



ECONOMIC PROFILE

and
Strategic
Opportunities Report

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Community Attributes Inc.

LYNNWOOD
WASHINGTON



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EXECUTIVE SUMMARY

BACKGROUND & PURPOSE

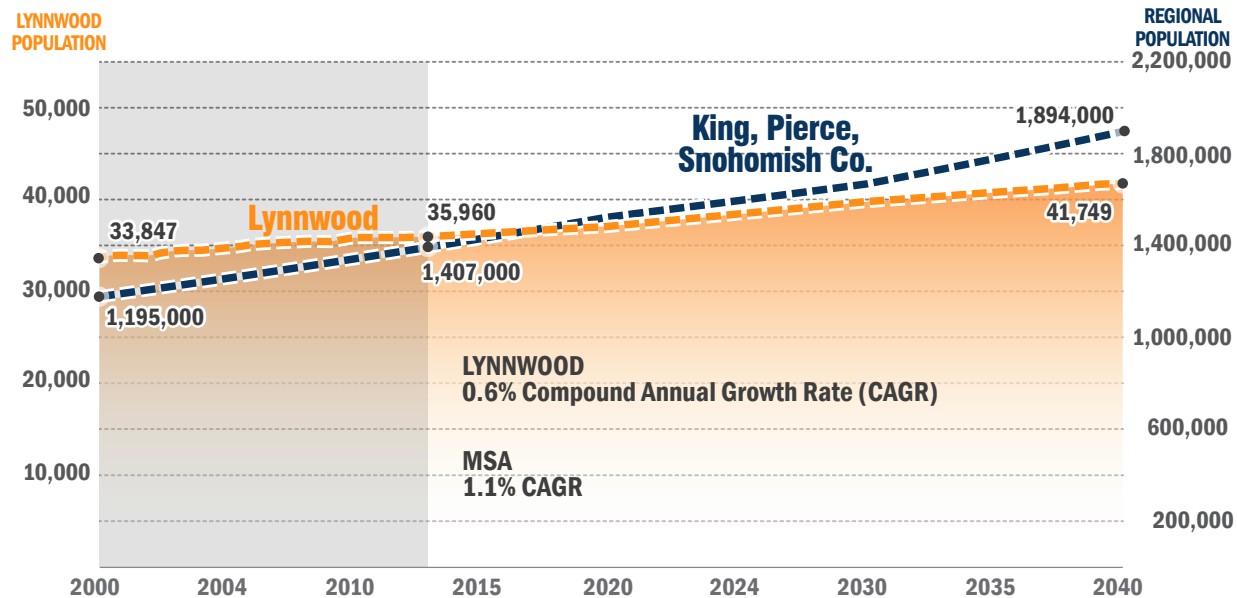
This 2014 Lynnwood Economic Profile and Strategic Opportunities Report presents an analysis of Lynnwood’s demographic trends, its local economy and its relationship to the regional economy. The report is an update to a 2004 Economic Profile and is intended to help residents, policymakers and other stakeholders understand the trends and opportunities associated with Lynnwood’s economic position relative to other cities in the region. This analysis provides decision makers with perspective and context for policy, programmatic and regulatory decisions toward achieving Lynnwood’s vision. The information in this report will be used to inform the City’s update of the Lynnwood Economic Development Action Plan.

POPULATION & DENSITY

Since its incorporation in 1959, Lynnwood has grown from a city of 6,000 in an area of three square miles to nearly 36,000 people in more than 7 square miles. Edmonds and Mountlake Terrace lie adjacent to the west and south; Lynnwood’s *Municipal Urban Growth Area (MUGA)* is to the north and east. Growth in land area has historically been tied to annexations.

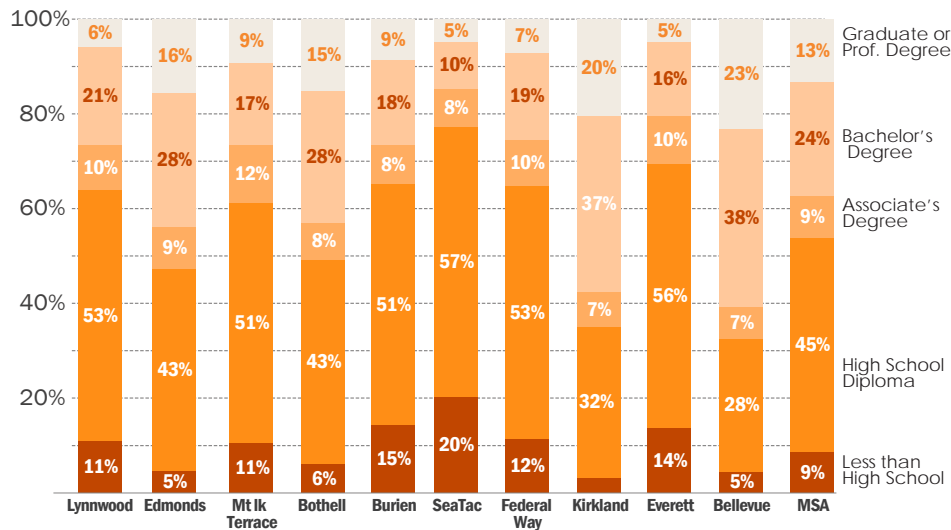
Growth in land area and population have both slowed in recent decades and **Exhibit E1** indicates that population projections for Lynnwood show slower growth than the region as a whole. At the same time, parts of Lynnwood’s Municipal Urban Growth Area are projected to grow rapidly. Lynnwood’s housing density is moderate when compared to the region. Single family neighborhoods are typical with multifamily housing clustered east of Highway 99.

Exhibit E1. Observed & Projected Growth in Population, Lynnwood & Seattle-Tacoma-Bellevue MSA, 2000-2040



Source: Puget Sound Regional Council (2013); Community Attributes Inc. (2014)

Exhibit E2. Educational Attainment, Lynnwood & Comparison Cities, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

AGE & EDUCATION

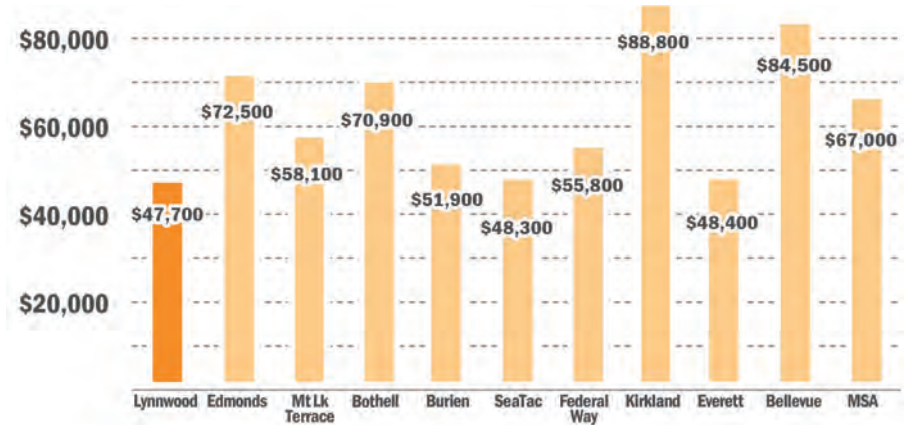
Lynnwood's population is aging; residents aged 55+ account for a larger percent of all residents now than in 2004. Since 2004, the 55+ age segment has grown by 23%. Compared with other areas in the region, Lynnwood has the third highest percentage of total population comprised of those aged 55 and over (behind Edmonds and Bellevue).

Fewer of Lynnwood's residents (27%) have a bachelor's degree or higher when compared with Edmonds or Bothell (40%-50%). However, the share of Lynnwood residents who hold a bachelor's degree or higher grew 21% from 2000, an increase that outpaces the 13% growth rate in the greater MSA. **Exhibit E2** illustrates educational attainment levels for Lynnwood and selected comparison cities.

INCOME & DIVERSITY

Lynnwood is ethnically and racially diverse, with growing Hispanic and Asian populations. Between 2000 and 2011 Lynnwood's non-white population increased 29%. Currently more than one-third of the

Exhibit E3 Median Household Income Lynnwood & Comparison Cities, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

total population is non-white. Residents identifying as Asian compose the largest non-white racial category at 18% of the population. Overall, 27% of Lynnwood's residents are foreign-born. Nearly half come from Asia, and almost one-third come from the Americas (predominantly from Mexico). Thirty-three percent of residents speak a language other than English at home, and Spanish accounts for the largest portion of non-English languages spoken.

Lynnwood's Median Household Income of \$47,700 is lower than comparison cities [**Exhibit E3**]. Median income is less than 80% of the Area Median Income for the Seattle-Bellevue Fair Market Rent Area, which the U.S. Department of Housing and Urban Development uses to determine eligibility for subsidized housing.

WORKFORCE

Lynnwood's workforce lives throughout the region; no single jurisdiction in the region houses more than 9% of Lynnwood's workers. Lynnwood residents tend to work in large, concentrated employment centers on the east and west sides of Lake Washington, predominantly north of Interstate 90. Economic development strategies should balance the needs of a workforce that commutes to the City from places across the region, as well as the needs of residents who commute to regional employment centers.

