Sound region, and indicates that Monroe’s ongoing economic health may depend as much on jobs outside of the City as jobs in the City.

Table 3. Where Monroe Residents Commute to Work, 2011

Commute from Monroe to:	Count	Share
<i>Total All Jobs</i>	6,354	100%
All Other Locations	1,925	30%
Monroe city, WA	976	15%
Seattle city, WA	971	15%
Everett city, WA	559	9%
Redmond city, WA	538	9%
Bellevue city, WA	498	8%
Kirkland city, WA	264	4%
Bothell city, WA	206	3%
Woodinville city, WA	156	3%
Lynnwood city, WA	135	2%
Maltby CDP, WA	126	2%

Source: US Census, LED On the Map, 2011

Notably, Monroe has more jobs (7,255, shown in Table 4) than employed residents (6,354, shown in Table 3). Whereas working residents of Monroe tend to commute to larger cities to the west, employees working in Monroe tend to be drawn from smaller communities, particularly those east of Monroe.

Figure 5. Residents Commuting From Monroe, 2011

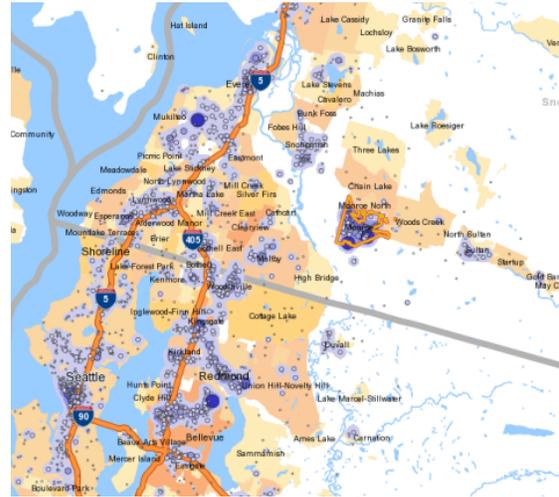


Table 4. Where Monroe Employees Live, 2011

Commute to Monroe from:	Count	Share
<i>Total All Jobs</i>	7,255	100%
All Other Locations	4,128	57%
Monroe city, WA	976	14%
Everett city, WA	376	5%
Woods Creek CDP, WA	365	5%
Marysville city, WA	311	4%
Lake Stevens city, WA	271	4%
Snohomish city, WA	199	3%
Sultan city, WA	190	3%
Seattle city, WA	181	3%
Chain Lake CDP, WA	144	2%
Maltby CDP, WA	114	2%

Source: US Census, LED On the Map, 2011.

Figure 6. Workers Commuting to Monroe, 2011

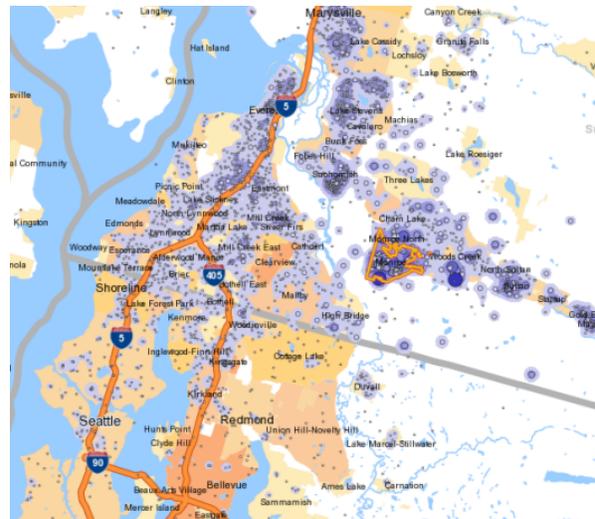
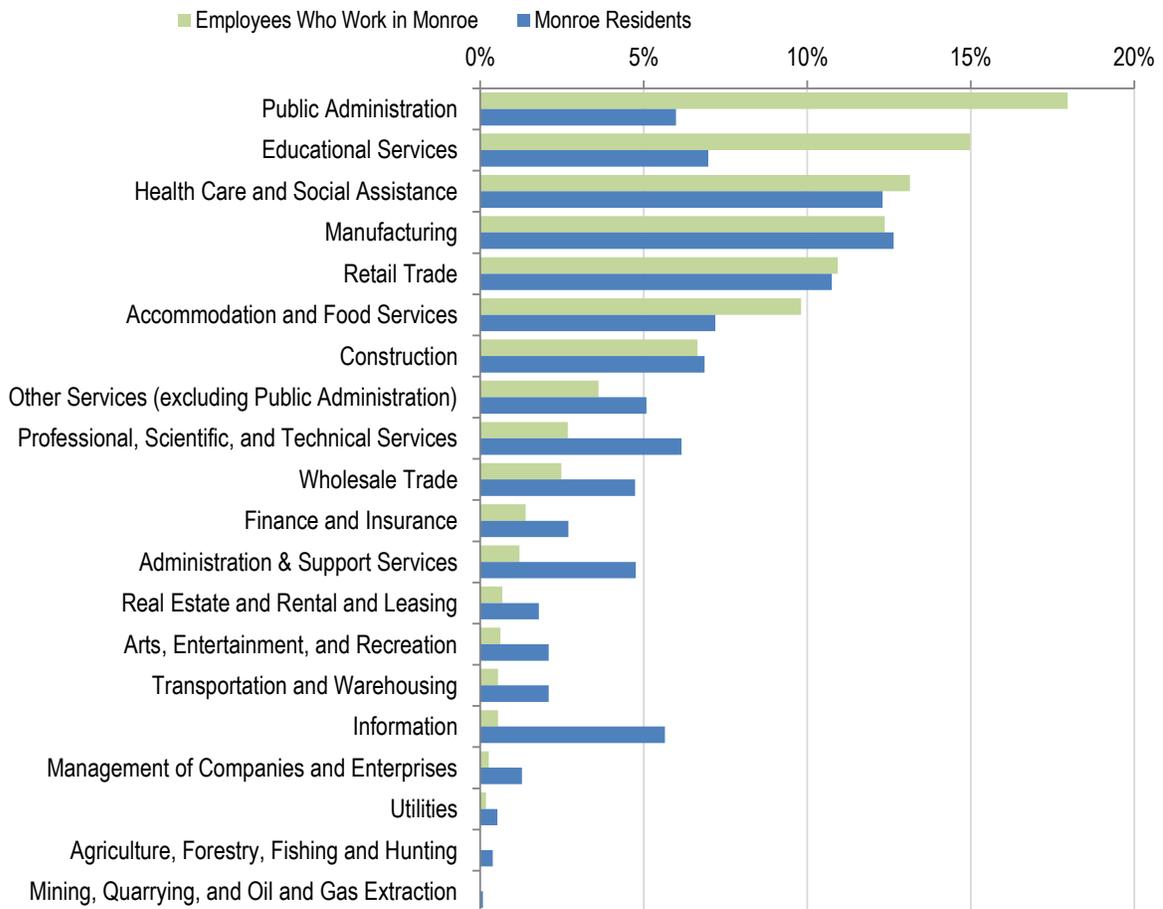


