

ECONOMIC DEVELOPMENT



WHAT YOU WILL FIND IN THIS CHAPTER

- ▶ A summary of the major components of and trends in Covington's economy including an overview of the challenges and opportunities for the local economy.
- ▶ An economic development plan for the future.
- ▶ Goals and policies to provide direction for economic development efforts.
- ▶ An action plan to implement this element.

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PURPOSE

The Economic Development Element comprises an economic development strategy for Covington. It is closely related to the plan's other elements, such as land use and capital facilities, and it serves the purpose of helping the community position itself to be a vibrant community in a dynamic economic context. This broad strategic direction is important to ensure the City's planning efforts and public investment remain on target and serve the community long term. This element, much like the land use and transportation elements, will guide local decision-making.

ECONOMIC DEVELOPMENT ISSUES AND TRENDS

CONDITIONS AND TRENDS

The history of the local economy since the incorporation of Covington has been positive and the outlook for the future continues to be promising, though there are some challenges. The city's economic development conditions and trends are summarized in this element.

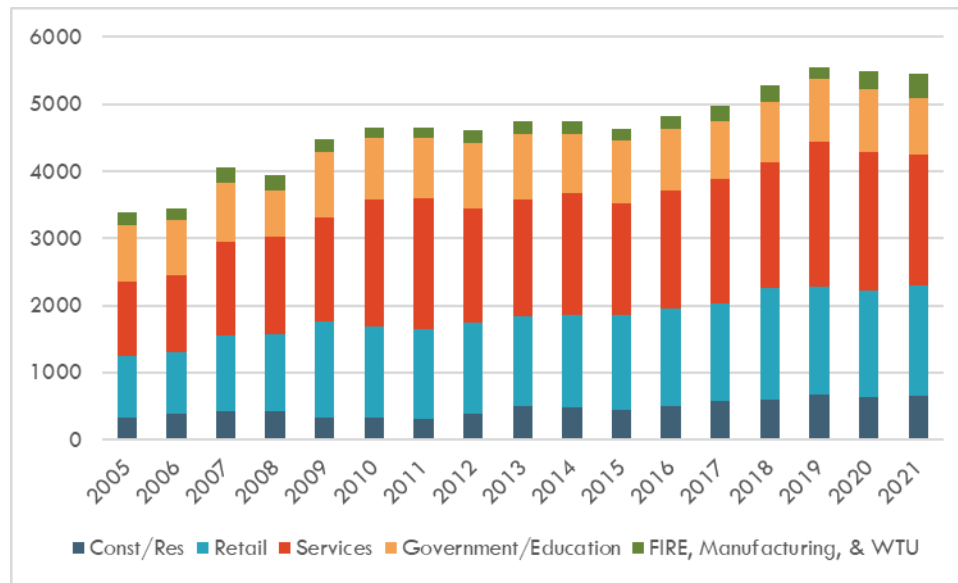
WHAT DOES IT MEAN?

Covington is a growing community with convenient access to services and retail stores but limited local employment opportunities for living wage jobs for residents. Thirty-one percent of residents are college educated, which is about half of the norm for King County, and another 40% have some college or higher education. Thirty-eight percent of households are families with children and the median household income is not much higher than for all King County households. The local economy is dominated by the retail and service sectors and most local jobs in Covington pay low wages. The disparity between high household income and low local employment earnings is a key reason why many residents commute to work outside the city, and local employees commute to their jobs in Covington.

During the past decade, retail sales have continued to be high. Retail sales provide the City with a critical source of revenue for providing public services. Maintaining support for existing retailers and new retailers is crucial to the City's financial health. Implementation of the vision for the downtown and the Lakepointe Urban Village ensures that the retail and service sectors will continue to dominate the local economy for years to come. Developing mixed-use and multifamily housing in the downtown and the Lakepointe Urban Village provides an opportunity to improve the growing retail and service sectors with a balanced job-housing mix. As part of its commitment to job creation and community services, city leaders continue to support the medical and healthcare sectors in downtown and a diversity of development that will generate high-paying jobs for Covington residents and reduce commuting time for local employees.