EMPLOYMENT & WAGES

Lynnwood is one of the larger job centers in Snohomish County, and the City is likely to grow in stature as a regional employment center in the future. Jobs in Lynnwood are concentrated in Retail as well as the fast-growing Services sector. Overall, Lynnwood's employment is poised to grow much faster than its housing stock.

Lynnwood is a net job importer with a Jobs-to-Housing ratio of 1.7, and is a significantly larger employment center than neighboring cities of Edmonds and Mountlake Terrace. More Retail jobs are located in Lynnwood than in any other jurisdiction within Snohomish County. The Retail sector accounts for 28% of total employment in Lynnwood. However, average annual retail wages are low at less than \$29,000 a year.

Service sector jobs account for the largest portion (45%) of Lynnwood's employment, with annual average wages of \$38,000.

The *Finance, Insurance and Real Estate (FIRE)* sector, which pays much higher wages than either Services or Retail (an average of over \$60,000 annually), has lost about 500 jobs in Lynnwood since 2004. Currently FIRE accounts for 6% of the jobs in Lynnwood.

FISCAL IMPACTS

Lynnwood is a regional leader in taxable retail sales per capita, averaging nearly \$55,000 per capita in 2012. Sales tax revenues account for more than 30% of the City's budget, making it the largest single source of revenue for the City. The 2008 recession, combined with a change in the way sales tax is collected in the State of Washington, initiated a decline in Lynnwood's taxable retail sales. Overall taxable retail sales have fallen by 5% since 2002.

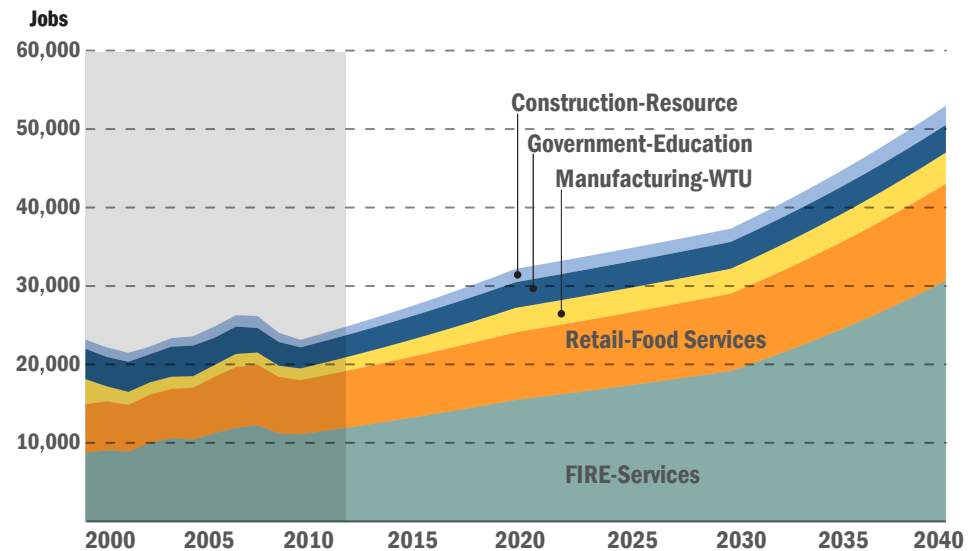
RETAIL TRADE ANALYSIS

Trade capture analysis shows how local retailers attract customers. Trade capture in Lynnwood is highest in stores that sell clothing and clothing accessories, with nearly 100% of household spending on these items by residents who live within eight miles of City Center. Lower trade capture in performing arts and spectator sports, food services and drinking establishments, and hospitality, suggest opportunities to grow the City's entertainment offerings.

FORECASTS & TRENDS

The 2008 recession had an impact on all regional and local economies. Lynnwood, however, has remained a significant job center for Snohomish County and the central Puget Sound region, and employment is returning to pre-recession levels. Employment forecasts indicate that between 2012 and 2040 total employment in Lynnwood will grow by 2.9% annually, adding more than 29,000 additional jobs in the City [Exhibit E4]. The FIRE-Services sector is expected to add the most jobs and to experience the fastest growth, a Compound Annual Growth Rate (CAGR) of 3.6%. Most of this growth is expected to occur in the eastern portion of Lynnwood, in and around the Regional Growth Center and City Center.

Exhibit E4. Observed & Projected Growth in Employment by Major Industry Sector, Lynnwood, 2000-2040

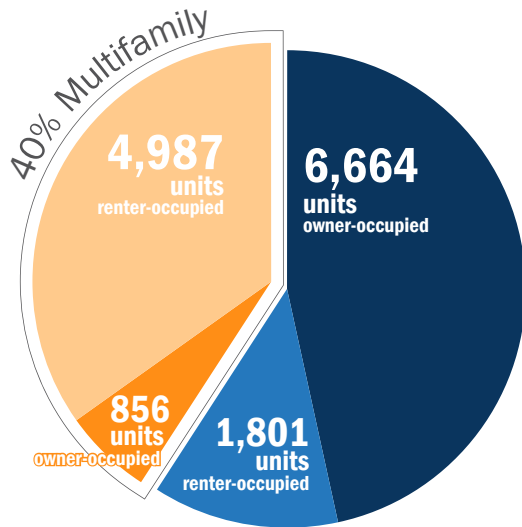


Source: Puget Sound Regional Council (2013); Community Attributes Inc. (2014)

HOUSING

Lynnwood had 15,235 housing units in 2012. Multifamily units accounted for more than 40% of all housing in Lynnwood [Exhibit E5], higher than in Bothell, Edmonds, and Mountlake Terrace. However, single-family units compose the majority at 60%. Overall, 94% of Lynnwood housing units are occupied. Multifamily housing is increasingly desirable to both younger and older Americans as they prefer flexibility in living arrangements and accessibility to transit.

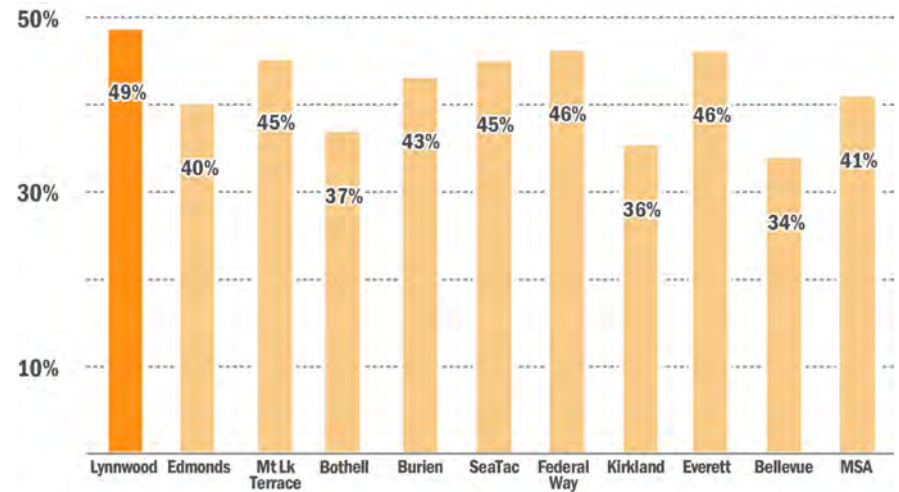
Exhibit E5. Occupied Housing Units by Tenure & Type, Lynnwood, 2012



Source: U.S. Census Bureau ACS (2008-2012); Community Attributes Inc. (2014)

Housing affordability is a concern for Lynnwood. Lynnwood has the highest share of residents spending more than 30% of their gross income on housing (an affordability guideline set by HUD) of any comparison city studied [Exhibit E6].

Exhibit E6. Percent of Residents Spending More than 30% of Gross Income on Housing, Lynnwood & Comparison Cities, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

TRANSPORTATION

25% of Lynnwood residents commute via a mode other than driving alone; 15% of these walk, bike or carpool while 10% take public transportation - more than in any other comparison city but SeaTac. The share of those using public transit to commute to work could increase with the completion of light rail, scheduled to open in 2023.

MARKET ANALYSIS

After slowing during the recent recession, real estate developers in Puget Sound are once again actively developing new projects and Lynnwood is capturing a share of those projects. Over 2,200 housing units are currently in the pipeline for the City and its *Municipal Urban Growth Area (MUGA)*, with the majority of the development occurring within the MUGA (rather than inside City limits).

City Center is intended to anchor new commercial and residential development. While the market for retail development is stronger in Lynnwood than in Snohomish County as a whole, the market for office development suffers from higher vacancy rates. However, these office vacancy rates are declining, suggesting opportunities for growth in the office market.

STRATEGIC OPPORTUNITIES

The analysis in this report suggests several strategic themes to consider as part of the economic strategy development. These include:

- ▶ **Accommodating forecasted growth**
- ▶ **Harnessing the power of a diverse community**
- ▶ **Focusing on housing and amenities that attract new workers and residents**
- ▶ **Identifying opportunities to grow mixed use centers**
- ▶ **Determining ways to diversify the City's economic base**
- ▶ **Enhancing future retail development with amenities**
- ▶ **Capitalizing on investments in infrastructure**

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1 INTRODUCTION

INTRODUCTION

BACKGROUND & PURPOSE

In 2004, Lynnwood commissioned an Economic Development Action Plan with strategies and actions to guide the economic growth of Lynnwood from 2005-2010. This two-phase effort began with an Economic Profile and Key Issues Report that identified and analyzed Lynnwood's socioeconomic and demographic characteristics. This report culminated in Strategic Themes for Lynnwood, including:

- > **Celebrating a Diverse Population**
- > **Maintaining the City's Retail Prominence**
- > **Diversifying the Local Economy**
- > **Fostering Entrepreneurship**
- > **Enhancing Neighborhoods**
- > **Developing Amenities That Support A High Quality of Life**

Many recommendations from the 2004 Action Plan have been successfully implemented.