Figure 7 below compares employees who work in Monroe (primarily people commuting to Monroe from outside the city), to Monroe residents (who primarily commute from Monroe to other locations). There is some overlap (about 15 percent) in these groups, since some people both live and work in Monroe.

This US Census data shows that employees who work in Monroe are significantly more likely than Monroe residents to be engaged in public administration (government), education, and accommodation and food services, compared to Monroe residents, who largely commute west for work.

By contrast, Monroe residents are significantly more likely than employees who work in Monroe to be engaged in “other services” (a broad Census category that ranges from equipment repair to dry cleaning), professional, scientific, and technical services, trade, finance and insurance, administration and support, information, and other related fields. In short, Monroe residents are more likely to be employed in white collar, professional, and technical fields than employees who work in Monroe.

Figure 7. Comparison of Employment for Workers in Monroe to Monroe Residents



Source: US Census, LED On the Map.

This is significant for several reasons. These professional and technical jobs are among those projected to be the fastest growing in the nation, state, and county, and therefore job prospects are good for people working in these fields. These jobs tend provide relatively high wages, and therefore likely result in relatively high levels of discretionary incomes and property investment in Monroe. Lastly, professional and technical jobs can make up a key component of an economic development strategy for small cities

such as Monroe, since white collar jobs are relatively mobile, and white collar professionals have the potential to found firms where they live or work from home. In fact, jobs have shifted from central cities (e.g., Seattle) to scattered suburban cities that are closer to employees' homes, throughout the second half of the 20th Century. This shift is apparent in the Puget Sound region in cities such as Bothell, Woodinville, Bellevue, and Redmond. While these cities are significantly larger than Monroe, Monroe has the potential to encourage its professional and technical professionals to attract more of their jobs and businesses to Monroe, if the city provides a combination of quality of life, business-friendly regulatory environment, networking, business support services, and other desirable features. Several approaches to attracting professional and technical businesses are described in the strategy and recommendations section of this report.

“The Adventure Starts Here:” Monroe’s Branding Plan

The City’s 2008 Branding Plan recommended that Monroe build upon its considerable existing outdoor and “challenge” sports assets, including the Evergreen State Fairgrounds and Speedway, proximity to the extraordinary outdoor opportunities of the North Cascades (including hunting, fishing, rafting, hiking, and skiing), the City and County’s extensive park and trail system, Skykomish River access, and other assets, in order to become challenge sports destination.

In subsequent years, the City and its partners wisely built on this branding direction. Negotiations have led to the Lake Tye wakeboard cable park, which is expected to open in 2015, and will continue to attract board sports enthusiasts and others to the City’s western edge. The City has adopted the slogan, “The Adventure Starts Here” as its official brand, which encompasses the sense outdoor sports adventure as well as its place in the region as the entrance to the Cascade Mountains.

LCG recommends that The Adventure Starts Here brand continue to be a key component of Monroe’s economic development strategy, since a key component of economic success is “differentiation”—capitalizing on a community’s unique assets that set it apart from other places in the minds of potential residents, businesses, and visitors. While other communities also have access to the outdoors, Monroe has a unique combination of active challenge sports and outdoor activities. During LCG’s visits to Monroe, residents and business owners cited access to the outdoors and quality of life as an important reason to live in Monroe; visitors obviously chose Monroe for its active sports offerings. Steps associated with this brand are discussed further in the Economic Development Themes and section below.

Lake Tye



Evergreen State Fairgrounds



Stevens Pass



Real Estate Markets

Retail

Downtown Monroe. Monroe has two primary retailing locations: Downtown Monroe and the Highway 2 Corridor. Currently, Downtown (Main Street) contains an eclectic mix of mostly locally-owned businesses, with an emphasis on restaurants, bars, service-providers such banks and insurance agents, and antiques. Other businesses include fitness, Tai Chi, home brewing, furniture, and a music instrument store. Several buildings are two or more stories, and feature office space above ground floor retail. Downtown has good visibility to through traffic on Main Street and Highway 203, however, access from Highway 2 can be challenging at times due to train traffic.

It is clear that the revitalization of Downtown Monroe is a priority for the community based on workshops conducted with the public and civic leaders during this project. Downtown Monroe is important first and foremost because it is seen as the historical center of the community. Like other historic main streets, Downtown Monroe is a valuable asset for other reasons. It has the potential to be a greater draw for regional visitors and tourists from further afield, since a majority of travelers are seeking unique and different experiences

Downtown Monroe



retailers, restaurants, and several hotels. Retailers on Highway 2 benefit from significant drive-by traffic--Highways 2 and 522 both see about 24,000 trips per day. In addition, the Highway 2 Corridor serves as a sub-regional retail center for residents to the north, south, and east, since large-scale retail is limited in

“Among cities... those that have preserved their past continue to enjoy tourism.