Covington has a retail and service-centered economy.

- As indicated in Exhibit 1, the City continues to be a regional retail and service center, due to the accessibility provided by SR 18 and SR 516.
- Local employment has increased primarily in local-oriented service sectors such as retail, and personal services to support the increasing population (Exhibit 1).
- Although not tracked in the employment data, home occupations represent a significant number of jobs in the city. In 2022 the City issued or renewed 270 business licenses for home occupations.

Exhibit 1. Total Covered Employment, 2005-2021

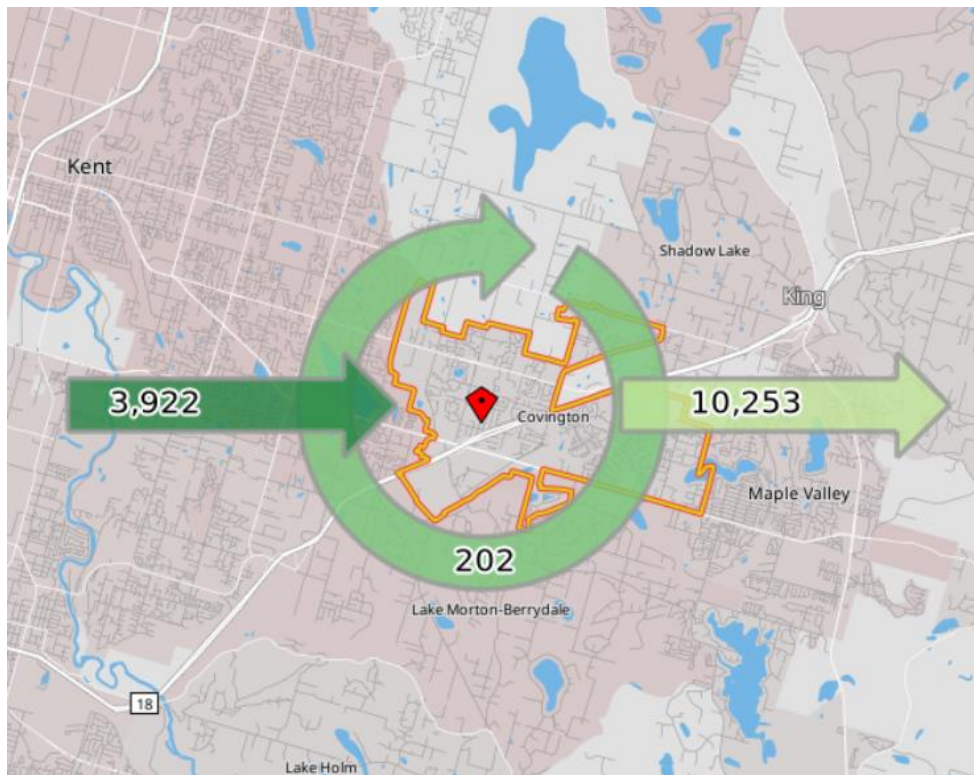
Source: Puget Sound Regional Council, 2005-2021

Note: FIRE (Finance, Insurance, and Real Estate), WTU (Warehousing, Transportation, and Utilities)

Household incomes are relatively high, but most residents' jobs are not local.

- Household incomes of residents are relatively high despite educational levels below that of the county overall, according to the United States Census Bureau ACS 5-Year 2021 Data. Based on this data, Covington's median household income was \$114,247 in 2021, compared to King County's median household income of \$106,326.
- Most working residents commute to jobs over 10 miles outside of the city and over 1,400 commute over 25 miles (US Census Bureau, OntheMap, 2020).
- As indicated in Exhibit 2, in 2020 3,922 people came to work in Covington, but 10,253 Covington residents left for jobs located outside the city. Only 202 people both lived and worked in the city. This data does not reflect work from home trends.

