

Office of Economic Development  
2015 Annual Report



**LYNNWOOD**  
WASHINGTON

*A great deal more*

October 2016

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# 2015 Office of Economic Development Annual Report



## OFFICE OF ECONOMIC DEVELOPMENT

The Office of Economic Development (OED) fulfills Lynnwood's Community Vision for economic development by pursuing: a broad business base in sector, size and related employment; high quality development; public infrastructure needs; and community marketing.

### ***Lynnwood Moving Forward: Our Community Vision***

*The City of Lynnwood will be a regional model for a sustainable, vibrant community with engaged citizens and an accountable government.*

In 2015, the Economic Development Action Plan was reviewed and updated. This 5-year plan, adopted by City Council in 2015, identifies five primary economic development goals. Each goal involves citywide action strategies and implementation activities to be achieved through interdepartmental collaboration. OED is focused on the inter-relationship of the Community Vision and the Economic Development Action Plan.

The five economic development goals are:

1. Support and grow new and existing businesses in Lynnwood
2. Strengthen and communicate Lynnwood's positive business climate
3. Prioritize high-quality development and infrastructure projects
4. Strengthen Lynnwood's image and identity in the region
5. Enhance Lynnwood's livability and unique sense of place

In addition, OED focuses on 7 strategic themes in all of our activities:

1. Accommodating forecasted growth
2. Harnessing the power of a diverse community
3. Focus on housing and amenities that attract new workers and residents
4. Identifying opportunities to grow mixed-use centers
5. Diversification of the City's economic base
6. Positioning for the changing face of retail
7. Capitalizing on investments in infrastructure

### ***Mission Statement***

*To serve as a catalyst for economic development that provides healthy businesses, quality employment opportunities and sustainable city revenues, and to foster economic vitality through programs and projects necessary to implement economic development policies.*

## PRIMARY FUNCTIONS

The Office of Economic Development undertakes four primary functions to achieve the adopted goals. These are:

- 1. Economic Development Planning & Strategies:** To monitor and evaluate the City's current economic base and projected trends, identify economic growth opportunities, and identify actions compatible with the citywide goals, action plan, and the department's mission statement.
- 2. Public Relations & Marketing:** To encourage investment in the City by promoting Lynnwood for business development and tourism and to provide information to the public regarding the City's economy, demographics, businesses and employment.
- 3. Project & Program Management:** To facilitate economic development projects and programs in the City of Lynnwood.
- 4. Tourism Management:** To undertake programs and projects that help generate hotel/motel lodging tax revenues, economic development activity and revenues from tourist and visitor spending; and the disbursement and monitoring of hotel/motel revenues in accordance with the Tourism Work Program in compliance with state law and City policy.

## 1. ECONOMIC DEVELOPMENT PLANNING & STRATEGIES

OED prepared the Economic Development Action Plan to identify goals, strategies and implementation actions. This Plan is informed by the data and statistics compiled in the City of Lynnwood Economic Profile, updated in 2014, and input from the Economic Development Advisory Group, City Boards and Commissions, and City staff. After nearly 18 months of work, the Plan was adopted by City Council as part of the City's Comprehensive Plan on June 22, 2015. Subsequently, on October 12, 2015 the City Council adopted Resolution No. 2015-14, which established the Economic Development Action Plan and Implementation Matrix as the City's economic development goals, strategies, and actions.

Another milestone for OED was the creation of the Economic Development Infrastructure Fund (EDIF). In February, the City Council adopted Ordinance No. 3110 to create the EDIF to fund public infrastructure and public facilities and other related activities that implement the City's economic development plans and policies. OED works with the Community Development and Administrative Services departments to track revenue sources that are allocated to the EDIF.

The City sold a remnant parcel of land in the City Center to the Edmonds School District to facilitate development of the CityCenter Apartments and the Hilton Garden Inn. These projects serve to implement the City Center Plan; and the proceeds of that property sale were allocated to the EDIF. At the end of 2015, the EDIF fund balance was nearly \$2 million.



CityCenter Apartments site - Construction began July 2015

## 2. PUBLIC RELATIONS & MARKETING

The recovery from the "Great Recession" has been noticeable in Lynnwood as business and development activity has grown. New development activity in 2015 increased almost 400% over 2014. While competition is strong and Seattle and Bellevue have captured a large share of the office and residential development in the region, Lynnwood's location, affordability, diversity and access have made our community a desirable opportunity.

OED marketing efforts focused on conveying a positive image of Lynnwood through regular distribution of press releases, eNews, and Inside Lynnwood articles. Updates on activity in Lynnwood included topics such as City Center development, Lynnwood Link Light Rail, the opening of new businesses, completion of major projects, and the expansion of economic activity. OED worked closely with the City Communications Manager and other departments on these efforts.