The City has taken significant steps toward implementation of the City Center plan, including ongoing market analysis, project prioritization, and implementation of a Planned Action Ordinance and development incentives. The proposed development of 308 apartment units by the Senior Housing Assistance Group is the first new mixed-use housing project within the City Center zone. This development project is the first in the City Center to utilize the tax abatement program recommended in the 2004 Action Plan.

The City has also facilitated redevelopment at a large site on Highway 99 (Lynnwood Crossroads) and is in the planning stages of a project at the former site of Lynnwood High School (Lynnwood Place). The planned light rail station near Interstate 5 in the City Center will follow soon.

Lynnwood has enhanced the City's branding and image and redesigned its logo, incorporating these updates into the City's website and promotional materials.

Since the 2004 Profile and Action Plan, Lynnwood's demographic composition and economic drivers have evolved. Lynnwood in 2014 is more ethnically diverse, with a growing Hispanic population. Lynnwood's population is also aging, and residents aged 55+ account for a larger percent of all residents now than in 2000. These and other demographic changes are occurring as overall population growth is slowing.

The City remains a job center and a major retail shopping destination for the region. Forecasts call for more robust job growth over the next 25 years than in most cities in the region, across a number of sectors.



Lynnwood's convention center represents a proactive approach to economic development and anchors the City Center.

Lynnwood retains its retail prominence, although the reliance on taxable retail sales has been tested due to the combined effects of Washington's Streamlined Sales Tax provisions, enacted in 2008, and the Great Recession.

This update of Lynnwood's 2004 Economic Profile will help residents, policymakers and other stakeholders understand the trends and opportunities associated with Lynnwood's economic position relative to other cities in the region. This report distills key information about the people who live in Lynnwood and the City's economy, providing decision makers with perspective and context for sound policy, programmatic and regulatory decisions toward achieving Lynnwood's vision.

COMPARISON CITIES

Throughout this report, several comparison cities are used to provide context for demographic and economic data.

Neighbor cities include **Edmonds, Mountlake Terrace and Bothell**. These cities are geographically proximate but tend to be smaller, wealthier bedroom communities.

Comparable cities are diverse medium-sized suburbs including **Burien, SeaTac and Federal Way**. These cities were selected for their similar characteristics regarding population, median income and employment.

Larger reference cities include **Everett, Kirkland and Bellevue**. They offer examples of larger cities for Lynnwood to glean an understanding of possible growth scenarios.

In addition, data presented for the Seattle-Tacoma-Bellevue *Metropolitan Statistical Area (MSA)*, representing King, Pierce and Snohomish Counties, provide regional context.

ORGANIZATION OF REPORT

This **Economic Profile** provides the City of Lynnwood and its stakeholders with a common understanding of economic trends and opportunities, to inform the City's forthcoming update to its Economic Development Action Plan. The analyses in this document are divided into four major sections:

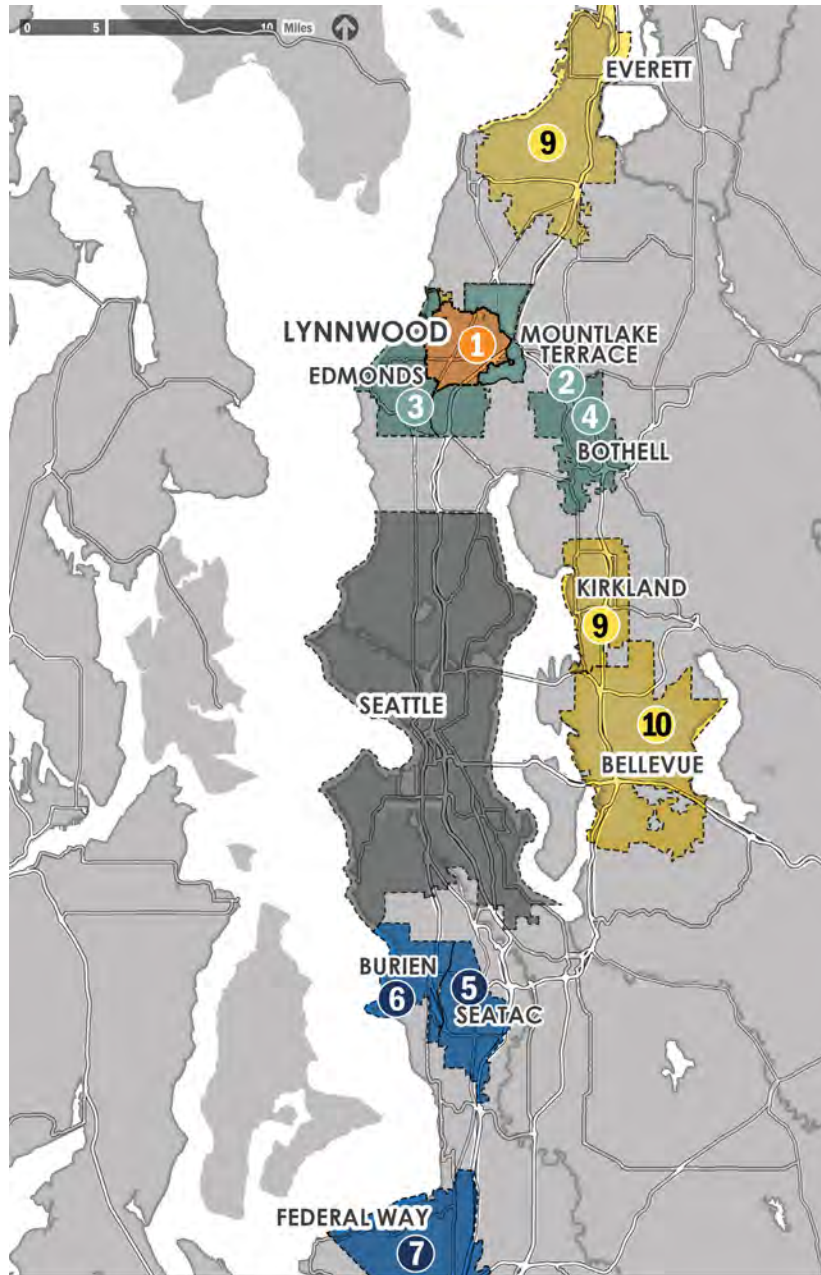
Lynnwood's Population in 2014 contains data and analytics related to the people that live in Lynnwood—who they are, where they come from and how the population is changing, as well as information related to race, ethnicity, educational attainment and income.

Lynnwood's Economy in 2014 is focused on Lynnwood's economy, providing analysis of key industries, wages, commute patterns for workers and residents and job forecasts. This section contains data related to taxable retail sales and the impact of sales taxes on the City's overall fiscal health.

The **Lynnwood Land Use and Real Estate** section of the report discusses issues and trends in land use planning and urban design, paying particular attention to important districts and corridors in the City, such as the Regional Growth Center, City Center and Highway 99. This section presents data related to the real estate market and the development climate within Lynnwood.

The **Strategic Themes** section distills the key opportunities and challenges for Lynnwood that arise from the data and analytics at the heart of this Profile. The themes identified in this section will provide a starting point for a revised Economic Development Action Plan.