Exhibit 2. Commute Pattern: 2020



Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (2020). <http://onthemap.ces.census.gov>

Local jobs are lower-paying and workers live elsewhere. There are some trends and plans that may improve local wages and housing opportunities.

- Wages and earnings for those working in local retail and service sectors in Covington are generally lower than earnings for residents of Covington and the county overall. See Exhibit 3.
- Overwhelmingly, employees of local businesses commute from elsewhere in the region.
- Covington has a growing number of jobs in the medical field, and the City plans on becoming an even larger hub for the medical field.
- The City allows various housing types such as mixed-use, multifamily, and attached dwelling units in the downtown. Lakepointe Urban Village will provide a mix of single family and

multifamily housing. The variety of housing options will allow more people to live and work in Covington. See the housing and land use elements for more information.

Exhibit 3. Median Wage Jobs in Covington and King Co., 2017-2021

	Covington	King County
Retail trade	\$31,503	\$46,466
Educational services	\$55,457	\$52,921
Healthcare and social assistance	\$44,967	\$52,432
Other services	\$26,618	\$36,702
All jobs	\$56,760	\$61,776

Source: U.S. Census Bureau, American Community Survey, 2021 5-Year Estimates



Retail store in Covington

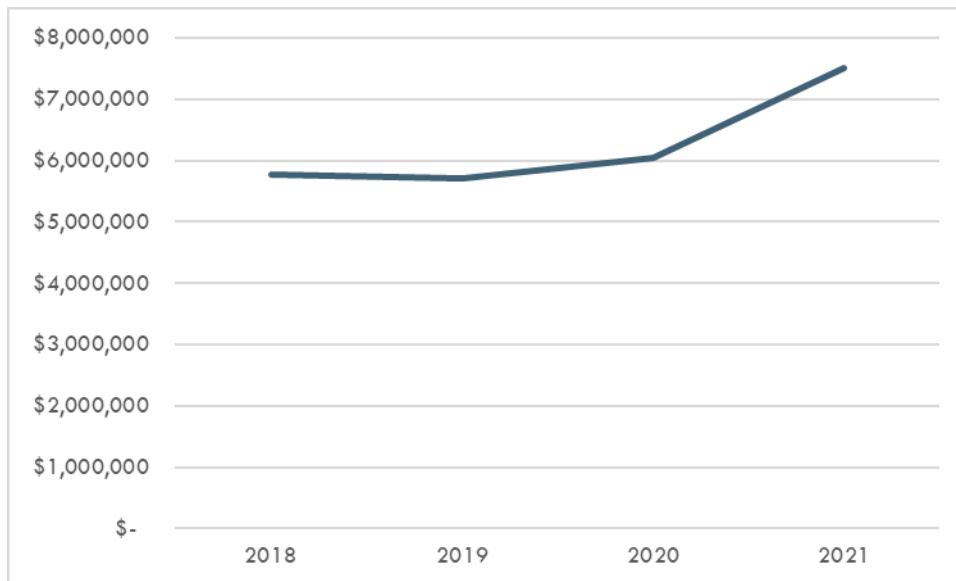
Source: Crexi, 2023.

Retail sales generate significant revenue for the City.

- Retail sales taxes continue to be a significant contributor to the city's financial health, making up 18% of Covington's income in 2021, according to the Washington State Department of Revenue 2022 data.
- Taxable retail sales have increased in recent years (Exhibit 4), continuing a long trend of increasing taxable retail sales in the city.

- The addition of 1,320,000 square feet of retail space in the Lakepointe Urban Village will reinforce the city's retail and service center reputation, create a substantial number of new jobs, and reduce the leakage of retail sales dollars to businesses located outside the city.

Exhibit 4. Taxable Retail Sales (TRS), 2018-2021



Source: Washington Department of Revenue, 2022;

CHALLENGES AND OPPORTUNITIES

Citywide

Covington is strategically located near regional employment centers such as the Green River Valley, with the cities of Kent, Tukwila and Renton. Covington provides housing for this workforce. Covington also draws a workforce to retail and service jobs within its downtown.