Those that haven't receive almost no tourism at all.

Tourism simply doesn't go to a city that has lost its soul.”

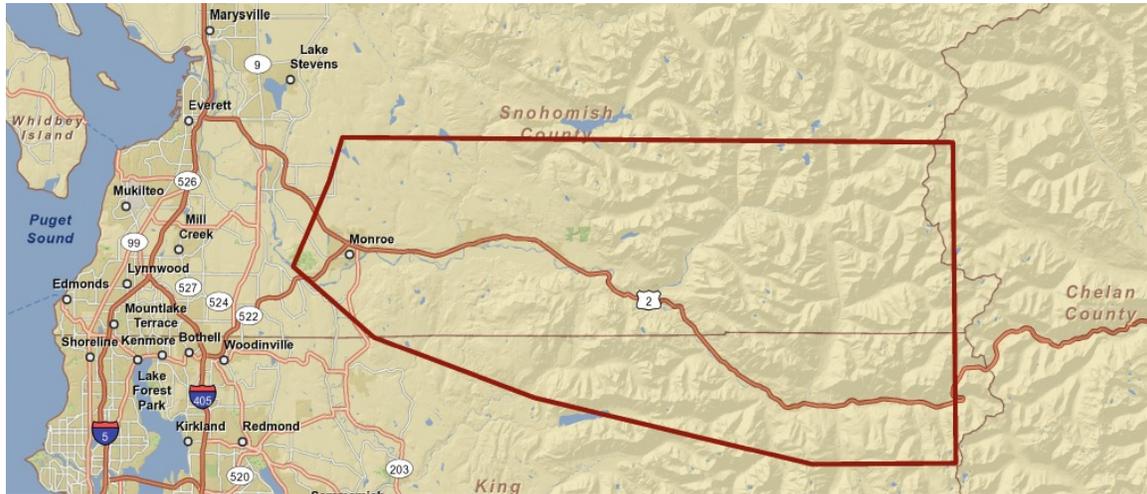
– Arthur Frommer

(www.culturalheritagetourism.org). Given the popularity of walkable environments with both young and older Americans, a Main Street with a full range of shops and services can be a very desirable amenity and asset to attract new residents and businesses (www.realtor.org/reports/nar-2013-community-preference-survey). Lastly, redevelopment of existing downtowns and infill sites has been shown to be highly fiscally efficient, since tax revenues on dense development are high, and the cost of new infrastructure is less than for “greenfield” development (See “Thinking Differently About Development,” Joe Minicozzi). Specific recommendations for a thriving downtown are described in the Economic Development Themes section below.

Highway 2 Corridor. In terms of size and scale of retail and commercial space, Monroe's Highway 2 Corridor is significantly larger than Downtown. Its anchor retailers include Lowe's, Wal-Mart, Fred Meyer, Safeway, Rite Aid, and the Galaxy 12 movie theater, which are complemented by numerous smaller “inline”

those directions. Monroe’s retail market area—the area in which customers are most likely to shop in Monroe—is show below.

Figure 8. Monroe Primary Retail Market



Source: ESRI, Leland Consulting Group

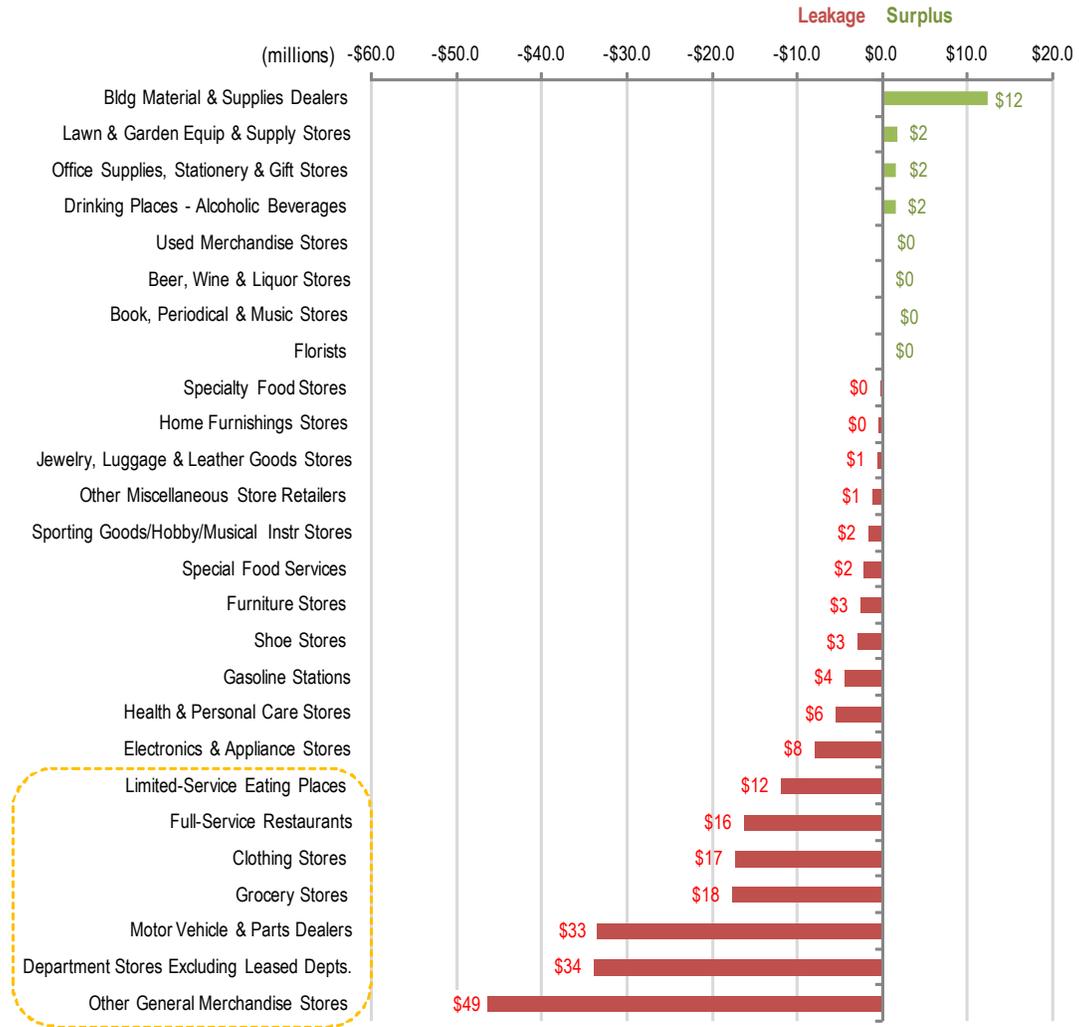
Within the Highway 2 Corridor, Monroe has several opportunities. The first is to attract additional retailers in categories where there is currently retail “leakage”—excess demand. The second is to improve the appearance of the corridor, and thereby enhance its role as an appealing “gateway” to the City, increased sales per square foot, and its capacity to increase visitation to Downtown and the rest of the City. Specific recommendations for a “complete regional retail center” are described in the Economic Development Themes section below.