Office of Economic Development webpages

OED took advantage of eNews, publishing 19 newsletters on city development and business growth. Inside Lynnwood was used extensively to announce upcoming development projects and progress on City Center, Highway 99 and Sound Transit activities. A monthly tourism newsletter alerted subscribers to activities in the area and encouraged visitors to come and stay overnight in Lynnwood while taking advantage of local events.

Updates on new business openings were also distributed, including Costco, Chick-fil-A, Metskar Maps, and Silver Platters, to reinforce the diverse nature of businesses in Lynnwood, and Lynnwood as a great place to do business. Stories on road improvements, infrastructure grant awards, and the 204th Street opening conveyed the City's efforts to address traffic and infrastructure needs. Other articles on citizen volunteers, Lynnwood University, the Verdant Wellness Center, and the Lynnwood Convention Center presented a positive image of Lynnwood in the region.

OED continued the use of social media to spread the word about development activities in Lynnwood, as well as keep readers up to date on improvements in permit processing, changes in codes and general economic news about the City.

OED revised the Economic Development and Tourism web sites to be more user friendly. Content was continually evaluated to ensure information important to visitors, residents, and businesses people was provided. This focus has proven successful as metrics of key pages noticeably improved since the changes were implemented.

## 2. PUBLIC RELATIONS & MARKETING (Continued)

### Brand Implementation

A video telling the Lynnwood Brand Story was prepared and released. This 3-minute video is posted on the City's website and is suitable for presentations at community groups, industry meetings, school groups and orientations. The video was also incorporated into City staff email signatures. Additional brand implementation included installation of a brand flag in Council Chambers and brand street signs, and design of brand gateway and way finding signs. OED also placed advertising in local publications and the Lynnwood Business Directory to tell the Brand Story.

#### ***Lynnwood Brand Credo***

*Lynnwood is a city on the move. With its unique location, extensive selection of attributes, superior accessibility and entrepreneurial spirit, Lynnwood is a people focused community emerging as a leading marketplace of business and commerce, and the perfect place to call home. Lynnwood is a place where the experience is rich, the shopping abundant and the people welcoming. A community that has all the things you're looking for. A community with a great deal more.*



Brand Story Video "Lynnwood, Washington - A great deal more"

### Public Engagement

Public engagement is an excellent way to position Lynnwood. OED prepared and made various presentations regarding the activity and projects underway in Lynnwood. This included presenting to: The Lynnwood Chamber; the Washington Dairy Commission; the Korean Community and Counsel General; and Lynnwood University. OED was closely involved with legislative engagement activities, and provided a "virtual" tour of city projects to elected officials who represent Lynnwood at the federal and state level. This effort has supported Lynnwood's efforts to convey our brand message, and obtain support of Lynnwood projects and their funding needs.

#### ***Partnerships & Associations***

*Economic Alliance Snohomish County  
Washington Economic Development Association  
The Lynnwood Chamber  
Edmonds Community College  
Snohomish County Tourism Bureau  
Edmonds School District  
WorkSource Snohomish*

### Business Attraction & Expansion

Businesses are important to the quality of life in Lynnwood, providing jobs and services to our residents, and generating tax revenues that fund city services and infrastructure projects. OED facilitates business development by helping them navigate city development and licensing processes; this effort is a citywide, interdepartmental effort. Effective zoning, ease of permitting, sufficient infrastructure, supportive public policies, quality public amenities and strong public safety are all critical to business attraction and retention.

2015 was a strong year for business development. Lynnwood gained approximately 273 new local businesses, most notably those in the City Center, at Alderwood mall and along Highway 99. Aerospace, a significant industry in Snohomish County, saw growth in the Lynnwood area. Crane Aerospace expanded their Lynnwood facility; General Aerospace announced Lynnwood as the location of their first US facility; and Nova Tech Engineering was recognized as a top engineering firm supporting aerospace worldwide.

Several notable businesses came to Lynnwood. Costco opened their new warehouse, bringing 246 new jobs to the area. Chick-fil-A, Zeek's Pizza and Mod Pizza also opened adding over 150 new jobs. New retailers at Alderwood mall include Coffee Gear, Charming Charlie, The Art of Shaving and Metsker Maps. CarMax continued the design of their new facility on Highway 99, which is expected to break ground in Spring 2016. Negotiations were finalized with the Hilton Garden Inn, which is expected to start construction in the City Center during 2016.