Covington has long term visions and plans for two distinct centers: Downtown and the Lakepointe Urban Village. Covington's downtown will remain a retail center for a much larger area, and as a result will see increased retail growth. Lakepointe Urban Village will provide a secondary center that will have its role in the local and regional

economy and will function as a lifestyle center like most master planned developments in the region.

Covington invites a diversity of permitted industries to support living wage job creation. Covington continues to leverage the position as a healthcare facility and medical services hub for south King County. Combined with permitting all housing types, Covington aims to provide places to live that are within the price range of local employees. Thus increasing opportunities to live and work in Covington.

Business Environment

Covington has historically provided a positive business environment through its permitting practices and efficient use of City resources. This includes timely review and processing of development applications, engagement with local business leaders, strategic investments in infrastructure and services that support economic development, and partnerships with service providers and local jurisdictions. Covington will continue these best practices and use its limited resources wisely.

Other notable economic development opportunities and challenges that apply to the whole city include:

- Access to services, growing park and trail amenities, the popular aquatics center, good schools, and easy transportation connections are assets that support a growing demand to live in Covington.
- Many Covington residents are working remotely post-pandemic. As a result there is an associated increase in demand for recreational shopping, dining, and lifestyle experiences in Covington. Local businesses can capture this demand, or residents will take their dollars outside the city.
- Many small local businesses have been struggling and continue to struggle post-pandemic.

- In 2023, two large projects in the Downtown General Commercial (GC) zone will result in over 350,000 square feet of commercial, warehousing, and light industrial space.
- Employment growth is increasingly occurring in regional employment centers such as downtown Seattle and Bellevue.
- Surrounding communities are realizing new retail development that competes for retail spending with stores in Covington.
- With the exception of Downtown and the Lakepointe Urban Village, many of the large, easily developable sites in the city have already been developed or are in the process of being planned and developed. As a result, the remaining commercial development opportunities will occur as infill development on smaller parcels and/or redevelopment of existing sites.
- The City is experiencing increasing service and infrastructure costs from population growth paired with limited ability for tax revenues to keep pace. This is due to a 1% limit on property tax revenue increases and increased competition for retail spending.

Lakepointe

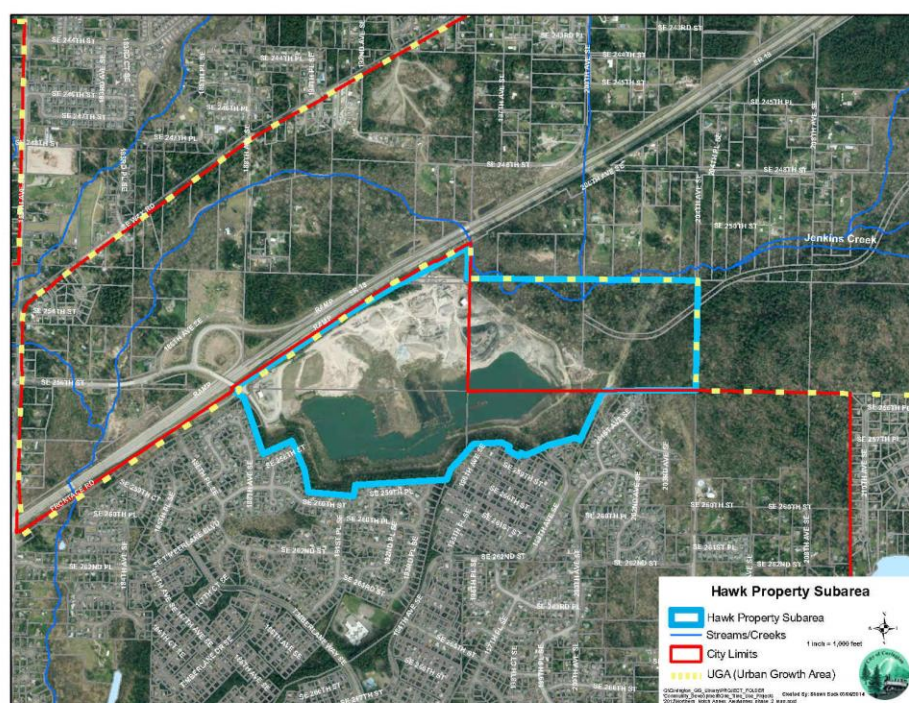
The Lakepointe Urban Village is a 214 acre master plan development in the north part of the city (Exhibit 5). The master plan development is implemented through a development agreement and Planned Action Ordinance (PAO). The agreement is valid for 15 years from the adoption date of April 2017. Upon execution of the development agreement the Lakepointe Urban Village is zoned for 1.32 million square feet of retail, commercial and mixed use, and 1,750 units of housing mix (multifamily, townhomes and single family residential). The development is expected to bring more jobs, residents, and visitors to the city.