As shown in Figure 9, several categories show leakage in excess of \$10 million dollars per year, including limited-service eating places, full-service restaurants, clothing stores, grocery stores, motor vehicles and parts dealers, department stores, and other general merchandise stores. Smaller amounts of leakage are seen in other categories such as electronics and health and personal care. Some of the results of the leakage analysis may be surprising. However, the data represent the fact that Monroe’s market area is large and that there are relatively few other retail centers in that area. This data was collected in late 2013, and the opening of Wal-Mart will change some findings. In particular, Wal-Mart will absorb most or all of the leakage in the department and other general merchandise stores.

Restaurants and clothing stores are seen as good opportunities for Monroe, including both Highway 2 and Downtown. Clothing and personal care/health stores could add an upscale dimension to shopping on Highway 2. An additional grocery store is possible, but would need to differentiate itself from existing grocers in terms of products or location. In addition to these opportunities, others may present themselves as the market area’s population and buying power grows.

With or without new retailers, the possibility exists to enhance the appearance and “gateway” quality of the Highway 2 Corridor, through landscaping, signage, private-sector investments in building rehabs, or other means. Additional specific recommendations for a “complete regional retail center” are described in the Economic Development Themes section below.

Figure 9. Retail Leakage Analysis



Source: ESRI, Dun & Bradstreet, Leland Consulting Group

Industrial

There is a significant supply of industrial land and buildings in Monroe: approximately 2.2 million square feet of industrial space across 73 buildings, according to the CoStar commercial real estate data service. The majority of this industrial space is located in the Fryelands industrial park, although there are other pockets of industrial activity along the railroad corridor, east of downtown, and elsewhere. As of the second quarter of 2014, industrial vacancy was at its lowest rate in five years—6.0% compared to a five-year average of 15.8%. This is due to several recent corporate relocations, including Natural Factors, a vitamin and health supplement manufacturer, Canyon Creek Cabinets, and others. Industrial lease rates generally range from \$0.50 to \$0.70 per square foot per month, triple net; rates are reportedly about five cents less than in Woodinville, which is closer to Snohomish County’s population centers. Figure 10 below shows industrial development in the City by year. After several peak years of development between 2000 and 2006, development has slowed considerably, even though leasing activity has continued to fill space in more recent years. This decreasing development rate is likely due to both the diminishing amount of buildable industrial land in Monroe’s industrial areas, and the great recession that began in 2008. Figure 11 shows net industrial absorption, which has averaged about 42,000 square feet per year over the past 15 years.

Figure 10. Industrial Development by Year, City of Monroe

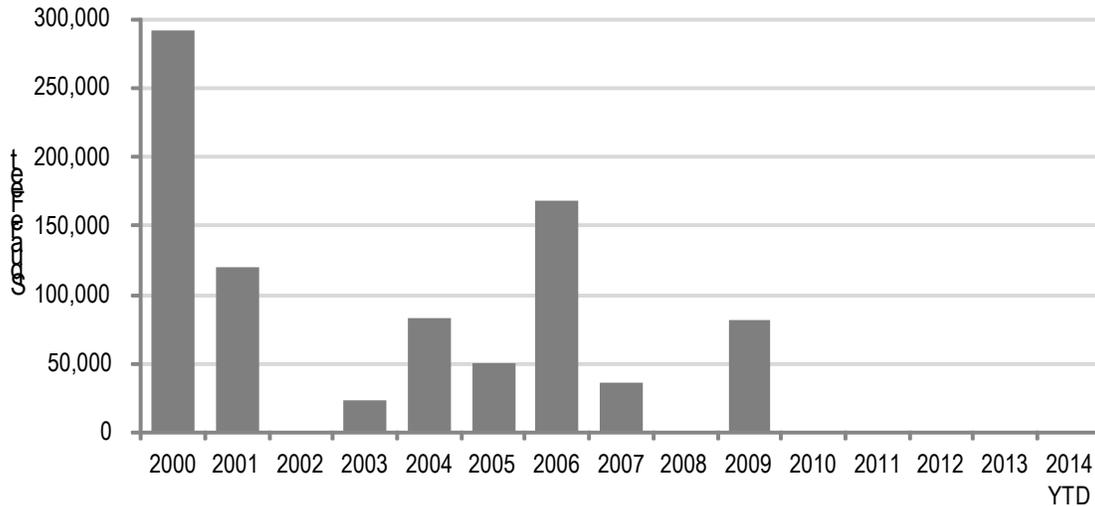
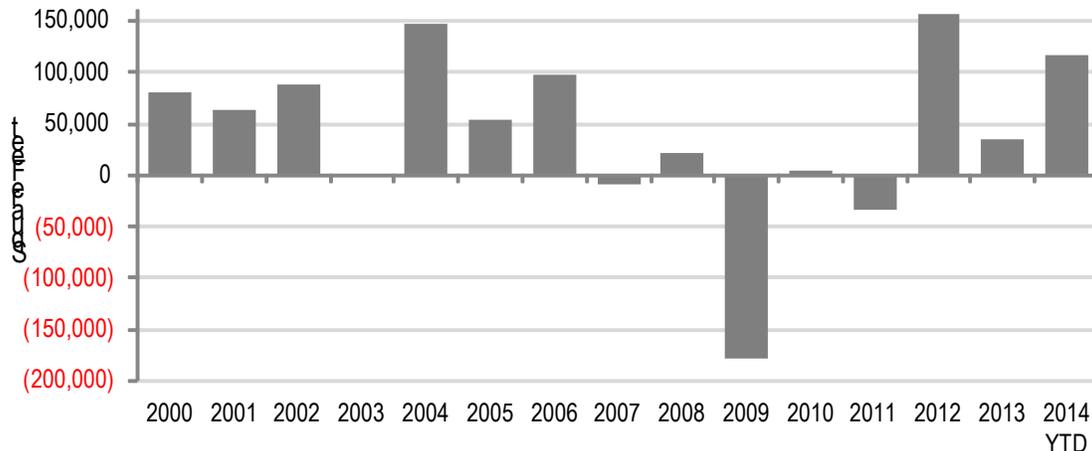