*Zeeks Pizza on 196th St SW opened in July 2015*



*Chick-fil-A on 196th St SW opened in May 2015*

### 3. PROJECT & PROGRAM MANAGEMENT

OED works with various city departments to facilitate economic development projects and a business friendly environment. This can include re-zoning, implementing sub-area plans and infrastructure projects. OED works with developers and land owners to negotiate development agreements, facilitate permit approvals and act as a liaison between the developers and the various city departments. Some of the more significant 2015 projects OED participated in are discussed below.

#### Development & Business Services

The Lynnwood Permit Center was rebranded as Lynnwood Development and Business Services. Development and Business Services (DBS) provides building and business development services to contractors, developers, business people and property owners, and the community at large. Services include project and plan review, inspections, code enforcement, business support services, and project facilitation. DBS includes the city functions of Community Development, Fire Prevention, Public Works Development Services and Economic Development which are co-located in a single office.

As part of this rebranding effort, there is a renewed commitment to customer service. To that end, OED coordinated the design of the DBS webpages, updated webpage content, revised on-line applications and forms, and implemented a customer satisfaction survey. These activities reflect a commitment for continuous improvement by all DBS functions.

***Several significant projects for the City progressed through the collaborative convening of multiple City departments.***

- Lynnwood Place / Costco*
- Future 42nd Ave W Planning & Design*
- 196th St SW Improvements Design & Legislative Engagement*
- Sound Transit Lynnwood Link Light Rail Alignment & Station Design*
- CityCenter Apartments*
- City Center Senior Living Apartments*
- Chick-fil-A*
- Strategic Capital Budgeting*
- Economic Development Plan & Implementation Matrix*
- Community Outreach*
- Development & Business Services*
- SHRP2 Grant for Lynnwood Link Station & Multimodal Connectivity*
- Funding of the Economic Development Infrastructure Fund*



*City Center Senior Living Apartments site  
Construction began July 2015*

#### City Center

Implementation of City Center continued. A study of strategies to further implement City Center was initiated with consultant Jones Lang LaSalle. These strategies will provide a framework for marketing, incentives, and potential funding sources for new City Center development, while examining current and future market constraints and opportunities. This project was delayed pending recruitment of the City Center Program Manager, which occurred in November 2015.

There was exciting new construction occurring in the City Center in 2015. Two housing developments were permitted and construction began, which will result in 655 new units. The City Center Senior Living Apartments is seven floors with 308 units, and the CityCenter Apartments is also seven floors with 347 units. These housing projects represent needed housing options for growing senior and affordable workforce/family-wage populations.



## Lynnwood Place

Lynnwood Place has been a highly successful addition to the community. Two important events associated with Lynnwood Place Phase 1 occurred in 2015:

1. In July, the 33rd Ave W extension was completed. This arterial successfully functioned as designed by disbursing traffic around Lynnwood Place, and the vicinity of Alderwood mall.
2. In October, the Costco Warehouse and fuel station opened, which completed Phase I of Lynnwood Place.

The Lynnwood Place project furthers the community's vision to encourage economic development by providing jobs, strengthening the city's retail prominence, and generating revenues to meet the needs of our community residents. OED served as a facilitator to prepare project related agreements for Council approval, and facilitated the successful completion of various project matters.



33rd Ave W extension at Lynnwood Place



Costco at Lynnwood Place opened in October 2015

## 4. TOURISM MANAGEMENT

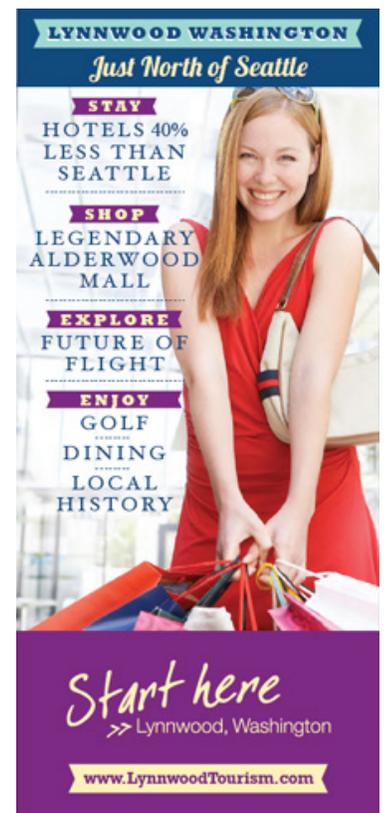
The Office of Economic Development manages the tourism development function for the City. This involves identifying key market segments, marketing to those segments and staying abreast of industry issues and trends. 2015 was a banner year for Lynnwood Tourism. The 150 room Homewood Suites opened in December 2014, bringing more inventory to the City for the first time in over 5 years. This project, along with several new hotels opening throughout the county, and many Lynnwood rooms being "off-line" for renovations, resulted in a 5% drop in occupancy rate in 2015 compared to 2014. Although occupancy was down, revenues were up significantly. Lodging tax revenues reached an all time high of \$835,605, an 18% increase over 2014, due to increasing room rates.