Lakepointe will have an impact on Covington and the surrounding communities. This presents both opportunities and challenges for economic development. Opportunities include the creation of an attractive new retail center that provides local jobs and tax revenue.

Also, there is a need in Covington for more lifestyle experiences and destinations that bring regional shoppers to the city; Lakepointe will help meet this need.

A potential challenge with Lakepointe is that it could compete with Downtown and decrease the potential for new investment in Downtown. However, with strategic collaboration between local business leaders and the City, the Lakepointe and Downtown commercial centers can support each other and articulate a distinct identity and vision for the Downtown to be the heart of Covington.

Exhibit 5. Lakepointe Subarea



Source: City of Covington, 2021

Downtown

Covington's 525-acre Downtown is the City's longstanding commercial center. It benefits from easy highway access from Highway 18 and SR 516 which makes Covington an ideal location for many businesses that are part of the community. This includes retail stores such as Fred Meyer and Costco that bring in regional customers, as well as smaller local businesses that contribute to

Covington's unique character. Downtown is also home to many residents and offers a mix of housing types.

Developing a Sense of Place since 1997

Challenges facing the Downtown include lack of a sense of place, climate vulnerability, and crime. Covington incorporated in 1997 and as a result inherited a mix of auto-oriented design with large parking lots and low walkability, lack of public spaces, and lack of green spaces and tree cover.

Since incorporation Covington has developed various design standards to provide more dense and walkable urban design. As a result of the autocentric design, Downtown has some of the City's highest temperatures and is projected to have an increasing number of days with extreme temperatures, based on climate analysis conducted by BERK in 2023. Extreme temperatures can discourage shopping and can cause business closures.

In 2021, Covington adopted a form-based code for the Downtown. With this code, Covington hopes to strengthen the Downtown and create a "main street" feel for the community. As infill development occurs, the new regulations are expected to create a vibrant human-scaled environment with walkable streets and trails, high-quality mixed-use development, job opportunities, a range of housing options, and attractive public spaces including green spaces.

Downtown Public Safety

As of 2023, Covington has been facing the challenge of increased crime in the Downtown. With easy access from the highways, and reduced policing ability, public safety Downtown is a high concern for the city. The challenges of funding and providing public safety measures make it harder for businesses to operate and may discourage people from shopping in Downtown.

The Covington Economic Development Council is working with local businesses on placemaking efforts. They are discussing options such as adding flower boxes and signage and considering the creation of a Downtown Association to help implement these efforts. The intent is

to create an environment that encourages shoppers to stay and explore Downtown and shop at other stores.

The Economic Development Council hopes placemaking efforts will help to discourage crime. The Council is also addressing crime by communicating the concerns of local businesses to City leadership and the police department to determine viable options to keep Covington a safe place to visit.

OUR ECONOMIC DEVELOPMENT PLAN

The City's economic development plan has five main components. These are supported by the goals and policies in this Element:

- Support existing businesses.
- Expand the local economy, building on Covington's strengths in the retail and medical sectors.
- Make it easier to live and work in Covington.
- Support Downtown and Lakepointe in becoming vibrant centers.
- Foster a positive environment for economic development through efficient use of City resources.

