

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 plan for the future.
- ▶ Goals and policies to provide direction for economic development efforts.
- ▶ An economic development action plan.

PURPOSE

The Economic Development Element comprises a larger economic development strategy for Covington. It is closely related to the plan's other elements, such as land use and capital facilities, but it serves the specific purpose of helping the community position itself to be a strategic actor 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 well in the long run. This element, much like the land use and transportation elements, will guide local decision-making on an almost daily basis.

ECONOMIC DEVELOPMENT ISSUES AND TRENDS

CONDITIONS AND TRENDS

The history of the local economy since the incorporation of Covington has been a positive one and the outlook for the future continues to be promising. The city's economic development conditions and trends are summarized in this element. More detailed information is available in the Existing Conditions Report prepared for the 2015-2035 periodic update of the Comprehensive Plan.

WHAT DOES IT MEAN?

Covington is a growing bedroom community with convenient access to services and large-format retail stores but limited local employment opportunities for living wage jobs for residents. Twenty-five percent of the residents are college educated, which is about half of the norm for King County, and another 40% have some college or higher education. Forty-three percent of households are families with children and the median household income is over 25% higher than for all King County households. The local economy is dominated by the retail and service sectors and over 75% of the local jobs in Covington pay less than \$40,000 a year. The disparity between high household income and low local employment earnings explains why virtually all residents commute to work outside the city, and local employees commute to their jobs in Covington.

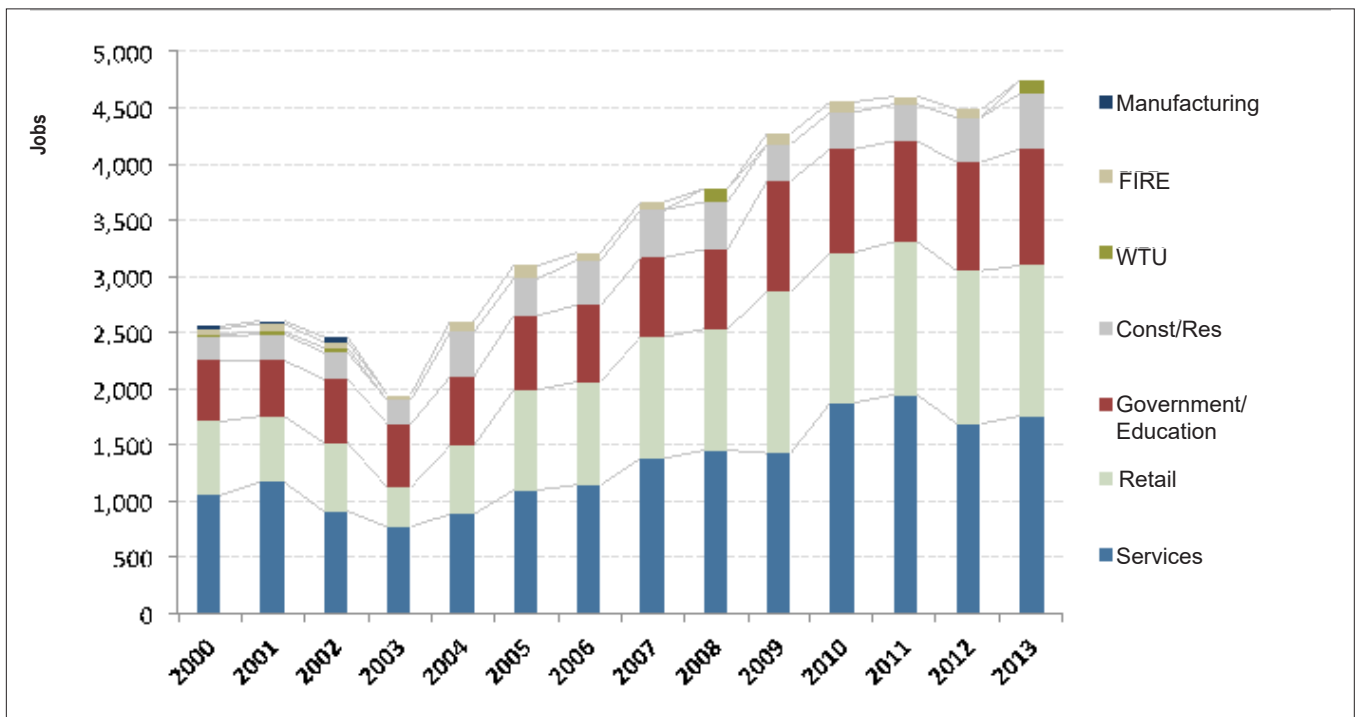
Retail sales have grown steadily since 2000, in response to the population and housing growth in Covington and surrounding communities; the taxes generated by retail sales are a critical source of revenue to the City for providing public services. Continued City support of the existing retail base and 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. This offers the opportunity to capture some of the lost retail sales dollars. In 2014, over \$28 million of local spending power was lost to businesses outside the city limits. Development of mixed-use, multifamily housing in the downtown and the Lakepointe Urban Village provides an opportunity to improve the jobs-housing balance for the expanding retail and service sectors. Continuing support and vision of City leaders for the growing presence of healthcare facilities and medical providers in the downtown will help diversify the local economy. These efforts will generate development that will create higher paying jobs for Covington residents and reduce the commuting time for local employees.