The tourism office updated and digitalized all City tourism collateral material, adding a City Center dining guide. Most of the print and on-line advertising was revamped and updated to a new look and feel; still carrying the message of quality lodging at affordable prices and promoting Lynnwood's central location as a perfect home base for a Seattle area vacation. Staff attended two national trade shows, National Tour Association and the Go West Summit, representing Lynnwood to tour operators and travel planners. We also made sales calls to tour operators in Vancouver BC. The Lynnwood Tourism Facebook account was successfully promoted, resulting in a 740% increase in likes, from 155 to 1,147. The tourism Instagram account was also launched in 2015. Website content revisions and new optimization strategies resulted in an increase of visitors to the web site, in pages viewed and time spent on the site. There were over 52,000 sessions (visits) on [lynnwoodtourism.com](http://lynnwoodtourism.com) and over 135,000 page views. A booking engine allowing site visitors to search for and book a hotel room directly on the website was introduced.



Homewood Suites by Hilton opened December 2014

Staff maintained a presence with the local tourism industry by serving on the Snohomish County Marketing Committee, as Treasurer on the Snohomish County Sports Commission Board, as a member of the Snohomish County Tourism Promotion Area Board and an active member of the Snohomish County Lodging Association. OED also serves as the City liaison to the Lynnwood Public Facilities District.



Lynnwood Visitor's Brochure available at [LynnwoodTourism.com](http://LynnwoodTourism.com)

# 2015 Economic Metrics Report

The Office of Economic Development monitors metrics to gauge Lynnwood's economic strength and relative position in the market. Key metrics include unemployment, commercial vacancy and lease rates, building permits, property valuation, tax revenues and lodging metrics. Comparisons are made between the current year and the previous years to ascertain trends and to help evaluate the success of Economic Development programs initiated during the year.

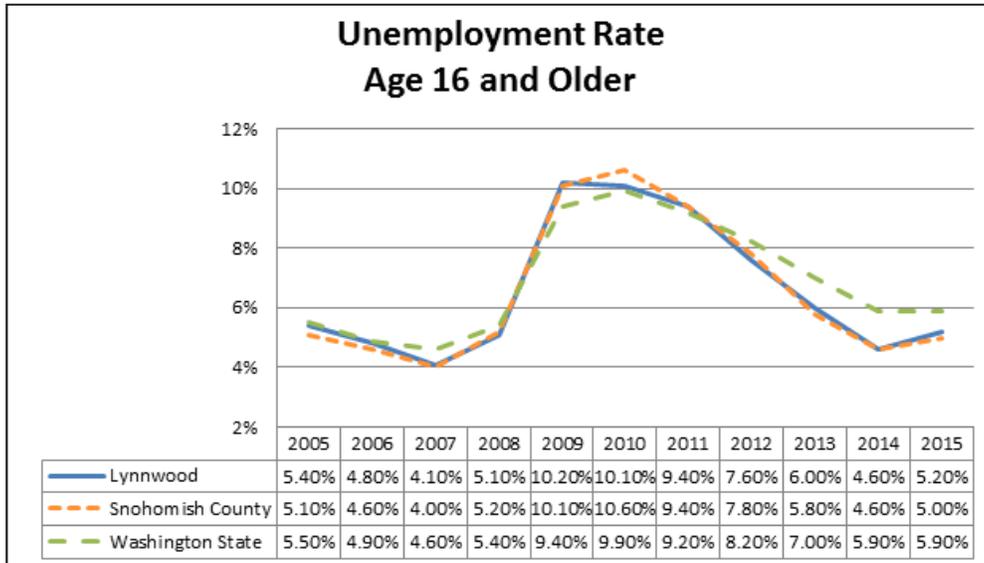
## 2015 Highlights

- The average Lynnwood unemployment rate was 5.2%, below the state rate of 5.9%.
- Key employment sectors in Lynnwood remain Retail, Services and Education
- Per the Snohomish County Assessor's office, the average residential value of a home in Lynnwood was \$248,800 an increase of 13% compared to 2014.
- Commercial vacancy rates decreased compared to 2014. In December 2015, Class A commercial vacancy rate was 15.0% down from 22.4% in December 2014. Class B was 10.4%, down from 13.7% and Class C was 10.7%, basically unchanged from 10.5% in 2014. Retail space vacancy rate was 3.7%, down from 4.5%.
- A typical Class A office space leased for \$26.12, a Class B space for \$22.76 and a Class C for \$18.46. Retail space rented for an average of \$17.54 per square foot. All rates were above or equal to 2014.
- 3,002 permits were issued with a construction valuation of over \$202 million, an increase of almost 400% in valuation compared to 2014.
- Lynnwood retail sales tax distribution was \$19.72 million. Retail Trade and Accommodations and Food Service were the highest sales tax generating sectors.
- The average daily rate for a Lynnwood hotel was up 6% compared to 2014; the occupancy rate was down 6% and the Revenue per Available room was unchanged.
- In 2015, Lynnwood received a distribution of \$835,605, an increase of \$126,000 compared to 2014.