Figure 11. Net Industrial Absorption by Year, City of Monroe



Source: CoStar, Leland Consulting Group.

Monroe's opportunities to add industrial land are relatively limited. Based on interviews with industrial brokers and visual surveys, there are 15 to 25 buildable acres in the Fryelands, depending on how slopes, easements, and other potential development constraints are accounted for. Assuming that future development densities are similar to those in the past, this would allow for 250,000 to 390,000 square feet of building space—a 12 to 18 percent increase over the current stock, and a 6 to 9 year supply of space.

However, because the remaining land is held by a small number of owners, and some have shown limited interest in development, it is likely that the land will develop more slowly and offer less capacity in the near-term.

Other opportunities for industrial expansion are limited. FirstAir Field (the community's airport) might provide an opportunity for new employment uses, or for other uses complementing or in association with the Evergreen State Fairgrounds. Additional industrial land could be added to the Urban Growth Area, though this is not receiving strong consideration as part of this plan. Additional specific recommendations for "opportunity sites" where industrial, commercial, and housing development could be added within the current UGA are described in the "Grow Smart – Monroe Style" Development Themes section below.

Fryelands Industrial Building



Office

Monroe currently has a limited stock of office space, which is primarily located in Downtown, the Fryelands, and in the Highway 2 Corridor. These areas will continue to be the primary locations for office tenants in the future, and they could be joined by the reuse and redevelopment of other sites such as parts of the Al Borlin neighborhood, FirstAir Field, and the Cadman site. Currently CoStar, a commercial real estate data provider, identifies approximately 285,000 square feet of office space in the City, about one eighth of the industrial space in the City. Figure 12 below shows office development in the City by year, and Figure 13 shows net office absorption, which has averaged about 8,600 square per year over the past 15 years. The office vacancy rate in the City as of the second quarter of 2014 was 12 percent, indicating a slightly over-supplied market (10 percent of less vacancy is typically considered "stabilized.")

Office development is likely to continue to be relatively slow due to the fact that office tenants tend to seek locations that are in or close to the large cities of Snohomish and King Counties, and because the rents (generally \$22 to \$24 full service) currently being achieved in Monroe's office space do not support the higher construction costs associated with new office buildings. The most recent office property built in Monroe was the Lake Tye Building in 2005, just northeast of its namesake lake. It reportedly has faced leasing and financial challenges since its opening, and was sold for significantly less than its construction cost. Rather than the tech companies that were hoped for, tenants include small local entrepreneurs and Everett Community College, among others.

Figure 12. Office Development by Year, City of Monroe

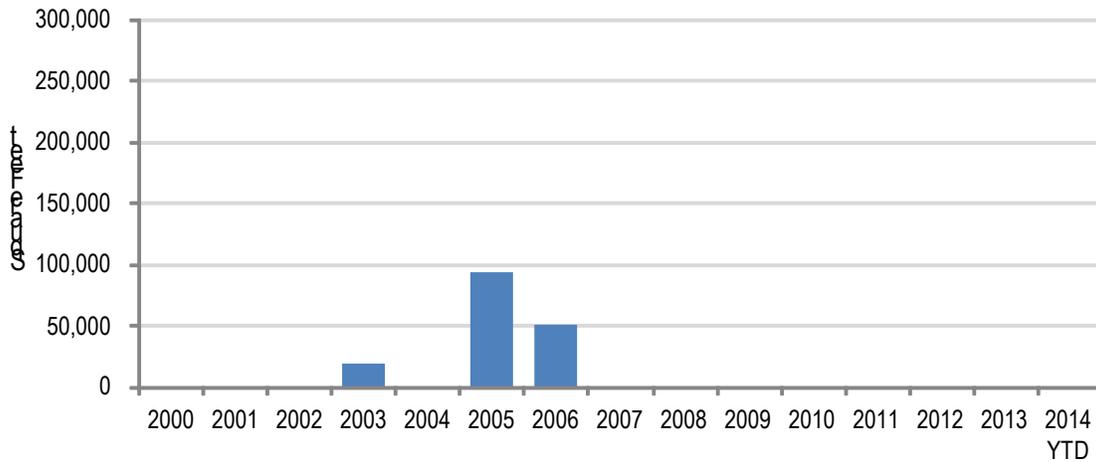
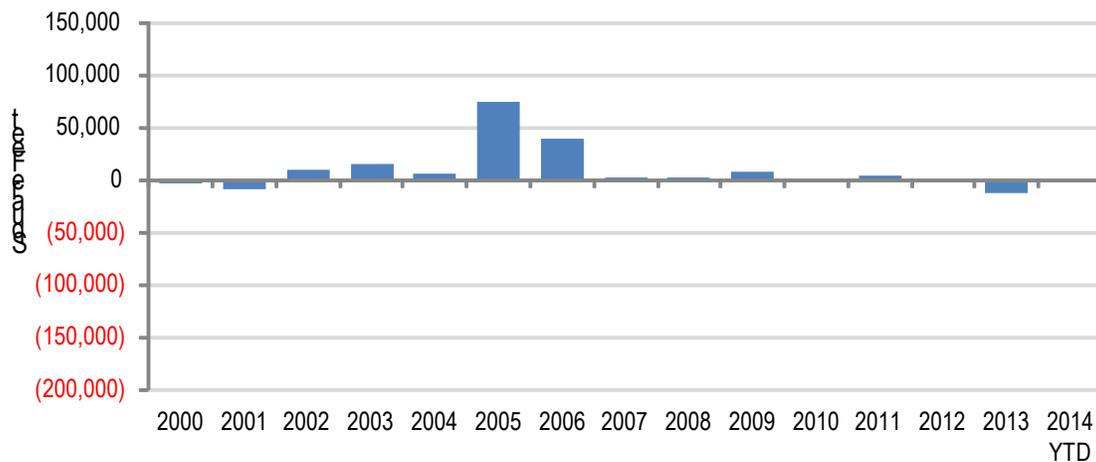