Exhibit 1. Lynnwood & Comparison Cities



LYNNWOOD



1 Lynnwood

NEIGHBORS



2 Mt Lk Terrace
3 Edmonds
4 Bothell

LARGER



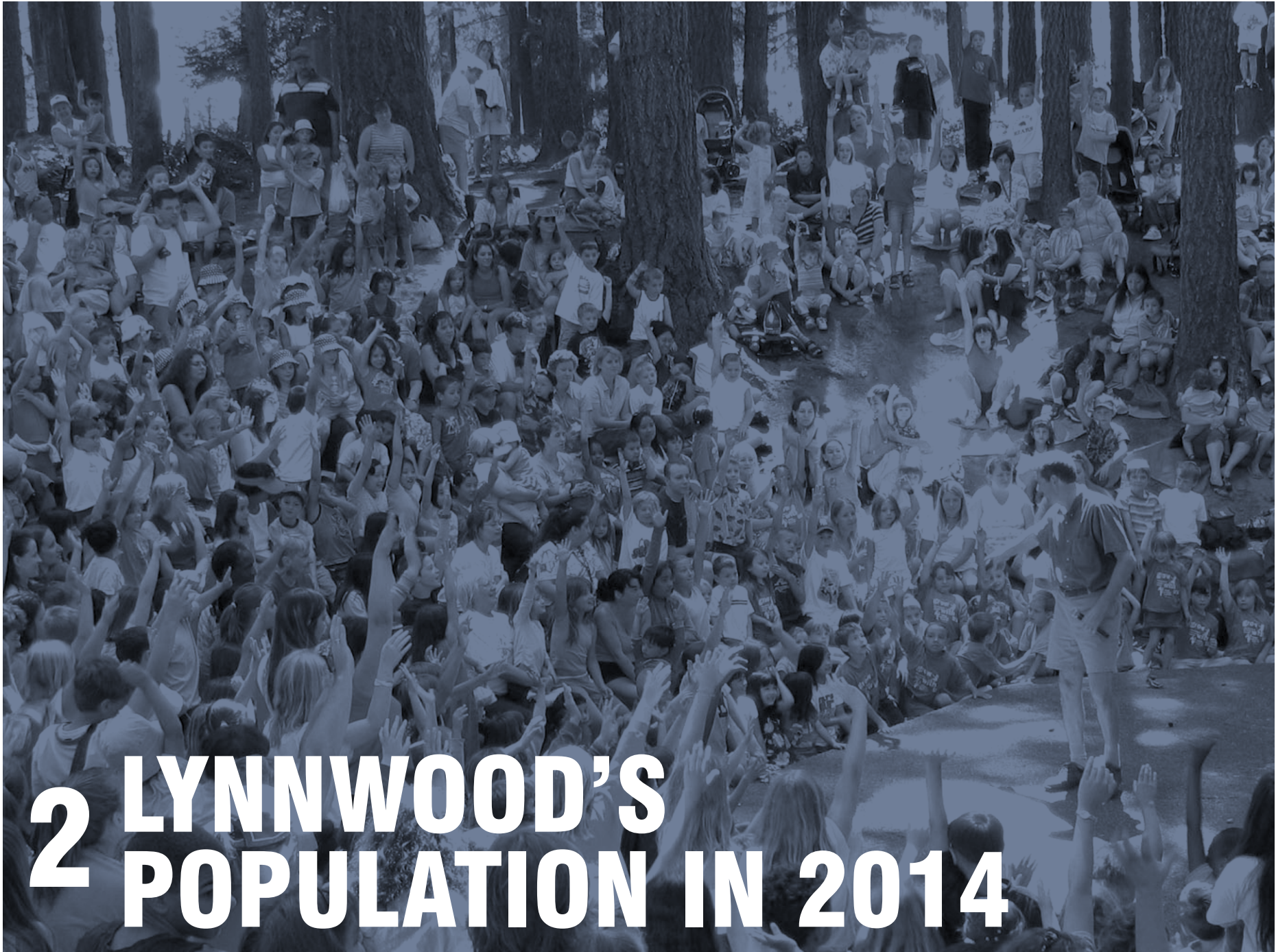
5 SeaTac
6 Burien
7 Federal Way

COMPARABLE



8 Everett
9 Kirkland
10 Bellevue

Source: WA Office of Financial Management (2013); Community Attributes Inc. (2014)



2 LYNNWOOD'S POPULATION IN 2014

LYNNWOOD'S POPULATION IN 2014

POPULATION

The City of Lynnwood was incorporated in 1959 with three square miles of land area and a population of 6,000 people. Prior to incorporation, the area that would become Lynnwood was used for logging, agricultural production and freight, developing into a bedroom community for Seattle and Everett.

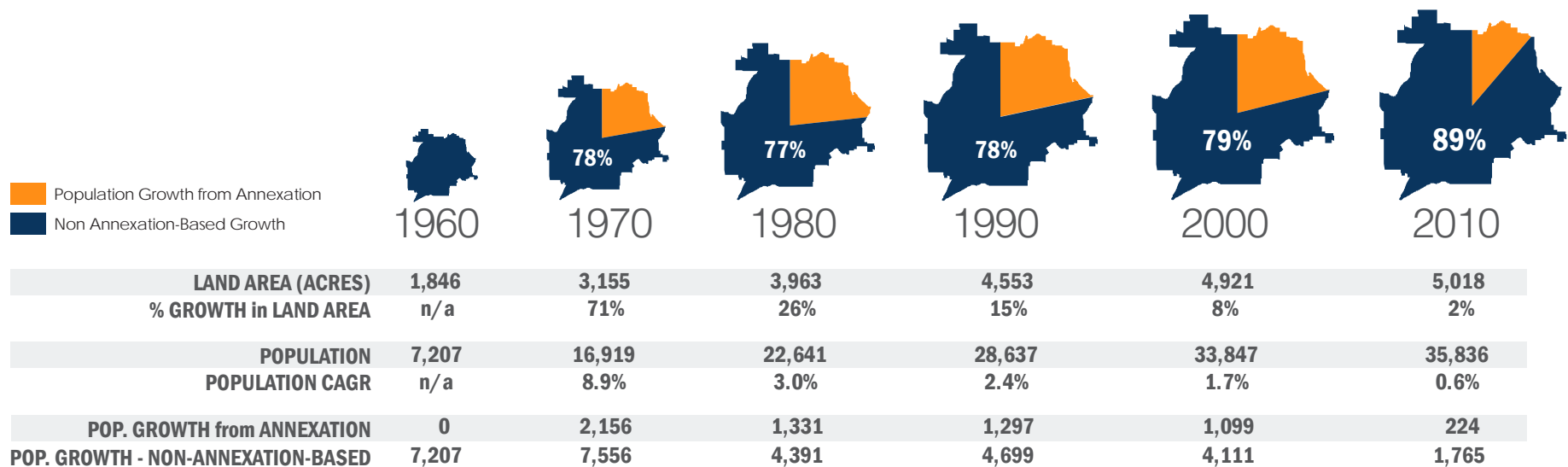
Historically, annexation has accounted for about 20% of population growth in Lynnwood. Growth in land area through annexation occurred mostly between 1960-1970, when land area grew 71%. Development of transportation infrastructure (e.g. the Interurban Railway, Highway 99, I-5 and I-405) has been a major factor in the City's growth. The completion of Interstate 5 in 1967 likely contributed to the City's robust growth during this period. Today, the City's land area has grown to 5,018 acres (about 7.8 sq mi).

While growth in land area has been tied to periodic annexations, the rate of population growth in Lynnwood has consistently slowed since the City's incorporation. This slow, but steady, growth has resulted in a population of nearly 36,000 residents in 2013.

Exhibit 2 illustrates the growth trends in Lynnwood. The scale of the city in the graphic corresponds to the City's growth in land area in each decade; the colors form a pie chart that differentiates population growth driven by annexation and growth attributed to relocation and nativity.

Lynnwood's municipal urban growth area represents potential annexation areas. Lynnwood's most recent Comprehensive Plan (updated in 2011) notes that future annexations would bring both opportunities (e.g. expanding the tax base) and challenges (e.g. increasing demand for City services).

Exhibit 2. Annexation-Based & Non-Annexation-Based Growth in Population & Land Area, Lynnwood, 1960-2010



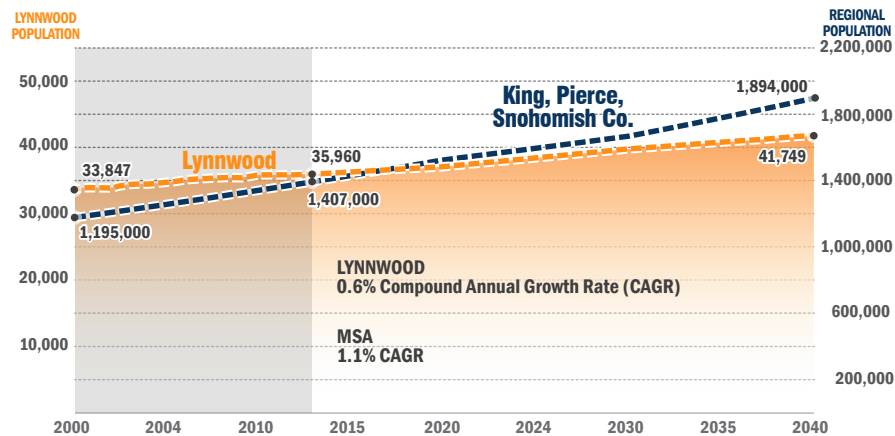
Source: U.S. Census Bureau (2000, 2010); WA Office of Financial Management (2013); Community Attributes Inc. (2014)

In 2013, the City's population was 35,960; it is forecasted to grow to 41,749 by 2040 [Exhibit 3]. This represents a 0.6% annual growth rate, slower than the 1.1% projected growth rate for the MSA as a whole.

Lynnwood's projected population growth is relatively low compared to the region, but parts of the City's *Municipal Urban Growth Area (MUGA)* northeast of the City are expected to grow rapidly. These trends are shown in Exhibit 4. Lynnwood's MUGA includes parcels zoned for higher density development (county Urban Centers zoning), where several residential development projects are already underway.