As indicated in Exhibit ED-1, Covington has a retail and service-centered economy:

- The City has increasingly become a retail and service center for the local population and broader area, due to the accessibility provided by SR 18 and SR 516.
- Local employment has increased primarily in local-oriented service sectors such as retail, personal services, and government/education to support the increasing population.
- Although not tracked in the employment data, home occupations represent a significant number of jobs in the city. In 2015 the City issued or renewed 301 business licenses for home occupations.

Exhibit ED-1. Total Covered Employment, 2000-2013



Source: Puget Sound Regional Council, 2000-2013

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



Retail Store in Covington
Source: Studio Cascade, 2014

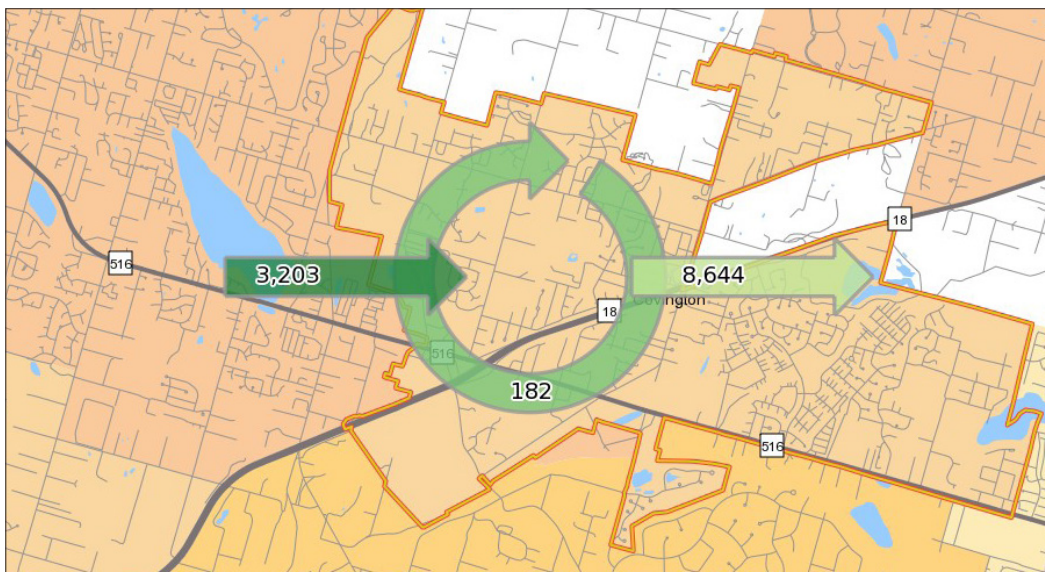
Household Incomes are relatively high, but most residents' jobs are not local.

- Household incomes of residents are relatively high despite educational levels below that of the county overall.
- The overwhelming majority of Covington residents commute an average of over 30 minutes to jobs located outside the city, which are often better paying than are local jobs.
- As indicated in Exhibit ED-2, in 2011 3,203 people came to work in Covington, but 8,644 Covington residents left for jobs located outside the city. Only 182 people both lived and worked in the city.

Local jobs are lower-paying and workers live elsewhere.

- Wages and earnings for those working in local retail and service sectors in Covington are lower than earnings for residents of Covington and the county overall.