Figure 13. Net Office Absorption by Year, City of Monroe



Source: CoStar, Leland Consulting Group.

Due to the challenges associated with new office development, some approaches are to encourage rehabs, upgrades, and office conversions of existing buildings in downtown, Fryelands, or elsewhere. Numerous “Class B” buildings in Downtown Monroe could be improved over time, leading to increased employment density. The same is possible in the Fryelands if some industrial space is converted to office space. Given the Puget Sound’s strengths in technology, professional services, and other office-occupying sectors, and the appeal of the Monroe area, it may be possible for the City to attract some white-collar firms in the future. Additional specific recommendations for “opportunity sites” where office and other development could be added within the current UGA are described in the “Grow Smart – Monroe Style” Development Themes section below.

Existing Economic Development Element Assessment

The City's 2005-2025 Comprehensive Plan has been amended a number of times over the years, most recently in 2013. The Economic Development Element of the Plan was updated as a part of the 2013 amendments. It provides a good background of the regional economy, Monroe's role within it, and local demographic and economic conditions and issues present at the time. Before moving further forward with recommending an updated Economic Development Strategy for consideration as part of the City's 2015-2035 Comprehensive Plan, it is important to have an understanding of the direction provided within the current Element.

The current Economic Development Element notes cites a number of economic development challenges, including the difficulty of raising revenues to finance new growth (citing the lack of a business and occupation tax as an example), and the need to carry out the Downtown Master Plan adopted in 2008. The current Economic Development Element is clear in its statement of strategy – to convince businesses to start, expand or locate within the City – and notes that the city must maintain an aggressive economic development strategy in order to provide opportunities for new business. Key components of this strategy include:

- Enhancing the tax base and aggressively promoting industrial and commercial development within business and industrial parks, and within the downtown commercial core.
- Planning for additional industrial capacity outside of the current Urban Growth Area.
- Implementing the Downtown Master Plan in order to provide a framework upon which a unique character can be strengthened.
- Promoting economic diversification by providing space for manufacturing and other employment uses.
- Increasing local spending and slowing economic leakage to other areas within the region.

The Element goes on to note within its Policies that active public-private partnerships should be formed to promote development, and that tourism must be promoted and activities to do so must be coordinated. While these are largely still appropriate today, it is clear that a few weaknesses might be strengthened and the existing direction might be refined. A couple of points worth noting:

- While Monroe has limited industrial land for the future, there appears to be opportunity for providing additional industrial capacity within the city's current Urban Growth Area. The Fryelands offers opportunity for intensification of employment uses (particularly if non-employment uses are replaced over time). In addition, FirstAir Field (the community's airport) might provide an opportunity for new employment uses, or for other uses complementing or in association with the Evergreen State Fairgrounds.
- The Downtown area has the opportunity to be strengthened and set up for success. This will require carrying out the Downtown Master Plan. While the Plan appears to be sound, what's missing is an aggressive implementation program of projects, partnerships and steps that has an identified champion, and for which there is a real commitment for its monitoring, and updating as resources and opportunities change.
- Stronger, more succinct policies within an updated Economic Development Element will provide the direction to support financial programming decisions and grant applications, and show existing and prospective economic interests and employers that Monroe has a clear direction forward and is "open for business".

Economic Development Strategy and Recommendations

As noted in earlier, this process has involved research, stakeholder interviews and public engagement opportunities. In the process of “due diligence” through which a number of trends were identified and many ideas and opinions were expressed, six key themes emerged as potential pillars upon which an updated economic development strategy might be founded. The following section will introduce these six key economic development themes, and include a discussion of these themes, why they’re important, and recommended goals and policies for carrying them out. Recommended actions for advancing this policy direction can be found in the Steps section further along in this document.

Strategy: A plan of action or policy designed to achieve a major or overall aim.

Economic Development Themes and Steps

The consultant team has conducted a series of stakeholder interviews, outreach events, and workshops with the public, City Council and other officials to get a sense of the future economic development priorities for the citizens of Monroe.