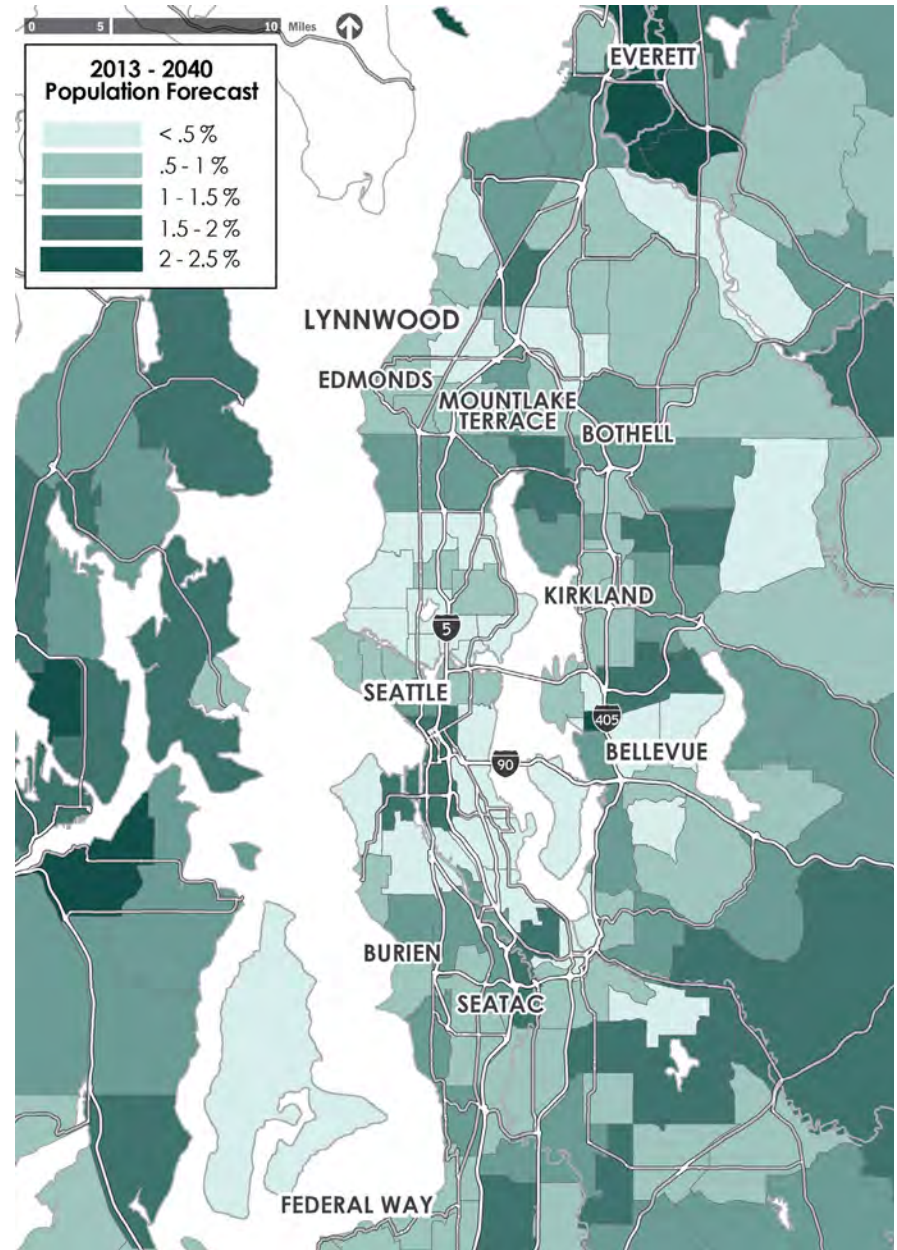
In general, southwest Snohomish County is not expected to grow as rapidly as northern King County. However, suburbs in both Counties are expected to see higher growth rates than those of urban neighborhoods in Seattle. Throughout the region, notable growth centers include the areas just south and east of Everett, the Cities of Shoreline, Lake Forest Park and Kenmore, the Bel-Red Corridor in Bellevue and several communities in Kitsap County.

Exhibit 3. Observed & Projected Growth in Population, Lynnwood & Seattle-Tacoma-Bellevue MSA, 2000-2040



Source: Puget Sound Regional Council (2013); Community Attributes Inc. (2014)

Exhibit 4. Map of Projected Growth in Population by FAZ, 2013-2040



Source: Puget Sound Regional Council (2013); Community Attributes Inc. (2014)

DENSITY

Exhibit 6 shows areas that are predominantly residential and relatively densely populated. These areas are primarily located east of Highway 99, where clusters of multifamily housing developments and mobile home parks exist. The image below illustrates the development pattern in a portion of one of these areas; commercial uses front Highway 99, but dense residential uses occupy the blocks to the east [**Exhibit 5**, outlined in red].

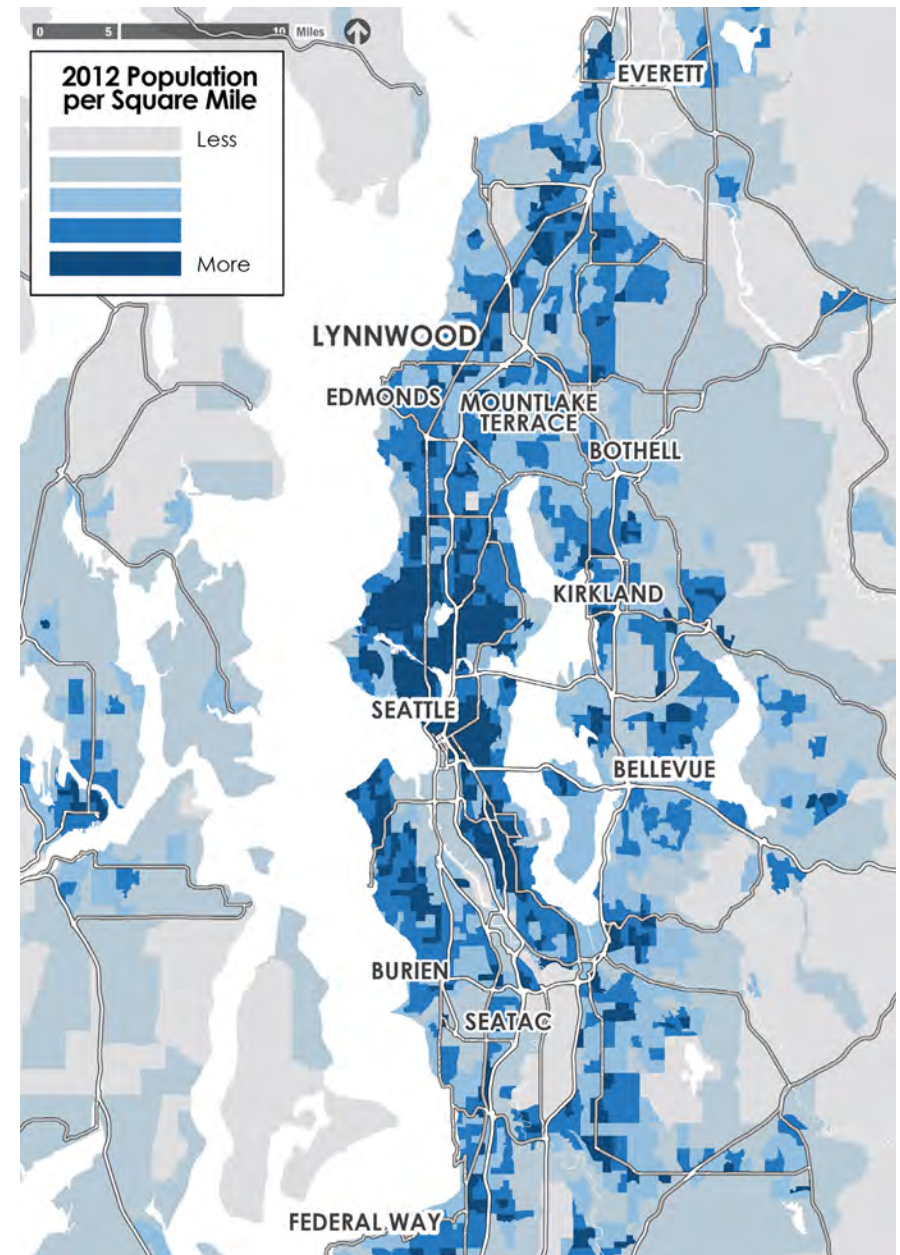
Lynnwood is rather densely populated in the context of the region when only residential land is considered. City Center redevelopment may further increase the density in the area. Additional land use and housing analyses are presented in the Lynnwood Land Use and Real Estate section of this profile.

Exhibit 5. Aerial View of Residential Density along Highway 99 in Lynnwood.



Source: Google (2014); Community Attributes Inc. (2014)

Exhibit 6. Map of Population Density per Square Mile of Gross Land Area, Lynnwood & the Central Puget Sound Region, 2013



Source: WA Office of Financial Management (2012); Community Attributes Inc. (2014)

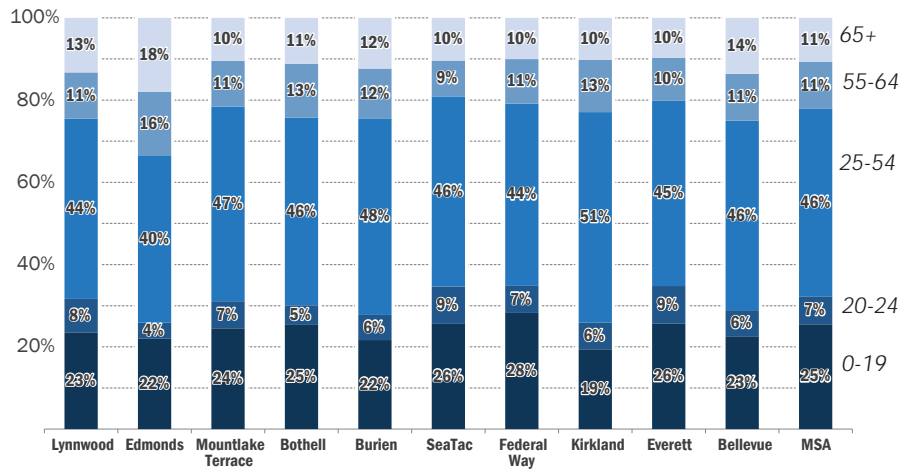
AGE

The median age of Lynnwood's population is 37.1 years, compared to 36.8 for the MSA. **Exhibit 7** illustrates the segmentation of population by age for Lynnwood and the selected comparison cities.

