

## IX. Economic Development Element

### Introduction

~~At this writing, the City of Shelton is in its 4<sup>th</sup> year of financial challenges associated with the weakening national economy. The City has managed the recession well. At least for the time being, revenues are matching expenses, and the City maintains adequate reserves.~~

~~This~~The Puget Sound Region in general has recovered from the 2008 economic downturn and has experienced a resurgence of building and job growth. The recovery commenced in King County, where some of the world's largest high-tech and manufacturing industries are located. The influence of the recovery has radiated from Central Puget Sound to the adjoining communities. There are signs, such as increasing real estate values and lower inventories, that indicate the strong economic conditions centered in Central Puget Sound are starting to affect Mason County; but in general economic conditions in Shelton remain less robust than prior to the 2008 recession. In 2015, Simpson Timber announced the sale of several assets, including the mill on the Oakland Bay waterfront. That same year, Olympic Panel Products (OPP), a plywood plant also located on the Oakland Bay waterfront, announced they were sold and would be moving to Oregon in 2016.

~~In recent years, the City has been able to match expenses with revenues and maintain adequate reserves; however, this~~ situation is not sustainable. Many of our costs are not within our control, and are rising faster than tax collections. Long term the solution is new business development. Sierra Pacific Industries, Incorporated (SPI) purchased the Simpson Mill assets at Oakland Bay and, as of the writing of this plan, is in the process of constructing a state-of-the-art lumber mill on this site. The mill is expected to be operational in 2017 and should exceed production of the former Simpson Mill, but SPI will only employ about 30 percent of the workforce formerly employed by Simpson and by OPP, approximately 200 persons.

Currently, many persons commute from Mason County to jobs in Thurston County and other counties. In addition, many people shop outside the City, which takes sales taxes away from our City that would otherwise be available here. New commercial and industrial development would generate new tax revenue by keeping existing dollars at home.

The City has a viable chance to facilitate this new development. ~~In~~Between 2007 and 2012, the last six years, we have City built or adopted viable capital facility plans for as much as \$100 million in new utility infrastructure. Adequate infrastructure is vital to a community's ability to attract new economic development. In fact, this new infrastructure is effectively a welcome mat for new business opportunities. All we must do is leverage this for a return on our investment

### Community Profile

*Conditions that Encourage Economic Development*

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Shelton is the only incorporated City in Mason County, and is the county seat. As such it is a center of business activity, and governmental services. Two state highways intersect with the City, generating an opportunity to connect with thousands of travelers, who might not otherwise know that Shelton was here.

Shelton is about 20 miles from Olympia, Washington’s capital city.

The community was founded around the timber business in the late 1800s. A lumber mill still exists in the downtown area, providing jobs for local residents. Founders bought up surrounding forests for back taxes more than a hundred years ago. These lands are still growing trees that support local wood products businesses.

Aquaculture has become another economic force, as the shellfish industry has prospered in Oakland Bay, which abuts Shelton’s downtown.

A Shelton nickname is “Christmas Town USA.” This came from Christmas tree farms in the community. More recently wreath-manufacturing has become a local growth industry.

The Washington State Patrol Academy has established a training facility in the community. The Washington Corrections Center has built a prison nearby.

~~Based on the 2010 census the City population is 9,834.<sup>1</sup> The community as a whole, including the urban growth area, has at least 12,387<sup>2</sup> people. Shelton’s daytime population is estimated to be about 12,500.<sup>3, 4</sup>~~

Evergreen trees are native to the area and grow tall though out the City. Before urbanization, the entire area was a northern rainforest. Green plant life is pervasive, all year around. It is beautiful.

The Port of Shelton operates a regional airport and two industrial parks. State freeways provide easy access to the I-5 corridor, approximately 22 minutes away along SR 101.

~~About 12 years ago, Mason County PUD #3 has constructed a fiber optic communications network in portions of Mason County.~~ The result was that just about any commercial or industrial facility can be connected to high speed, broadband communications.

City leadership has been strong and generally receives positive political support from local citizens. Examples include recent tax increases to support library, parks and public safety services.