2015 At A Glance	
Employment Rate	94.8%
Commercial Vacancy/Lease Rate	
Class A	15.0% / \$26.12
Class B	10.4% / \$22.76
Class C	10.7% / \$18.46
Retail	3.7% / \$17.54
Revenues	
Retail Sales Tax	\$19.72 million
Property Tax	\$8.76 million
Utility Tax	\$5.68 million
Lodging Tax	\$835,605
Median Home Value	\$248,800
Building Permits Issued	3,002
Permit Valuation	\$202.7 million

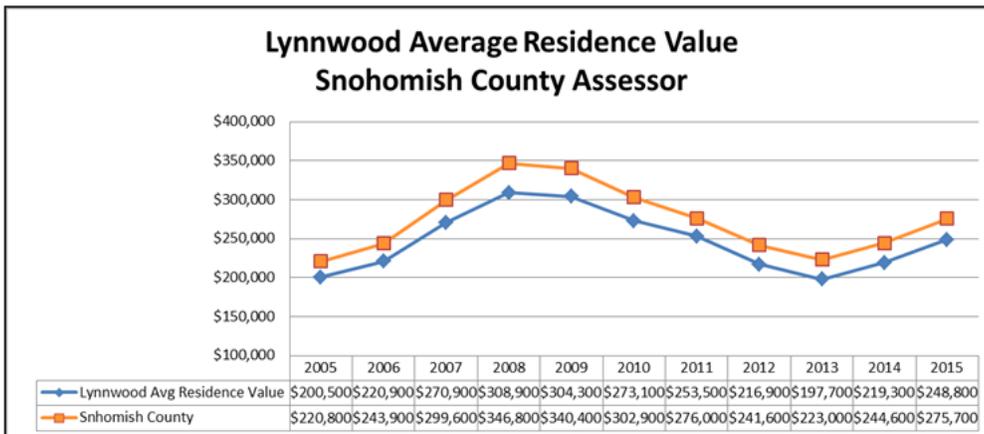
## EMPLOYMENT

Unemployment rate is an indicator of the health of the local economy. Lower unemployment results in higher tax collections and potential business growth. As the chart below indicates, Lynnwood's unemployment rate is on par with the County, and below the State. Over the past 10 years, the unemployment rate in Lynnwood has been as low as 4.1% (2007) and as high as 10.2% (2009). The average unemployment rate for 2015 was 5.2%, below the State rate of 5.9% and on par with the County rate of 5.0%. Compared to 2014, unemployment has increased 0.6 percentage points.



## HOUSING

The average home value, according to the Snohomish County Assessor's office, has been steadily increasing since 2013. The average value of a Lynnwood residence increased over 13% between 2014 and 2015. The average residential value of a home in Lynnwood was \$248,800 in 2015, about \$27,000 below the county average.