Compared to 2000, the 55+ age segment has grown by 23% and now accounts for about 5% more of Lynnwood's total population. Lynnwood's 55+ age segment is about 10% higher (24.6% versus 22.2%) than the 55+ age segment across the MSA.

Children age 19 and under account for a smaller portion of Lynnwood's population than in 2000 (27% to 23%). This demographic group is 13% lower in Lynnwood than in the MSA (23.4% versus 25.5%). The only two age segments that have grown in Lynnwood since 2004 are 55-64 and 65+. This trend is not unique to Lynnwood; every comparison city common to the 2004 and 2014 profiles experienced an increase in these segments as well.

Exhibit 7. Age Composition, Lynnwood & Comparison Cities, 2011



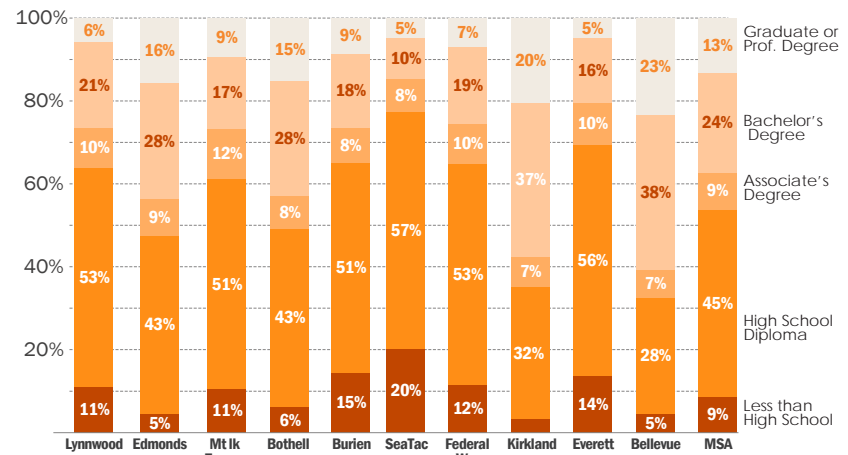
Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

EDUCATION

Exhibit 8 illustrates educational attainment in Lynnwood and comparison cities.

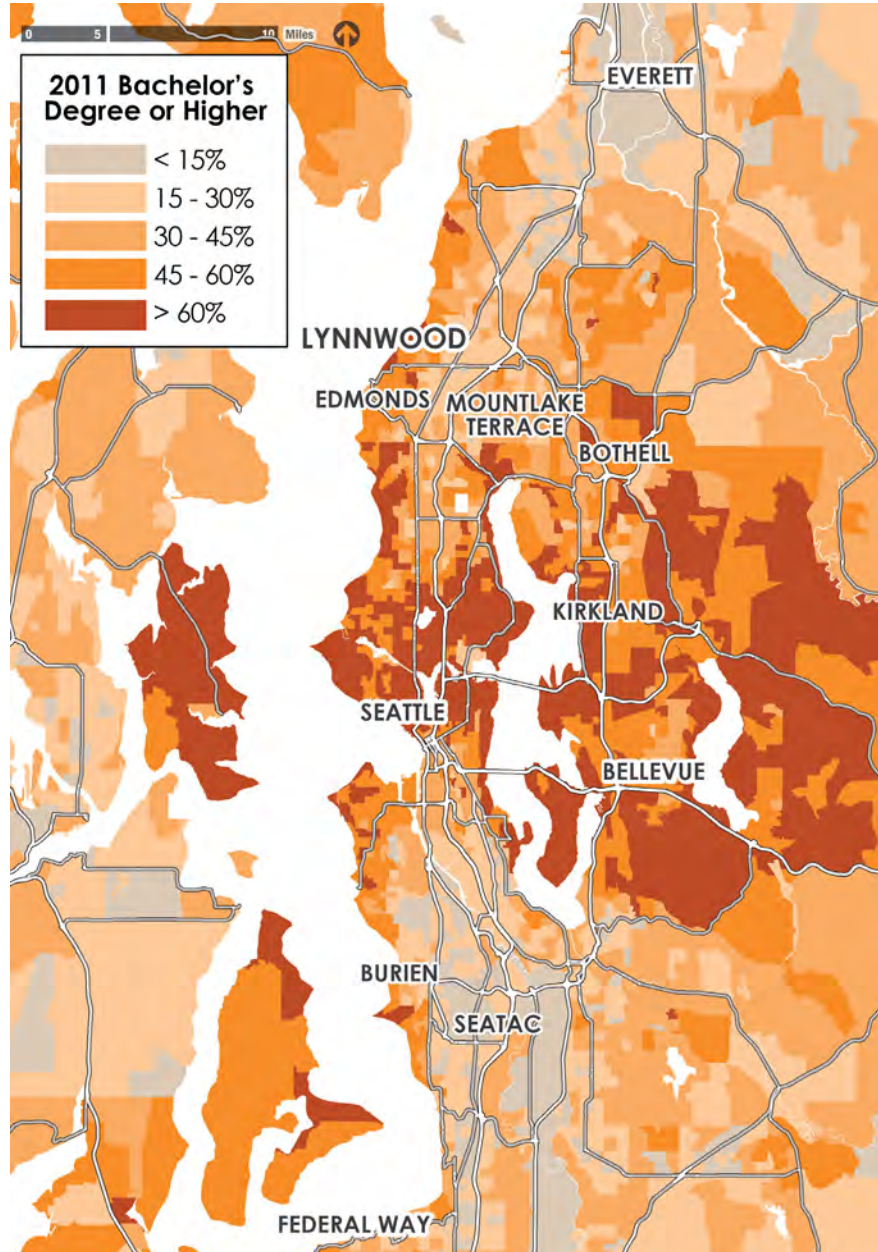
Approximately 27% of Lynnwood's residents hold a bachelor's degree or higher, a proportion similar to Federal Way and Mountlake Terrace. 40%-50% of the populations of the neighboring communities of Bothell and Edmonds have achieved a bachelor's degree or higher [**Exhibit 8**].

Exhibit 8. Educational Attainment, Lynnwood & Comparison Cities, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

Exhibit 9. Map of Residents with a Bachelor's Degree or Higher, Lynnwood & the Central Puget Sound Region, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

While Lynnwood shows lower rates of educational attainment than some comparison cities, the trend is still positive. In 2000, only about 22% of Lynnwood residents held a bachelor's degree or higher, compared with about 27% in 2011; this shift indicates growth of more than 21% in this segment. This change has outpaced the change across the MSA, where residents holding a bachelor's degree or higher increased by about 13% over the same period of time.



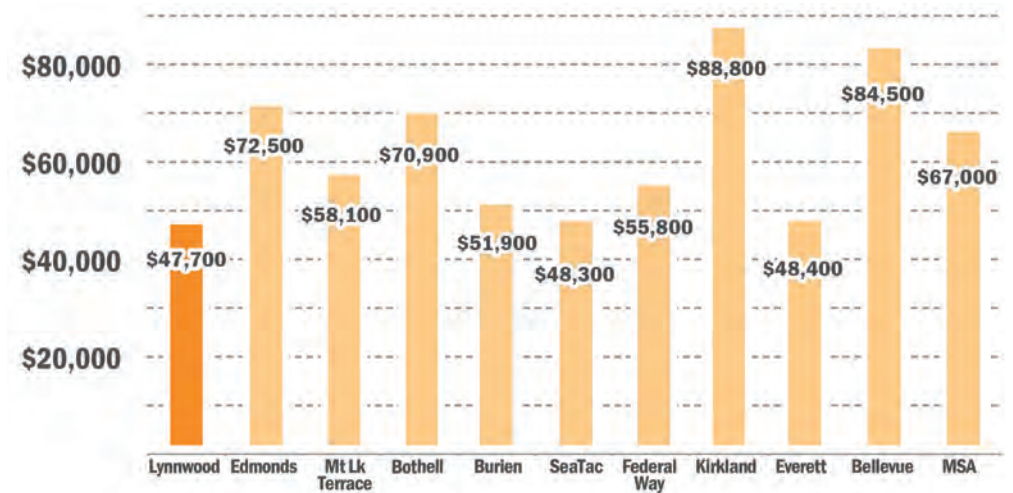
Students at Edmonds Community College, one of Lynnwood's institutions of higher learning. 37 % of Lynnwood residents hold an Associate's degree or higher.

INCOME

In 2000, Lynnwood's median household income ranked lower than all of the comparable cities except Burien and Everett. Based on 2011 data, Lynnwood's median household income is now lower than all selected comparison cities, including Burien and Everett. The data for 2011 are represented in **Exhibit 10**.