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<sup>1</sup>Klint, Kim, “Mason County Data Series,” January 2012

<sup>2</sup>Adds base population to the UGA Population estimate in the City’s 2007 Comprehensive Plan

<sup>3</sup>Estimate from: [citydata.com/city/Shelton-Washington.html](http://citydata.com/city/Shelton-Washington.html)

<sup>4</sup>See Appendix A

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City employees have a strong work ethic and are highly motivated to provide important public services. This work ethic grew from a strong work ethic in the community as a whole.

Shelton serves as host to a variety of in-town or nearby events, which draw people from the region and beyond. There is an oyster festival, two custom car shows, a fiddle festival, a bluegrass festival, a classical music festival, and, until very recently, an area fair.

Shelton is a retail hub for Mason County. Regardless, local residents still spend nearly half (46%) of their retail shopping dollars in other areas.<sup>5</sup> If local merchants can capture a greater share, those dollars will circulate through the community longer and improve local prosperity. One reason for the retail “leakage” is that there are more diverse shopping opportunities outside Mason County. If we can provide comparable opportunities, we should keep more wealth in the community.

Recently PUD 3 built a ~~new~~ water line about 2 miles northeast along John’s Prairie Rd, and dedicated it to the City subject to a Latecomers’ Agreement. The Port of Shelton built a portion of the ~~new~~ water line and owns an adjacent industrial park. It recently adopted policies that allow private parties to purchasing development parcels, which could fill this market need. On the other hand, the area has some constraints. Existing transportation systems are not sufficient to handle large increases in traffic that would accompany development needing access to SR 101. Also, there are no undeveloped corridors between this area and SR 101 that could be used for new roadways. In order for this area to reach its potential, a new transportation corridor to SR 101 from this area will need to be established. Alternatively, transportation issues could be mitigated by an improved rail access. Tracks currently extend into the park, but rail regulations prevent outbound shipping.

The City has recently extended new sewer and reclaimed water lines about 3 miles through the northwest urban growth area. The lines cross the Sanderson Field airport and into an area that is substantially undeveloped. The City ~~is designing a new~~ has extended potable water service to the Washington State Partol Academy to the west of Sanderson Field, and has designed phased improvements including an extension of this water line for the same area ~~and is securing the associated right of way. The 2012 Legislature approved funding for the water line.~~ This undeveloped area has enormous potential as a new job center for the community.

Real estate values in Shelton are among the lowest in the Puget Sound Region, which should reduce the cost to start up a new business - so long as local lands can be made ready to build.

*Emerging Opportunities*

The City ~~has recently rezoned~~ approved a planned action for the Shelton Hills Development, 180 acres of land inside City Limits to the west of SR 101 by Wallace Kneeland Blvd. The ~~land owner is discussing the development of 600-700 acres inside the City Limits. Assuming this project proceeds, it~~ will be built out in the coming years. Upcoming challenges include approval and funding a cleanup of Goose Lake, which was used to dispose of paper mill wastes in Shelton’s

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early years. The developer is also planning an upgrade to the interchange at SR 101 and Wallace Kneeland Blvd.

Northwest of the City, a new automobile road racing track ~~is being~~has been constructed. This facility ~~should draw~~draws hundreds of car enthusiasts from throughout the northwest United States. People using this facility invest thousands of dollars (and sometimes even millions of dollars) in their racing equipment and activities. As the facility grows, racing enthusiasts will need products and services that are available in Shelton. These could include and are not limited to: 1) car parts, 2) lodging, 3) meals and 4) fuel. Many will want to establish local facilities to store and maintain their equipment. Shelton also has a strong automobile culture. This small City supports two annual car shows, each drawing hundreds of cars and thousands of car enthusiasts. In short, this racing facility and Shelton are a natural for each other.

The Washington Corrections Center has put Shelton on their short list for a new intake facility, where new inmates may be processed before transporting them to other facilities in the state.