VISION CONNECTION

Fostering growth and diversification of the local economy will help meet the citywide goals for the downtown and the Lakepointe Urban Village as areas with a mix of retail and office uses and varied housing densities. Growth and diversification will also ensure the continuing health of the existing retail and service businesses along major corridors, expand the diversity of products and services, create family wage jobs, and ensure a healthy tax base to support public services.

GOALS AND POLICIES

ECONOMIC DEVELOPMENT GOALS

- Goal ED-I.** Increase the spending power of Covington community members through population growth and through improved access to opportunity for all.
- Goal ED-II.** Create resilient, pedestrian-friendly commercial areas that capture enough local and regional spending power for local businesses to prosper. Engage existing businesses in planning for redevelopment and how to keep them in the community.
- Goal ED-III.** Grow the medical and professional office sectors in Covington, building on local institutions to strengthen the community's employment options, availability of services, and economic resiliency.
- Goal ED-IV.** Build and demonstrate City capacity to support economic development activity, including strong relationships with local businesses and regional economic development partners, a responsive service culture with proactive problem solving, clear development standards, and strategic investments in public infrastructure.
- Goal ED-V.** Grow the City's tax base, prioritize investments, and efficiently provide City services.

ECONOMIC DEVELOPMENT POLICIES

Support existing businesses

- Policy ED-1.** Strengthen Covington's position as a regional retail and medical hub serving Covington and nearby communities.

- Policy ED-2. Support efforts for retention and expansion of existing businesses. This includes communicating with local businesses to understand market pressures or other factors that could lead to displacement, and collaborating on strategies to address this.
- Policy ED-3. Provide outreach efforts to local businesses for City government contracts.
- Policy ED-4. Provide informational resources that aim to promote financial literacy, and information on where to find monetary assistance.
- Policy ED-5. Promote and connect with agencies that facilitate job connections offering living wages, thereby providing opportunities to increase household incomes and livability within Covington.

Expand the local economy, building on Covington's strengths in the retail and medical sectors

- Policy ED-6. Continue to work with regional partners such as REACH X ADO to connect with programs that assist with recruiting and providing support for locally-owned, women-owned, and minority-owned businesses.
- Policy ED-7. Ensure City code supports creation of smaller commercial space to promote small businesses and diversification of retail and dining options.
- Policy ED-8. Facilitate continuing education and skill development for residents to promote entrepreneurship.
- Policy ED-9. Partner with regional and state organizations for economic development initiatives of mutual interest. Coordinate local and countywide economic policies and strategies with the Puget Sound Regional Council's Regional Economic Strategy, King County initiatives, and other agencies.

- Policy ED-10. Actively market the community by identifying areas for development and target new or expanding businesses for which there is a clear opportunity to locate and invest in Covington. Support the type of business recruitment called for in the City Council's strategic priorities.
- Policy ED-11. Encourage infill development and the creation of mixed-use walkable districts to strengthen and grow Covington's economic position as a destination within the region.
- Policy ED-12. Facilitate the development of lodging, meeting, event, entertainment venues, and dining options to meet both resident and visitor needs.
- Policy ED-13. Encourage the growth of mixed-use neighborhoods at Lakepointe and Downtown Covington that respond to the demand for office space, focusing on the growing medical sector.
- Policy ED-14. Encourage opportunities to diversify the economy with small-scale manufacturing or makers spaces.

Make it easier to live and work in Covington

- Policy ED-15. Facilitate commute trip reduction by connecting residents to offices without the use of a single-occupant vehicle.
- Policy ED-16. Support design updates that include spaces for live/work and common spaces for remote employees to work outside of their homes.
- Policy ED-17. Ensure City development standards and practices support employers that offer good wages and benefits and are socially and environmentally responsible, and explore opportunities to support existing businesses in doing these things as well.