At \$47,700, Lynnwood's median household income is lower than cities that exhibit lower rates of educational attainment, like Everett. It is also lower than neighbors like Edmonds, Bothell and Mill Creek; Lynnwood's median income is less than 80% of the Area Median Income, which is a benchmark that the U.S. Department of Housing and Urban Development uses to determine eligibility for subsidized housing.

Exhibit 10. Median Household Income, Lynnwood & Comparison Cities, 2011

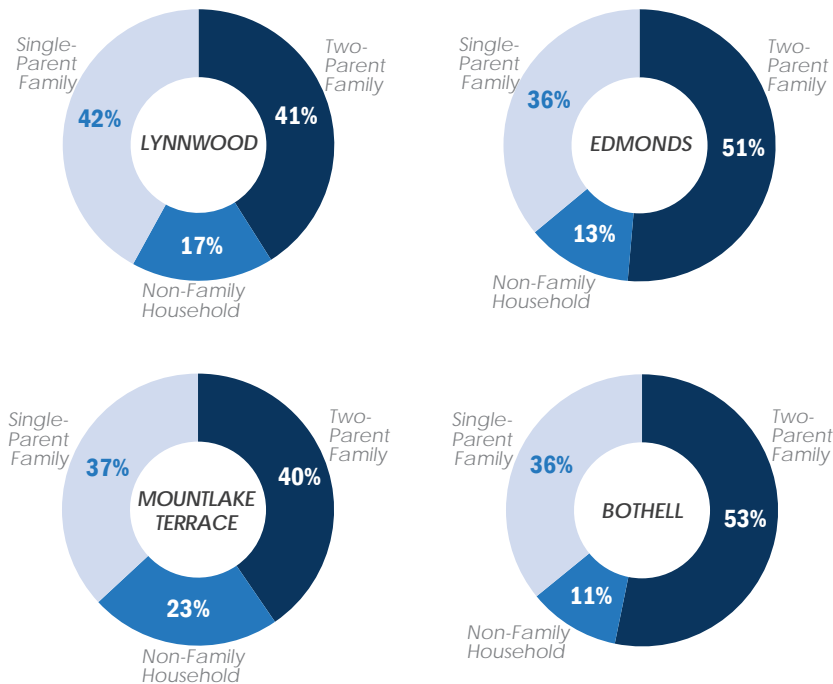


Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

Exhibit 12 depicts the regional distribution of incomes in the central Puget Sound region. Large, diverse job centers in Seattle and the Eastside correspond to high median household income levels, as do bedroom communities associated with these job centers. Secondary job centers with high rates of retail and service employment report lower median household income levels.

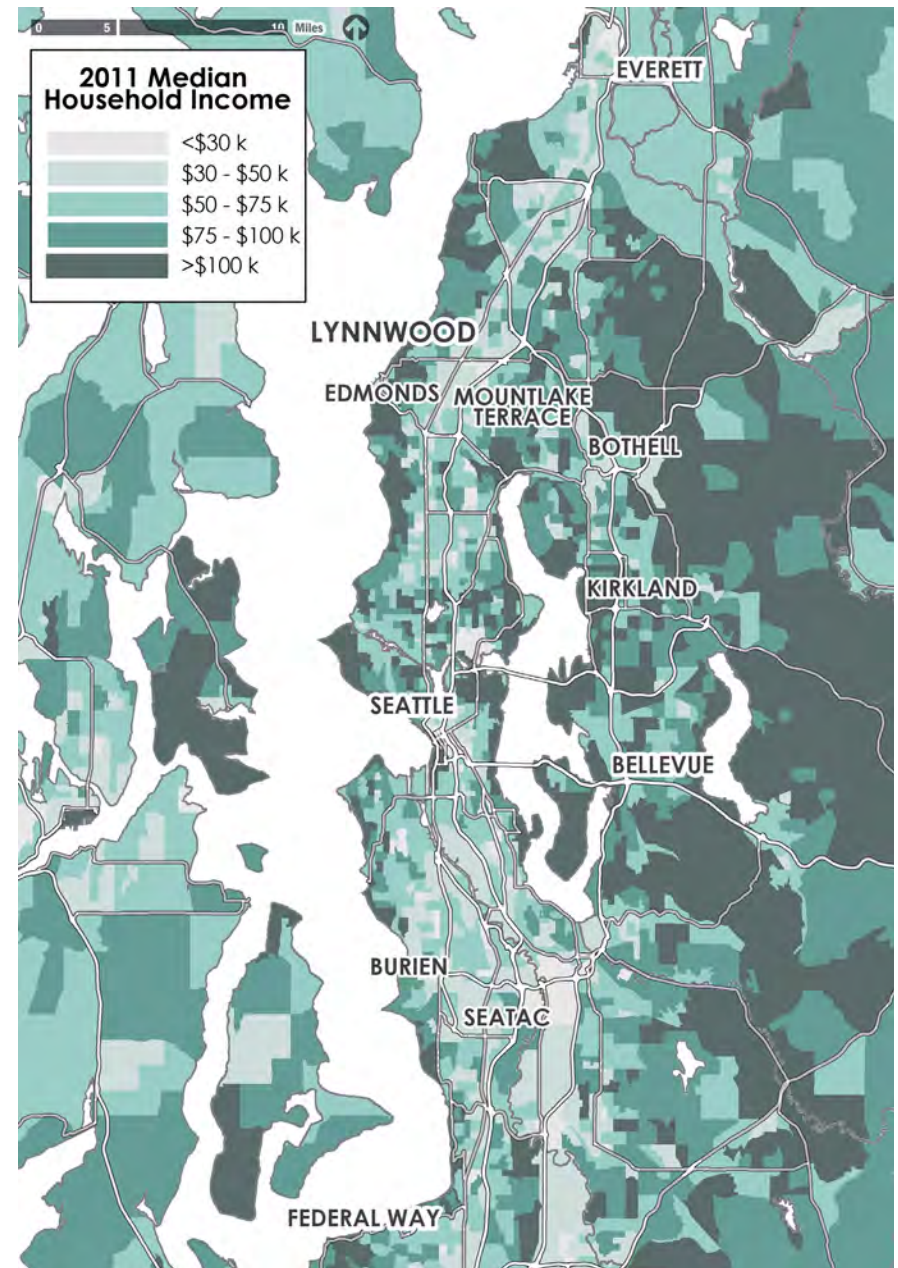
A household with more earners is likely to have a higher household income than one with fewer earners. Lynnwood has a greater proportion of non-family households and a corresponding lower proportion of parented households compared to its neighbors. This may contribute to the lower median household income in Lynnwood. In 2012, the median family income in Lynnwood was \$64,700, higher than in Everett (\$55,400) and Burien (\$59,400) and similar to neighboring Mountlake Terrace (\$70,100). The household composition for Lynnwood and its neighbors appears in **Exhibit 11**.

Exhibit 11. Households by Household Type, Lynnwood & Neighboring Cities, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

Exhibit 12. Median Household Income, Central Puget Sound region, 2011

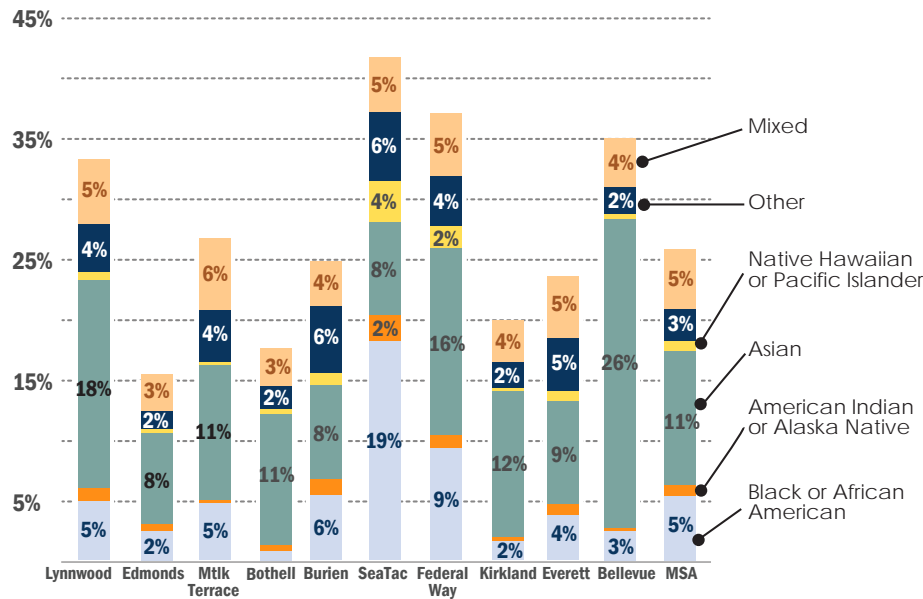


Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

DIVERSITY

Exhibit 13 indicates that Lynnwood has the fourth largest non-white population of all comparison jurisdictions at 33.6%. About 18% of Lynnwood residents self-identify as Asian, the largest non-white racial category in the City. Between 2000 and 2011, Lynnwood's non-white population has increased by 29%, from 26% to almost 34% of the total population.