~~The Simpson Lumber Company has recently upgraded their facilities by the addition of a new planer mill. The poor economy has driven curtailment of lumber production, so the equipment is not being used to its potential. Regardless, it is in place and waiting for recovery.~~

*Barriers to Economic Development*

~~Unfortunately, a habitual part of the local political culture is incivility. For example, some local residents can be excessively aggressive in their opposition to local development proposals. Disagreements are a normal part of political discourse in our culture. However, at times this has been taken beyond the point of civility. The unfortunate result is it creates perceptions in the world outside Shelton that this is not a good place to do business.~~

There are two industrial parks in Shelton that offer leased land to potential industrial businesses. Outside these parks industrial development land is scarce. Although industrial park development is constrained for the time being, the water and sewer systems mentioned above should facilitate industrial development with lots for sale.

Based on a comparison to other communities throughout the region and nation, Shelton has a very high property crime rate per capita.

In general, Shelton is a low income community. In order to set competitive wages for City employees, Shelton traditionally uses wage data from 9 other comparably sized cities in the Puget Sound Region. Among this group, Shelton has the 3<sup>rd</sup> highest unemployment rate<sup>6</sup> and the highest

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<sup>5</sup> Washington State Dept of Employment, Workplace Explorer

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poverty rate.<sup>7</sup> Shelton also has the lowest household income and the 4<sup>th</sup> highest percentage of persons at the poverty level.<sup>8</sup> Our assessed value is the ~~second~~third from the bottom.<sup>9</sup> Regardless, our citizens pay nearly the second highest per capita property taxes.<sup>10</sup> Not surprisingly, we are only in the middle of the pack as to sales tax collections, even though we are a main trade center for south Mason County.<sup>11</sup> The fact is that our community wealth and resulting tax base does not generate sufficient revenues to meet modern service level expectations. The solution to this problem is to expand opportunities for prosperity in the community through economic development.

The recent recession has exacerbated the economic situation. In response to the past 4 years 2008 recession, the City has cut \$1.2 million from ongoing programs, and is likely to cut more. The City's parking control program has been nearly eliminated, and the animal control program is surviving with one part-time employee plus a small group of committed volunteers. Tax collections have been dropping, while costs have been increasing.<sup>12</sup> If the situation does not improve in the foreseeable future, elected officials will face budget decisions that result in unbalanced budgets, inability to meet mandated program requirements, or reduced public safety services.

An economic development effort should include review, prioritization and modification of policies that discourage priority development. ~~In~~During the ~~past 4 years~~recession, the City and County governments ~~have~~ lost tax revenue ~~along with the recession~~, and have cut the jobs of people performing policy analysis in order to protect programs such as police and fire.<sup>13</sup> This has undermined the City's ability to manage the policy process.

*Trends*

~~The national economy is stuck near the bottom of a deep recession.~~ The first businesses to recover following a recession are usually home building. This stimulates related businesses such as wood products. These businesses then sell construction materials for the new construction. In the current case, failures in the real estate sector have made this type of recovery infeasible. Newly constructed homes must be sold for competitive prices. The marketplace is flooded with large numbers of foreclosed homes. These low prices and high costs have undermined home builders' confidence

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<sup>6</sup> 2010 2015 Census data

<sup>7</sup> Ibid

<sup>8</sup> Municipal Research – 2010 2014 City Population, Property Tax, and Sales Tax

<sup>9</sup> Ibid

<sup>10</sup> Ibid

<sup>11</sup> Annual Budget Reports 2008-2011

<sup>11</sup> Annual Budget Report 2010, p.4

<sup>12</sup> Washington State Dept of Employment, "Map of County Unemployment Rates" ~~Nov 2011~~Jan 2016, not seasonally adjusted

<sup>13</sup> Hoene, Chris, Director of Research and Innovation for the National League of Cities. Presentation to City officials, 1/26/12, Olympia, WA

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that they can make a profit. So they do not build, and the wood products industry limps along by selling wood products in overseas markets and wherever else they can find buyers.

Unemployment in Mason County is ~~10.4~~ 8.5%. The state average is ~~5.8-9~~%. Among the state's ~~42-39~~ counties, ~~3+15~~ have higher employment rates than Mason County.<sup>14</sup>

Regardless of the economy, the shellfish industry appears to be holding its own. For instance the State of Washington Employment Security Department rates demand for fishery workers in Mason County as either in “demand” or at least “balanced.”