## COMMERCIAL VACANCY RATES

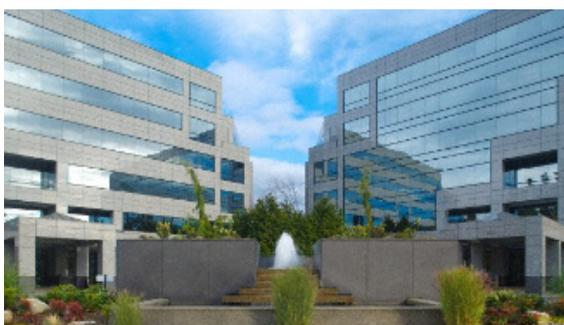
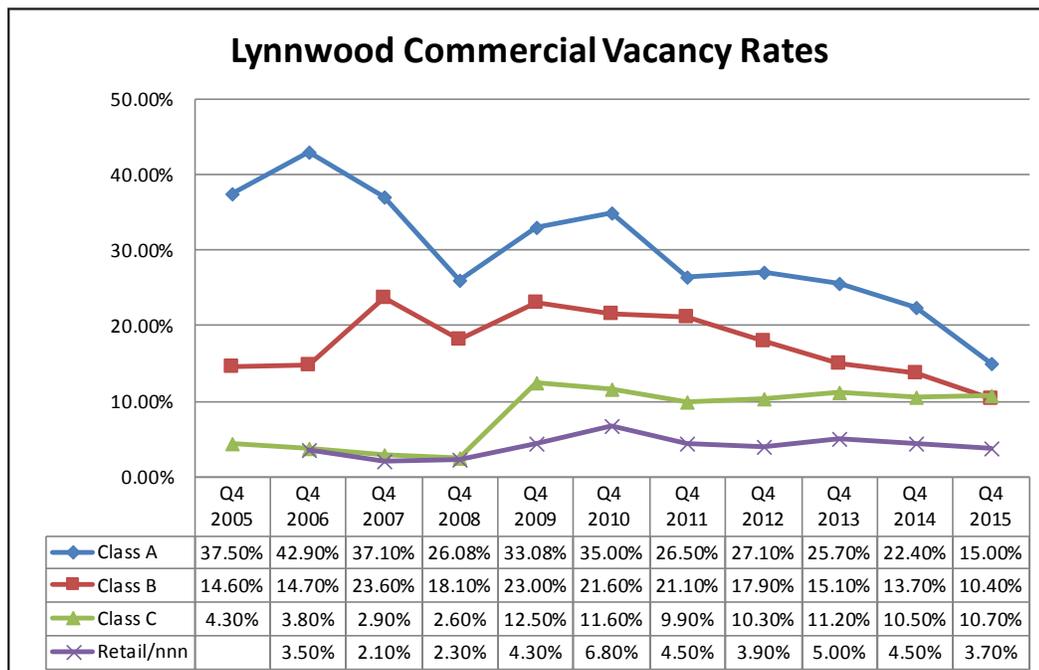
Commercial vacancy rates help forecast new development, job growth and the desirability of doing business in Lynnwood. Office buildings are classified as Class A, B or C, depending on the quality of the structure and available amenities. Vacancy rates in all building types have been trending downward for the past several years, with the most dramatic decreases seen in Class A space.

For the past 10 years, Lynnwood has had a total of 5 Class A buildings representing approximately 560,000 square feet of space. In 2006, the Class A vacancy rate was 43%, the highest vacancy rate in the past 10 years. Since that time, vacancy rates have been gradually declining, and were at 15% in December 2015, a drop of 7.4 percentage points from December 2014. This is the lowest Class A vacancy rate Lynnwood has experienced in the past 10 years.

In 2003, there were 62 Class B office buildings in Lynnwood. There are currently 1,691,421 square feet of Class B space in 81 buildings. Vacancy rates have been gradually declining since 2009 as demand for Class B office space in Lynnwood continued to increase. At the end of 2015, Class B buildings had a vacancy rate of 10.4%. This is the lowest Class B vacancy rate in the past 10 years and is 24% below vacancy rates in 2014.

Lynnwood has 536,610 square feet of Class C space in 103 buildings. These spaces are the least expensive and draw the lowest rental rents. Over the past 10 years, the lowest Class C vacancy rate, achieved in 2008, was 2.6%. In 2009, vacancy spiked to 12.5%. Q4 2015 Class C vacancy rate was 10.7%, on-par with Q4 2014.

As a retail hub, it is not surprising that the largest number of commercial buildings in Lynnwood are classified “retail”. There are currently 415 retail buildings representing over 8 million square feet of space. Over the past 7 years, the lowest retail vacancy rate in Lynnwood was 2.1%, achieved in 2007; the highest was 6.8% in 2010. The Q4 2015 vacancy rate was 3.7%, down 0.8 percentage points compared to 2014.