Exhibit ED-2. Commute Pattern: 2011



Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2002-2011). <http://onthemap.ces.census.gov/>; ECONorthwest 2014

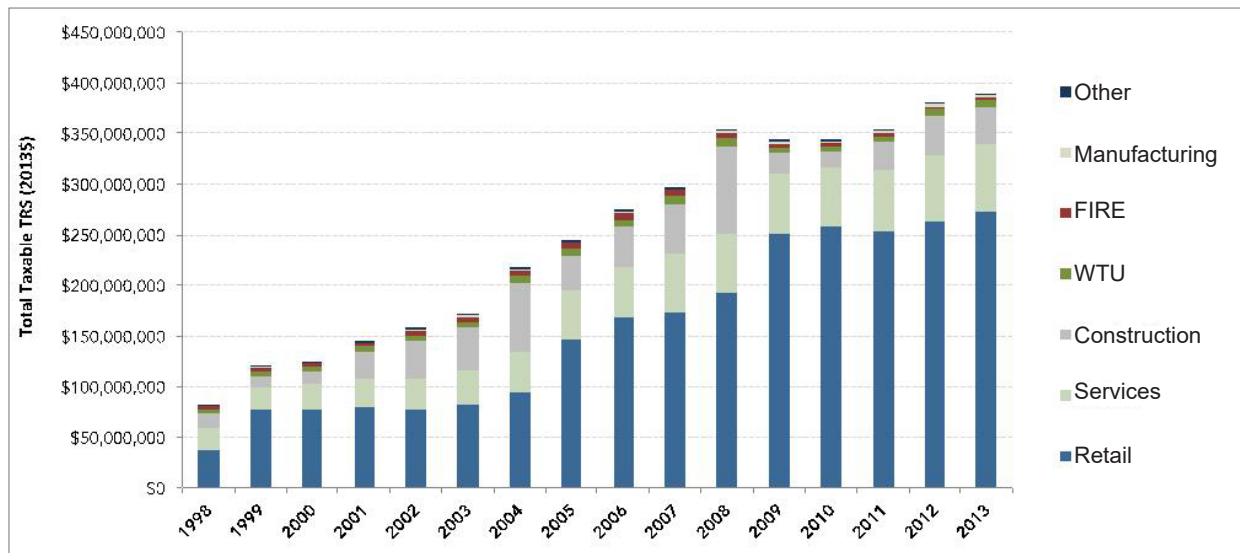


- Overwhelmingly, employees of local businesses commute from elsewhere in the region.
- The addition of more choice in housing types in the downtown and the Lakepointe Urban Village, combined with the addition of local retail and service jobs, is intended to improve the jobs/housing balance.

Retail sales generate significant revenue to the City.

- Retail sales taxes will continue to be a significant contributor to the city’s financial health.
- The addition of 850,000 square feet of commercial space – largely retail—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 ED-3. Taxable Retail Sales (TRS) in 2013 Inflation Adjusted Dollars, 1998-2013



Source: Washington Department of Revenue; ECONorthwest, 2014

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

CHALLENGES AND OPPORTUNITIES

The recent economic recession of 2008–2011 had less of an impact on Covington than it had on other suburban communities, largely because Covington’s retail sector serves a large portion of southeastern King County. Revenues from sales taxes remained relatively consistent, and the City was able to make targeted budget cuts without sacrificing the community’s quality of life. Covington remains a retail center for a much larger area, and the City’s plans are to expand that niche even more by identifying opportunities for increased retail growth in downtown and Lakepointe Urban Village. Covington also will continue to foster and leverage its growth as a healthcare facility and medical services hub for south King County. While the outlook for the local economy is bright, it is not without challenges:

- Employment growth is increasingly occurring in regional employment centers such as downtown Seattle and Bellevue.
- The rise of online shopping reduces the share of consumer spending at traditional “brick and mortar” stores, particularly large format discount and department stores.
- Surrounding communities are realizing new retail development that competes for retail spending with stores in Covington.
- The City will not always have the opportunity to capture lost local spending power in many sectors. Sectors with large market areas, such as motor vehicle sales, serve a population much larger than Covington’s. As a result, a city the size of Covington cannot always support enough retail options to fully accommodate local demand.



Medical Services in Covington
Source: Studio Cascade 2014



- 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.

ECONOMIC DEVELOPMENT PLAN

The policy direction in this plan update is to reinforce the community's resilience to changing conditions by continuing to support local businesses; enlarging the retail sector; improving the jobs/housing balance by diversifying the local economy and the choice of housing solutions; continuing to invest in infrastructure; and providing efficient City services, all in support of the neighborhoods, human services, and public spaces that make Covington a unique community in which to live.