Nearly all new jobs in the United States are created through start-up businesses.<sup>15</sup> If the City wants to facilitate job based business development, it should encourage entrepreneurs.

Shelton, along with many other communities, has a fairly large complement of foreign born residents. Immigrants actually start up about 40% of all new businesses<sup>16</sup> and comprise only about 13% of the US population.<sup>17</sup> Shelton has a comparable percentage of foreign born residents. They could be an untapped source for entrepreneurial investment.

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<sup>14</sup> Ibid.

<sup>15</sup> US Census Data for 2010

<sup>16</sup> From: citydata.com /city/Shelton-Washington.html, 2005-2009 data. Also, the recession is likely to have reduced the percentage of some business activities, such as construction.

<sup>17</sup> These are the Main Sewer Plant Rehabilitation, the Basin 5 sewer rehabilitation and an expansion of Mason General Hospital.

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*Inventory of Existing Businesses*

Based on data from 2005 through 2009, the following are the most common business industries Shelton, at least during normal times: <sup>18</sup>

- Retail trade (17%)
- Construction (10%)
- Manufacturing (9%)
- Accommodation and food services (9%)
- Administrative and support and waste management services (8%)
- Public administration (8%)
- Wholesale trade (8%)

Although a few retail businesses have closed recently, the large majority are holding their own. For instance, the City does not appear (so far) to have an excess number of vacant storefronts.

The pace of home construction is about 1/3 of its peak levels in the mid-2000s (See Trends above). ~~Regardless, there are three major commercial construction projects under way, which are government related.~~<sup>19</sup>The City recently reduced the fees and charges associated with building permits in an effort to attract building and investment in the community.

Other sectors appear to be holding their own regardless of the recession.

*Infrastructure*

~~For the past 5 years, the~~The City of Shelton has been building new utility infrastructure. In addition to the utility extension projects mentioned above, the City has upgraded its existing wastewater plant. ~~It is also replacing, and replaced~~ leaky sewer lines in roughly 450 acres of the City's service area. These projects will facilitate efficient treatment of 4 million gallons per day, effectively increasing the plant's treatment capacity by about 40%.

The City has also built a new satellite sewer plant that can process 400,000 gallons per day. It was designed for expansion to triple this capacity.

The City has adopted capital facility plans to build new domestic water facilities - both in-City and into the Urban Growth Area. In addition, the City has water rights that will sustain a population at

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<sup>18</sup>.

<sup>19</sup>.

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least 2.5 times the current water use levels. Recently City officials approved a new reclaimed water utility. The City has reclaimed water lines in the ground that are available for irrigation or industrial uses.

The storm water fund is solvent and building reserves to address a variety of drainage and environmental problems.

The Storm Water fund is in good financial condition, due to rate increases passed in 2005. However, much of the storm water infrastructure is old and will eventually erode away. Some is also inadequate to prevent flooding in portions of the City, and flood damage to other City infrastructure. These problems must be addressed. ~~However, there are not enough funds available from rates to facilitate the needed upgrades pipe replacements.~~

Regardless of recent successes with ~~under-ground~~underground infrastructure, the overlaying streets are in poor condition. The condition of these must be improved if Shelton is to achieve its economic potential.

## **Stakeholders**

The following groups have been identified as economic development stakeholders. Their perspective should be taken into account as the economic development plan takes shape. Their support will be very important to the successful completion of this plan.

- Citizens
- City Leaders / Employees
- Local Government Stakeholders
- Economic Development Council for Mason County
- Chamber of Commerce
- Local Businesses

### *Local government stakeholders*

The City is just one of a number of local governments providing services to the community. Each is a stakeholder in this plan, either because a successful plan facilitates their mission, or because a successful plan creates impacts on their ability to deliver their unique service. The more each of these local governments cooperate toward fulfillment of this plan, the greater the chances of success.