## COMMERCIAL LEASE RATES

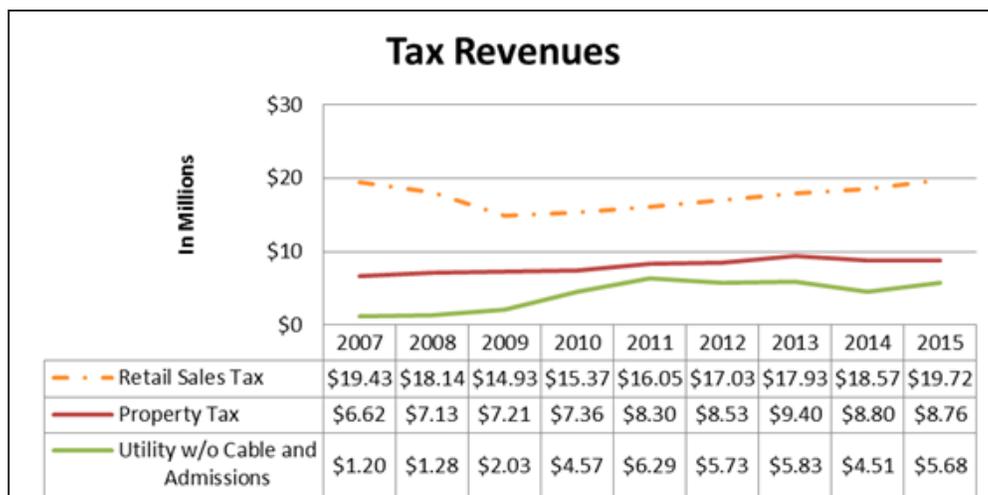
Rental rates in Lynnwood in 2015 increased for all categories of office spaces, but decreased for Retail. Since 2005, Class A lease rates have ranged from a high of \$26.31 in 2013 to a low of \$24.22 in 2009. At the end of 2015, the average lease rate for Class A office space in Lynnwood was \$26.12, on par with the high in 2013. It is possible the decrease in lease rates contributed to the decrease in vacancy rates across the Class A space. Lease rates for Class B space have been increasing steadily since 2011 and at the end of 2015 were \$22.76/sf. This represents a small increase over 2014, (39 cents) and is the highest the lease rate for Class B space has been since 2008. Class C space was available for an average of \$18.46 at the end of 2015, up 10 cents/sf from Q4 2014. Retail space lease rates at the end of 2015 were \$17.54/sf, a decrease of 17 cents compared to Q4 2014.



## TAX REVENUES

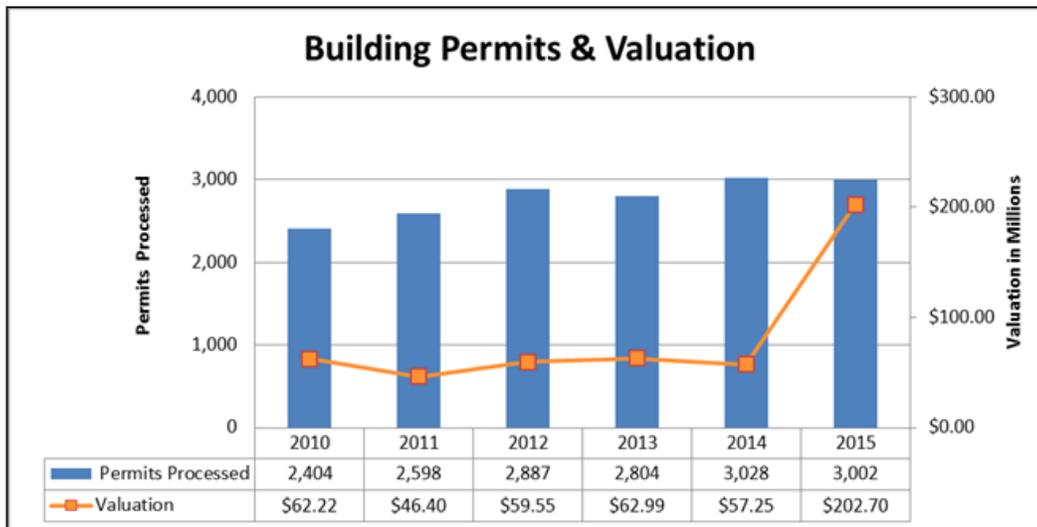
The chart below tracks annual Retail, Property and Utility Taxes distributed to Lynnwood 2007 to 2015. Sales Tax revenues, in particular, are an indicator of a prosperous economy. As the previous charts indicate, steady job growth, indicators of upcoming development and increasing demand for commercial space suggest retail sales should continue to grow. Sales Tax Revenues are higher than 10 years ago (\$14,493,326) and have steadily increased since 2010, surpassing the levels of the boom years of 2007-2008 levels; Retail Trade, Accommodations/Food Service and Construction are the top sales tax generating industries in Lynnwood.

Property Tax collections are on par with 2014, at \$8.76 million. Utility taxes increased by 4% compared to 2014 to \$5.68 million.