CONTINUE TO ACTIVELY SUPPORT EXISTING RETAIL AND SERVICE BUSINESSES.

Covington is not looking to provide large amounts of manufacturing or industrial land, but instead is looking to strengthen its position in the regional economy where it already has a solid footing. Existing retail and service providers account for over 90% of total retail sales and



Retail Store in Covington

Source: Studio Cascade 2014

65% of total employment, and much of Covington’s retail sector is dedicated to serving a larger, regional market. Even so, Covington’s residents are the retail sector’s staple. Increased disposable income – that share of a household’s income not dedicated to housing, food, medical expenses, education, or transportation – may increase local spending, thereby increasing local commerce, generating more local sales tax, and helping the community become less dependent on attracting shoppers from elsewhere.

EXPAND THE LOCAL ECONOMY BY BUILDING ON EXISTING STRENGTHS IN THE RETAIL AND SERVICE SECTORS.

The City’s economic development policies call for both increased economic diversity and an increased retail presence. Calculations on retail leakage confirm that there are retail markets where Covington can conceivably still expand its retail trade, and the downtown and the Lakepointe Urban Village areas are intended to capture some of it.




Lakepointe Urban Village Concept

Source: Hawk Property Subarea Plan (Ord. 01-14)

DIVERSIFY THE LOCAL ECONOMY BY TARGETING EXPANSION OF THE OFFICE MARKET, ESPECIALLY THE BURGEONING MEDICAL SECTOR.

While Covington is a prosperous community, its economy is not necessarily diverse. Covington relies on the sales taxes generated by a large retail service area that extends beyond the community’s boundaries. The City seeks to leverage and expand the development of medical facilities in the community to provide needed services and job growth. The policies provide for increased professional office employment, building on the regional medical presence and expanding the scale of other, related personal services that are needed to address local demand.



MAKE IT EASIER TO LIVE AND WORK IN COVINGTON.

Overwhelmingly, residents of Covington commute to work by vehicle to employment located outside the city, while employees of Covington businesses commute to work from areas outside the city. Housing in Covington is more expensive than what many of those employed in Covington can afford to buy or rent, so expanding housing choices is important for reducing the commuting time for those employees. Preserving the character of Covington's existing neighborhoods is essential to the character of the town, so diversifying the local economy to create higher-paying jobs is important for reducing the commuting time for residents of the City.

PROMOTE POSTSECONDARY EDUCATIONAL OPPORTUNITIES FOR RESIDENTS.

The City will continue to seek and support programs that provide easy access to quality adult and post-secondary education. This will allow residents to gain the academic skills and credentials they need to transition to post-secondary institutions, higher skilled jobs, and function productively in the work force while supporting their families. The City is searching for opportunities to partner with post-secondary institutions to provide classes locally that will provide information and skills for residents to obtain in-demand, stable jobs with living wages in the current and future marketplace. This should be carried out based on an understanding of the needs of local employers and workers and the demands of the economy.



Professional Services in Covington
Source: Studio Cascade 2014

RETAIN AN EFFICIENT, FISCALLY-SUSTAINABLE STRATEGY OF ECONOMIC DEVELOPMENT.

The City has a history of facilitating economic development and efficiently reviewing and processing development applications. The policies recognize the high-level functioning of City operations and encourage the business and development community to become engaged, ensuring it is sustainable. Community engagement will encourage continued City responsiveness, generate new leaders, and build closer relationships between residents, the business community, and local government.

Strategic investment – directed by the community’s leaders – will ensure Covington can continue to prosper. While the City has the capacity to incur additional public debt, its tendency has been to support municipal investment only in those cases where direct benefit will result and where the community’s money will be matched by funds from other governments or private entities. Its preference is to leverage public investment, where City funds are augmented by investment from others, thereby making for more attractive partnership-style solutions. Much of this work will need to involve partners, either in coordinating the utility services provided by others or in sharing financial obligations among other jurisdictions. Covington has already demonstrated its ability to do this, through Interlocal Agreements.

The City also has other, more targeted, economic development tools at its disposal including development agreements, Multifamily Tax Exemption Program, and Traffic Impact Fee Funding Source Adjustments.