Support Downtown and Lakepointe in becoming vibrant centers

- Policy ED-18 Support placemaking efforts and infill development that help create an attractive, walkable Downtown.
- Policy ED-19 Add green spaces and tree canopy in Downtown to help reduce temperatures and provide shade.
- Policy ED-20 Encourage communication between business leaders in Downtown and Lakepointe and the City, and collaboration on common goals, such as:
- Creating wayfinding to and between Downtown and Lakepointe (esp. on Highway 18 and Wax Road).
 - Consider doing an annual fun run between Downtown and Lakepointe.
 - Support the development of a downtown business association.
- Policy ED-21 Collaborate with business owners on strategies to prevent crime and to reduce the impacts of crime on business operations.

Foster a positive environment for economic development through efficient use of City resources.

- Policy ED-22. Maintain predictable development regulations that balance public costs with public benefits as well as assure competitiveness with other Puget Sound jurisdictions.
- Policy ED-23. Support economic development efforts with adequate resources to ensure the City can respond to development threats and opportunities.
- Policy ED-24. Support local businesses with efficient and coordinated provision of public services such as multimodal transportation, utilities, and parks.

- Policy ED-25 Periodically review plans and development standards to ensure they support the creation of vibrant business districts as conditions change over time.
- Policy ED-26. Draw on outside regional, state, federal, and private/non-profit resources to assist in meeting community infrastructure and public service needs associated with economic development.
- Policy ED-27. Encourage public-private partnerships with proactive tools and incentives to leverage the desired mix of private and public uses with a net long-term economic and financial benefit to the City at the lowest public outlay possible.

ACTION PLAN

The Economic Development Element is implemented by related elements, plans, regulations, and programs listed below. Additional implementation actions the City plans to take are shown in Exhibit 6.

Economic Development Action Plan

- Covington's Comprehensive Plan, Land Use Element, and Zoning Code provide capacity for expanding the local economy.
- The Housing Element, Land Use Element, and Development Code provide policy direction and development standards for creating new housing options and fostering vibrant mixed-use centers that will support existing businesses and make it easier to live and work in Covington.
- The Transportation Element provides policy direction for motorized and non-motorized solutions in Covington, including pedestrian-scale streets, adequate parking for commercial uses, and an interconnected system of sidewalks, trails, and bicycle routes throughout the city.
- The Capital Facilities Element and the City's regular capital improvement planning and budgeting processes provide for

efficient provision of public facilities and services to meet the needs of Covington as it grows over time.

- The Economic Development Council facilitates and encourages the development of economic opportunities and keeps a pulse on current and potential businesses.

Exhibit 6. Economic Development Action Plan

Implementing Action	Responsibility
Strategic Assessment of Covington's strengths and weaknesses (every 5-6 yrs.)	Executive Department & Community Development
Economic Development Work Plan (annual)	Executive Department & Covington Economic Development Council
Business Survey (topic based, as needed)	Executive Department & Covington Economic Development Council
Liaison with Chamber of Commerce (ongoing)	City Manager & Community Development Department
Evaluate codes for barriers to permitting new business and retention (ongoing)	Community Development Department
Identify opportunities to diversify business opportunities in Covington, including non-fast-food options (Council Strategic Priority 2023-2027)	Community Development Department, Executive Department & Covington Economic Development Council
Create advertisements, active promotion opportunities, and marketing campaigns and partnerships (Council Strategic Priority 2023-2027)	Community Development Department, Executive Department & Covington Economic Development Council
Update the economic development website with regional resources, including informational resources on financial literacy and small business creation (ongoing, as needed)	Community Development Department
Continue to promote city activities in Downtown and identify opportunities for continued placemaking ((Council Strategic Priority 2023-2027)	Executive Department, Parks and Recreation & Covington Economic Development Council
Evaluate progress on equity metrics related to economic development, as part of the Comprehensive Plan implementation progress report (due to WA Department of Commerce in 2029)	Community Development Department