## BUILDING ACTIVITY

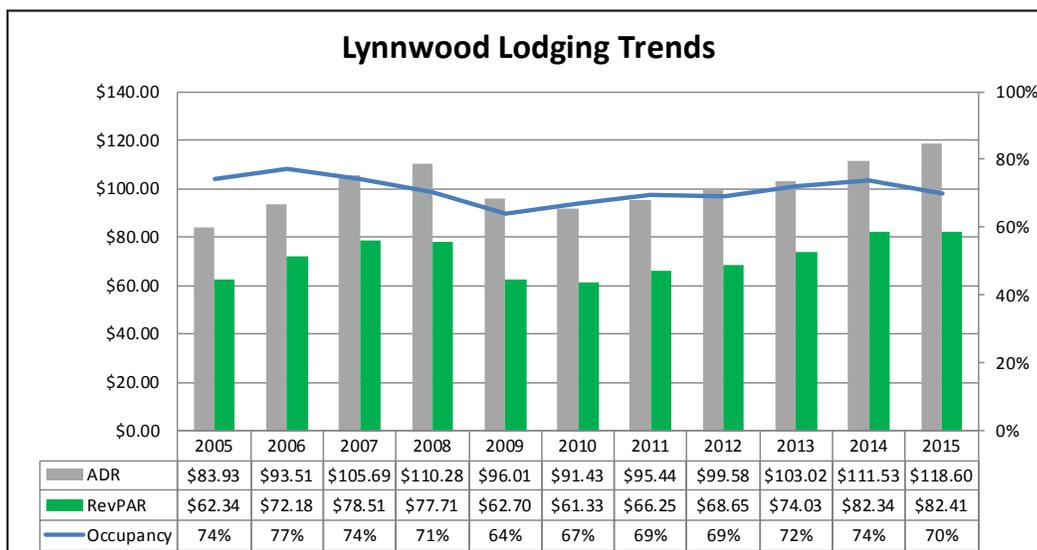
The number of building permits issued in a given year reflects the activities of the development community, future tax revenues and potential jobs. In 2015, 3,002 building permits were issued with a valuation of \$202.7 million. The number of permits issued in 2015 was less than 1% below 2014, however, the valuation was up almost 400%.



## LODGING TRENDS

Lynnwood's Tourism Program is managed by the Office of Economic Development. Tourism impacts the economic vitality of the City through visitor spending on lodging, food, entertainment, shopping and transportation. Tourism creates jobs and a demand for supplies and services. In 2015, tourism created an estimated 10,750 jobs in the County, \$273.9 million in payroll and \$21.1 million in local taxes. The 2015 Visitor Impact Report, published by Dean Runyan and Associates, states a typical overnight visitor in Snohomish County staying in commercial lodging spent \$171 per day and \$360 per trip.

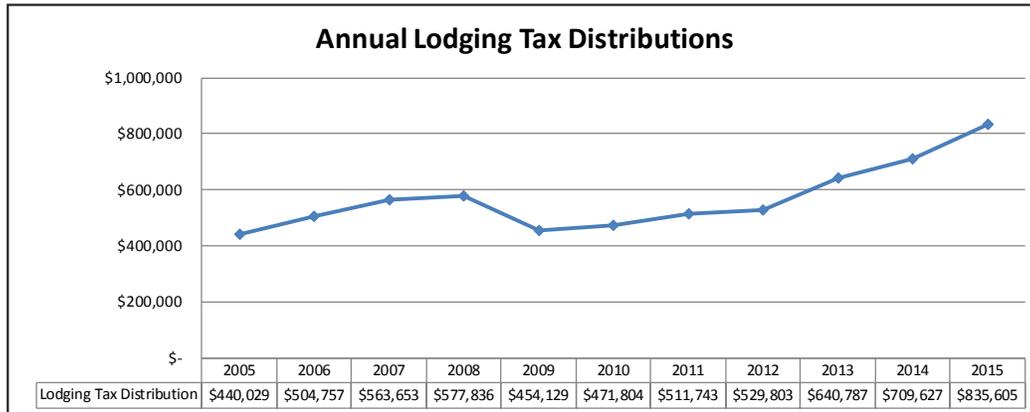
The chart above details the Lynnwood lodging trends since 2005. Occupancy peaked in 2006, declined between 2007 and 2009 and has not declined since. In 2015, the average daily rate for a Lynnwood hotel was \$118.60, the highest rate ever and about \$17.26 per night higher than elsewhere in Snohomish County (\$101.34). Both average daily rate (ADR) and RevPAR have been increasing as well. As with commercial vacancy rates, the occupancy and room rates in Seattle impact the Lynnwood market. As rates increase in Seattle, visitors look for a near-by more affordable alternatives.



Source: STR, Inc. Reproduction or other re-use of this data without the express written permission of STR is strictly prohibited

## LODGING TAX

In 2015, Lynnwood received a distribution of \$835,605 in lodging tax revenue. This is an 18% increase over 2014. This marks the 5th consecutive year lodging tax revenues have increased.



## DATA SOURCES

Unemployment Rate:	Bureau of Labor and Statistics
Median House Value:	US Census, American Fact Finder, Snohomish County Assessor
Commercial Vacancy:	CoStar
Commercial Lease Rates:	CoStar
Sales Tax:	WA State Department of Revenue
Sales Tax by Sector:	City of Lynnwood
Property Tax:	City of Lynnwood
Utility Tax:	City of Lynnwood
Building Permits:	City of Lynnwood
Permit Valuation:	City of Lynnwood
Permit Fees:	City of Lynnwood



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