The six key themes that have emerged are:

1. Thriving Downtown with Vibrant Main Street Character
2. A Great Place to Start and Operate a Business
3. Outdoor and Adventure Destination
4. Growing Smart – Monroe Style
5. Complete Regional Retail Center
6. Walkable, Accessible, and Interconnected Community

Develop a Thriving Downtown with Vibrant Main Street Character

Why is this important? Downtown Monroe is a focal point of the City. It’s a goal to make it a place that residents and visitors feel a connection to because of its history, design, and authentic local merchants and restaurants. Nationally, healthy downtowns have repeatedly been shown to be an indicator of communities’ overall economic health, a great recruitment tool for new residents and businesses, a sales tax generator, and a key part of most local tourism strategies. As people and businesses become increasingly mobile, quality of place is a critical piece of economic development. For these reasons, downtown matters to economic development.

A list of key steps responding to this theme includes:

- Extend the Downtown Plan by preparing and adopting an implementation strategy that prioritizes the actions proposed by the Plan and shows when (year)
- Re-establish a thriving Chamber of Commerce and/or Washington State Main Street Program.
- Encourage the establishment of a Downtown development authority to champion and coordinate investment and ongoing Downtown revitalization.
- Explore operations, marketing and maintenance funding sources such as a BID or other funding program.
- Explore capital funding sources including, private capital investment, Community Revitalization Financing (CRF), Local Infrastructure Financing Tool (LIFT), Local Revitalization Financing (LRF), and other grant and loan programs. These funding programs are periodically modified by the State.

- Encourage/Create role of Downtown Development Expediter/Ambassador.
- Refine and implement the sidewalk, storm water, streetscape, and other infrastructure improvements currently proposed for Main Street.
- Select and implement one or two key infrastructure improvement projects (gateway, streetscape, landscaping, etc.) from the Implementation Matrix in the Downtown Master Plan, having the potential to jumpstart private investment. Signage that directs travelers from Highway 2, to Downtown Monroe, should be a priority.
- Identify and develop a demonstration real estate redevelopment project (housing, office, retail) within each of the Downtown's opportunity sites identified in the Master Plan (US 2 and Main, Main Street Plaza, and Al Borlin Neighborhood and Civic Park).
- Consider creating a façade improvement program including grants to Main Street property owners.
- Encourage additional retail and dining establishments to locate in Downtown Monroe.
- Create a targeted retail recruitment plan
- Enhance the pedestrian environment.
- Host more events and festivals.
- Encourage a variety of housing options near Downtown at varying price points.

Great Place to Start and Grow a Business

Why is this important? Good news: Monroe has concentrations of jobs in the manufacturing, healthcare, education, and retail sectors, among others. Yet about 85 percent of residents still commute to jobs out of town. The Comprehensive Plan team consistently heard that residents are interested in retaining as many jobs locally as possible, and promoting Monroe as a great place to start and operate a business. And of course, encouraging additional business and job growth makes good economic sense since most new jobs are created in small and mid-sized businesses. Further, Puget Sound residents have repeatedly shown that they are skilled and entrepreneurial, and lead the nation in many industries including aerospace and technology—so business growth is possible here. Job and business growth leads to enhanced quality of life, higher household incomes, and more stable local government through additional property, sales, and other tax receipts.

A list of key steps responding to this theme includes:

- Keep Monroe “open for business.”
 - Champion Monroe regionally as being “open for business”
 - Provide great customer service at City Hall; focus on what *can* be done versus what *cannot* be done.
 - Periodically evaluate fees to ensure Monroe is competitive with other cities in the region.
 - Create an environment where business can thrive with minimal government involvement.
 - Support local business through efficient regulation, licensing, and permitting procedures.
 - Actively support the retention of commerce and industry and encourage diversification of the economy.
- Look for opportunities for growing and expanding upon existing industry clusters within Monroe, Snohomish County, and the Puget Sound region: technology, manufacturing, professional services, healthcare, retail, active sports and recreation, aviation, food production and value-added agriculture, and educational services. Expansion in these business sectors should build on the skills and experience of current Monroe residents.

- Convene business executives who live in Monroe and commute to jobs elsewhere to determine what assistance, support, information, or incentives could encourage them to found or relocate a business to Monroe. Focus on those in the professional and technical services fields, as these jobs tend to be office-based and mobile, but also include a range of other professionals.
- Identify regulatory and financial incentives for starting or growing new business and industrial uses.
- Assign a point person to advocate for and coordinate economic development within Monroe.
- Create a “retail success” support program.
- Create a revolving loan fund to assist entrepreneurs with opening or expanding a business and making major capital or equipment investments.
- Explore potential for industry and commercial incubator space and support network. An incubator space helps new and startup companies to develop by providing services such as management training or office space
- Collaborate with Everett Community College and other local colleges and universities to build an educated workforce with the skills needed to compete in the modern economy.
- Remember that quality of life—including a thriving downtown, walkable community, and access to active sports and the outdoors—are an important consideration for entrepreneurs as they consider where to locate their businesses and families.

Active Sports and Outdoor Adventure Destination

Why is this important? Residents and visitors already know Monroe as a destination for and gateway to “adventure”—whether that adventure is wakeboarding, skiing, river rafting, hunting, hiking, or watching an event at the Evergreen Speedway or Fairgrounds. Building on this identity is a natural way for Monroe to continue to support community pride, attract visitors that patronize Monroe’s businesses, and help support local outdoor and active sports offerings.

A list of key steps responding to this theme includes:

- Promote Monroe as an active sports and outdoor adventure destination.
- Visually and physically connect central Monroe to its natural assets including the Skykomish River, Cascade Mountains, bike and pedestrian trails, and surrounding open spaces.
- Expand, promote, and support the parks system. Look for the opportunity to connect to the Centennial Trail.
- Encourage an active lifestyle and events for both residents and visitors.
- Build the capacity of the lodging and tourism sectors to grow business and host more visitors for longer stays. Explore the potential to attract an upscale or boutique hotel that focuses on connecting visitors with the area’s natural assets.
- Continue to attract active sports and outdoor adventure themed events to key areas such as Lake Tye, Downtown, and the Skykomish River.