The City provides nearly all traditional urban services. Exceptions include library service, which is provided by Timberland Regional Library. Parks and recreation is facilitated through a Metropolitan Parks District. The boundary of the MPD matches the City's boundaries. The City Commission serves as the policy board for the district, and City employees manage Parks and Recreation programs, and provide for maintenance.

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The City contracts for fire, rescue, and emergency medical service with Central Mason Fire and Rescue (CMFR). CMFR serves the City of Shelton under an Interlocal agreement for service. It also serves its own jurisdictional area which lies generally northeast of the City. Other Fire Districts include Mason County Fire Districts 4, 11, 13 and 16, which provide fire and rescue services in other surrounding areas adjacent to or near the City Limits.

Shelton is the county seat for Mason County. County services include the Sheriff's office, Superior and District Courts, Jail, Emergency Management, Public Health, Community Development, Parks and Trails, County Utilities, and other services typical of county governments. Numerous County offices and other operations are located in the downtown core area.

The Port of Shelton owns and operates an industrial park, an airport and a marina. The marina is partially inside City Limits. The other facilities are in the City's Urban Growth Area.

Public Utility District No. 3, which provides electrical service for the community.

Mason County emergency Communications (MACECOM), which provides enhanced 911 service for all of Mason County.

Mason General Hospital operates as a local taxing district, serving south Mason County.

A cemetery district has been recently formed. However, at this time it has not established the authority to levy taxes.

Governmentally related educational service organizations include Olympic College (Shelton Campus), The Shelton School District and the Southside School District (Just south of the City limits). Specific schools include one college, one high school, one alternative high school, one middle school, one junior high school and 4 elementary schools.

## Economic Development Goals and Policies

~~Based on the foregoing analysis, the following goals and policies are established for the City of Shelton and are to be accomplished before December 31, 2018.~~

### E1. Expand the availability of lands available for commercial and industrial development / construction in the community.

E1a. The city shall facilitate development of one new commercial center inside the City Limits.

E1b. The City shall identify lands for a new industrial park (100 acres or larger).

~~E1c. The City should unilaterally or with public or private partners, construct the initial phases of a new industrial park.~~

~~E1d.~~ E1c. The City shall establish policies affecting industrial park developments that allow for expedited permitting and/or environmental reviews for primary business activities (See E3a).

### E2. Build or expand infrastructure that will allow for the construction of new business opportunities.

~~E2a. The City shall build a new water transmission line northwesterly out Springs Rd to the Washington State Patrol Academy on SR-102.~~

~~E2a.~~ ~~E2b.~~ The City shall execute the Water Capital Facility Plan.

~~E2c. The City shall rehabilitate one additional sewer basin.~~

~~E2d.~~ The City shall establish a street maintenance program which reverses the currently deteriorating condition of the City streets.

E2b. The City shall execute the Water Capital Facility Plan.

E2c. The City shall rehabilitate one additional sewer basin.

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**E3. Adopt policies that encourage development that results in greater prosperity in the community.**

- E3a. The City shall work to establish a listing of Primary Business Activities. These are businesses and other activities that increase wealth in the community by drawing financial resources from areas outside the community.
- E3b. The City shall review its existing policies and make amendments that encourage the listed primary uses. This shall be done in a way that meets all other established policy objectives.
- E3c. The City shall review the amendments developed under E3b to determine whether they should be applied to other business activities. This shall be done in a way that meets all other established policy objectives.

**E4. Establish policies that encourage entrepreneurial efforts**

- E4a. The City shall work with the Chamber and Economic Development Council to facilitate one or more entrepreneurial training programs.
- E4b. The City shall work with Olympic College to establish vocational training opportunities that meet the needs of local businesses.
- E4c. The City shall establish a Planning and Zoning Academy, where local businesses can learn about our land use and building construction requirements.

**E5. Facilitate increased wealth in Shelton as evidenced by the following measures:**

- E5a. Increase the number of new companies that start up per year in Shelton
- E5b. Increase the total number of companies operating in Shelton from one year to the next
- E5c. Increase per capita sales tax collections over the course of the planning period.
- E5d.    Increase the per capita B&O tax collections over the course of the planning period.