GOALS AND POLICIES

ECONOMIC DEVELOPMENT GOALS

- Goal ED-I. Support local commercial activity and spending power in the community through increasing household disposable incomes and by continued population growth within the city.**
- Goal ED-II. Grow local employment targeted to the medical and professional office sectors suited to Covington's resident population, offering higher wages, building on local institutions, expanding the availability of local services, and contributing to the community's economic resiliency.**
- Goal ED-III. Build and demonstrate local capacity to support development activity, including a responsive service culture, proactive problem solving, and strategic investment in education, transportation, utilities, and telecommunications infrastructure.**
- Goal ED-IV. Build on the City's existing assets and stable growth, and focus on being a desirable place to live, work, play, shop, and learn by continuing to provide high quality services (including schools, safety, and recreation) and making strategic investments in infrastructure.**
- Goal ED-V. Grow the City's tax base, prioritize investments, and efficiently provide City services.**

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 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.

ECONOMIC DEVELOPMENT POLICIES

Actively support business and service retention, expansion, and diversification



Retail and Food Establishments in Covington

Source: Studio Cascade, 2014

Policy ED-1. Strengthen Covington's position as the center of a regional retail and service area serving Covington and nearby communities readily accessed from the SR 18 and SR 516 highway corridors.

Policy ED-2. Support efforts for retention and expansion of existing businesses.

Policy ED-3. Provide outreach efforts to local businesses for City government contracts.

Policy ED-4. Promote new business formation by economically disadvantaged populations such as minorities and women by committing resources to human services and economic development strategies in this element.

Policy ED-5. Provide for business attraction and diversification including entrepreneurship and small business development.

Policy ED-6. Facilitate continuing education and skill development for residents.



Services in Covington

Source: Studio Cascade, 2014

Expand the local economy by building on existing strengths

Policy ED-7. 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-8. Actively market the community by identifying areas for development and target new or expanding businesses for which there is clear opportunity to locate and invest in Covington.

Policy ED-9. Encourage regional commercial and employment uses along major transportation corridors to strengthen Covington's economic position within the region.

Policy ED-10. Facilitate development of lodging, meeting, event, entertainment venues, and post-secondary educational opportunities to meet both resident and visitor needs.

Diversify the local economy by targeting expansion of professional services, especially the burgeoning medical sector

Policy ED-11. Foster a business climate and site options supporting large employers offering high-wage jobs together with small business and entrepreneurial start-ups.

Policy ED-12. Promote the emerging professional services sector, especially healthcare facilities and medical services.

Policy ED-13. Encourage location of new higher-wage jobs in the downtown area and the Lakepointe Urban Village.

Make it easier to live and work in Covington

Policy ED-14. Facilitate commute trip reduction by providing more jobs locally for Covington residents.



Multiple Transportation Modes
Source: Studio Cascade, 2014



Medical Services and Artwork in Covington
Source: Studio Cascade, 2014

Retain an efficient, fiscally-sustainable strategy of economic development

- Policy ED-15. Maintain development regulations that are predictable and that balance public costs with public benefits as well as assure competitiveness with other Puget Sound jurisdictions.
- Policy ED-16. Support an economic development effort over time with adequate budgets and staffing to ensure it has appropriate capacity to address economic development threats and opportunities.
- Policy ED-17. Develop downtown, neighborhood, community, and regional commercial uses with coordinated provision of:
- A. Adequate transportation, pedestrian, and utility infrastructure.
 - B. Development and design standards to encourage mixed-use, commercial, and residential developments.
 - C. Incorporation of trails, open space, and parks consistent with city plans and regulations.
- Policy ED-18. Assure that new development is a fiscal benefit except in instances where clear public policy supports additional public investment.
- Policy ED-19. 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-20. 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, including:

- Covington’s Comprehensive Plan, Land Use Element, and Zoning Code that provide capacity for and variety in both commercial and high density residential uses.
- Housing and Land Use Elements that provide policy direction for capacity, variety, and design of commercial and residential uses with an emphasis on high density housing and mixed-use commercial/residential solutions.
- The Housing Element that provides policy direction for a greater range of housing choices.
- The Transportation Element that provides policy direction for motorized and non-motorized solutions between the commercial and residential areas within Covington including pedestrian-scale streets, adequate parking for commercial uses, and an interconnected system of sidewalks, trails, and bicycle routes between neighborhoods.

Exhibit 3. Economic Development Action Plan

Implementing Action	Responsibility
Annual Strategic Assessment of economic strengths and weaknesses	Community Development Department and Executive Department
Annual Economic Development Work Plan	Community Development Department and Executive Department
Annual business survey	Community Development Department and Executive Department
Ongoing liaison with Chamber of Commerce	City Manager and Community Development Department