Continued Growth and Development

Why is this important? Limited opportunities to expand outward mean that it’s even more important for Monroe to make the most efficient and effective use of the land within the city’s boundary. This means working to help private- and public-sector property owners to maximize the value and community-wide economic benefits of property; encouraging reuse, expansion, or redevelopment where feasible; and doing so while respecting Monroe’s existing scale and character.

Efficient use of land means building expansions and additions where appropriate. This creates construction and permanent jobs and puts more property on tax rolls. In contrast with building new residential and commercial areas, “infill” typically requires much less additional public infrastructure.

The following are some specific sites that may fall under this theme. These could be the focus of future efforts by the City and other stakeholders, whether those efforts are informal conversations, multi-party planning efforts, or technical assistance.

A list of key steps responding to this theme includes:

- Complete a focused area plan for sites that have potential for infill, repurposing/reuse, or redevelopment. Potential candidates for focused area planning include:
 - Main Street Corridor (between Highway 2 and 522)
 - Al Borlin Neighborhood and Park
 - Riverfront sites including the Cadman site
 - FirstAir Field
 - County Fairgrounds
 - Fryelands Industrial Area
 - Valley General Hospital and Healthcare Cluster
 - Properties owned by the School District and other public agencies
 - Catalyst commercial, housing, and employment sites to be determined
- Prioritize public investment (roads, utilities, etc.) to support development and redevelopment in the selected focus area(s).

Complete Regional Retail Center

Why is this important? Monroe’s regional retail center on Highway 2 is an important generator of public revenues via sales and property taxes, a job center, and one of the City’s most important gateways—so it is important that this area remain economically healthy and competitive, and offer the most attractive reception possible.

A list of key steps responding to this theme includes:

- Use signage or other means to increase the visibility of the Monroe brand.
- Identify key gateway intersections or nodes that may deserve additional landscaping or design.
- Look for opportunities to better connect commercial development on Highway 2 to Downtown in order to create a “complete” retail center that provides visitors with both national brand names on Highway 2, and local vendors in Downtown.
- Continue to expand and broaden the retail offerings available in Monroe. Clothing stores, health and personal care, and more full-service restaurants are opportunity areas that can add to current retail offerings and capture additional shopping dollars that would otherwise go further west.
- Encourage and promote the development or enhancement of retail areas to achieve a vibrant shopping, dining and/or entertaining experience in the central business district.

Walkable, Accessible, and Interconnected Community

Why is this important? Employees and residents are increasingly attracted to communities with walkable neighborhoods where amenities are within easy reach. Younger generations, as well as baby boomers are increasingly interested in living in “complete communities” where restaurants, libraries, services and other daily necessities are easily accessible on foot, by bike, or via car. Monroe residents

consistently emphasized the value of an accessible and interconnected community during outreach conducted for the Comprehensive Plan. In order to continue to be competitive in the future, Monroe should strive to provide a range of ways to get around by all modes of transportation and housing options for people of all ages and income levels. As mentioned above, quality of life and quality of place continue to drive residential and business choices, so enhancing Monroe's walkability and accessibility is an economic development issue. (Note: Although this theme will mainly fall under the purview of transportation, it is important to mention it here as transportation investments have major impacts on economic development.)

A list of key steps responding to this theme includes:

- Create a pedestrian environment, especially in and near downtown.
- Promote interconnected neighborhoods and look for ways to bridge north-south and east-west barriers.
- Ensure accessibility for all citizens at all ages.
- Ensure commercial areas are accessible to customers via all modes of transportation.
- Encourage establishment of neighborhoods supporting commercial uses.

Approach for Implementation

The Goal, Policy and Actions Matrix (Appendix B) of the Monroe Comprehensive Plan includes a complete list of recommended actions that have emerged from this Economic Development Strategy, and other components of the Comprehensive Plan, such as the transportation and infrastructure elements.

LCG recommends that, moving forward, the City prioritize the list of recommended actions contained in the Goal, Policy & Actions Matrix. This matrix can thereby be transformed into a "chart for change" or implementation program that guides a series of actions that can be carried out, year after year. Prioritization implies a series of choices by the City Council, Planning Commission, staff, and other decision makers that will determine which actions are the highest priority, and which actions can wait until others are completed.

The process of prioritizing the recommended Goals and Policies should categorize each with regard to timing; for example short-term (1-3 years), near-term (4-6 years) and long-term (7 years and beyond). Those steps needing to occur in each of the first three years to set the stage for completing the activities to be achieved in the following year would be identified and programmed. The activities for Year 1 would be tied to the City's operating budget; the activities identified for Year 2 and Year 3 would serve as a placeholder or indication of anticipated action-related resource needs for the coming two years. Once Year 1 is nearly complete, the activities for Year 2 would be adjusted as necessary, for they will become the "new" Year 1. Year 3's activities would be adjusted as appropriate in readiness for becoming the new Year 2; accordingly, activities for a new Year 3 would be moved up from the list of near-term steps and project.

The City and its planning partners should also clarify which coordinating body responsible for monitoring, updating and providing regular progress reports on achieving the strategy, and for coordinating the progress of the various departments, agencies and other project partners to fund and/or carry it out. This "rolling", three-year incremental implementation strategy becomes a sort of "capital improvement program for action", ensuring that meaningful progress is indeed made on carrying out the plan in an affordable, achievable manner. By working with its planning partners to develop such a strategy, Monroe can ensure that the plan truly has lasting value.

Conclusion: Economic Development Starts Here

Monroe has a bright future. The interviews conducted throughout this planning process show that residents and visitors like Monroe because it is a great small city, with a strong sense of community, good neighborhoods, and access to the outdoors, among other features. Its location within the Puget Sound, which has one of the world's most robust economies, mean that Monroe has a host of opportunities to continue to build its economy. This document has identified six key themes for action. These themes and steps provide the foundation for long-term economic development and prosperity through intentional action. The two key ingredients of leadership and political will provide the "secret sauce" for success.