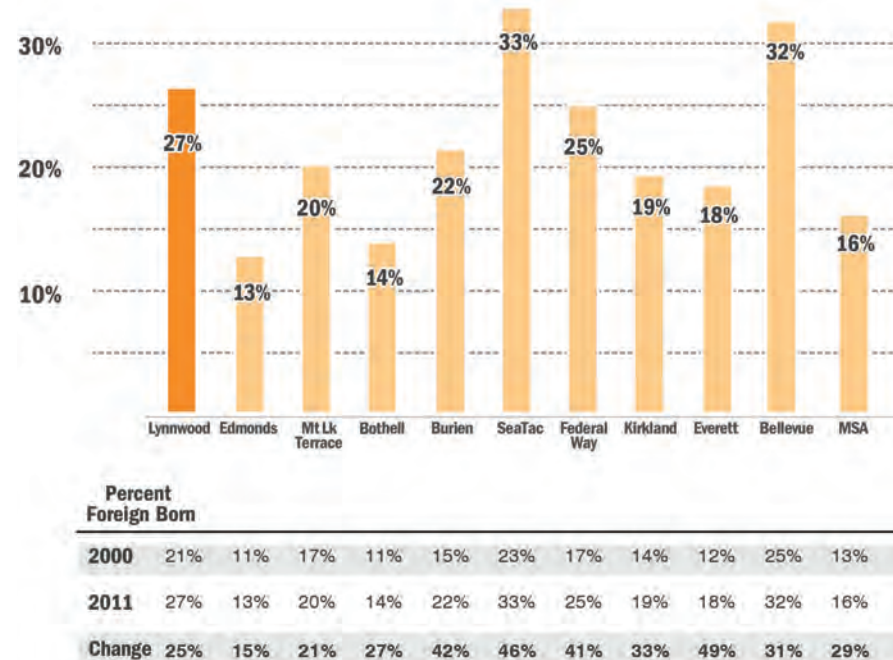
Exhibit 13. Non-White Racial Composition, Lynnwood & Comparison Cities, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

The foreign-born population in Lynnwood is growing and has undergone a 25% increase since 2000. In 2000, 21% of Lynnwood's residents were foreign-born; in 2011, that number increased to 27%, or approximately 9,700 residents [**Exhibit 14**]. This rate of growth is lower than the MSA overall (29% in Seattle-Tacoma-Bellevue MSA).

Exhibit 14. Percent Foreign-Born Population, Lynnwood & Comparison Cities, 2000 - 2011

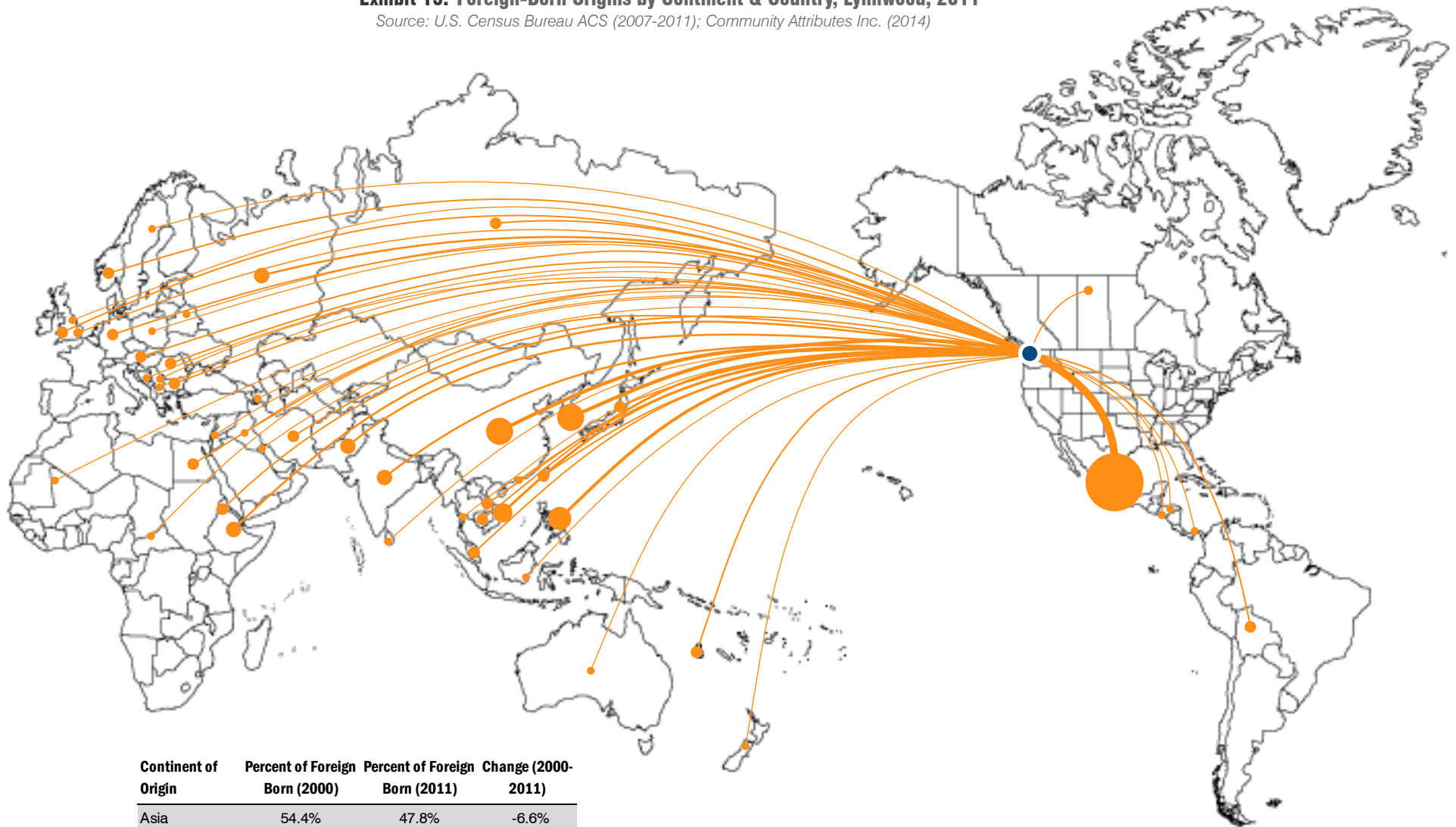


Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

Almost half of Lynnwood's 9,700 foreign-born residents come from Asia. Korea (9%), China (8.6%), the Philippines (7.5%) and Vietnam (6.3%) are the largest exporters from the continent. About one-third of Lynnwood's foreign born residents come from the Americas, and Mexico is the largest single country of origin for Lynnwood foreign-born residents, at 28.2%. Immigrants from Europe, Africa and Oceania account for the remaining 21% of foreign born residents.

Exhibit 15. Foreign-Born Origins by Continent & Country, Lynnwood, 2011

Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

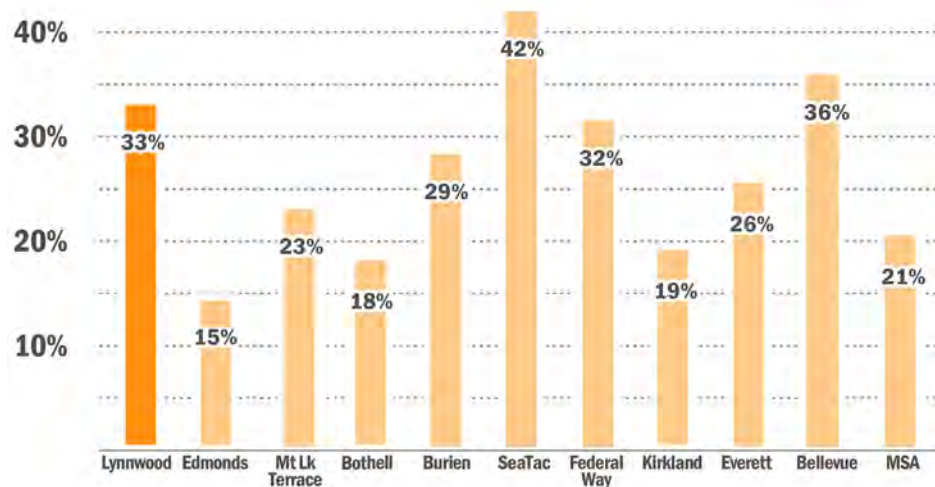


Continent of Origin	Percent of Foreign Born (2000)	Percent of Foreign Born (2011)	Change (2000-2011)
Asia	54.4%	47.8%	-6.6%
Korea	12.0%	9.0%	-3.0%
China	6.0%	8.6%	2.6%
Philippines	9.0%	7.5%	-1.5%
Vietnam	12.0%	6.3%	-5.7%
Americas	17.8%	31.3%	13.5%
Mexico	11.8%	28.0%	16.2%
Europe	22.7%	10.9%	-11.8%
Ukraine	6.0%	2.5%	-3.5%
Africa	4.0%	8.6%	4.6%
Ethiopia	0.1%	4.5%	4.4%

In **Exhibit 15** the size of the circle and the weight of the line connecting it to Lynnwood correspond to the relative share of Lynnwood's foreign-born residents originating in that country.

Lynnwood is also quite linguistically diverse. More than 33% of Lynnwood residents speak a language other than English at home, third highest among comparison cities [Exhibit 16]. Many of these individuals likely also speak English, but the data suggest that one in every three Lynnwood residents considers a language other than English their primary language.

Exhibit 16. Percent of Residents Speaking a Language Other than English at Home, Lynnwood, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

At 10%, Spanish is the most common non-English language spoken by Lynnwood residents. Several Asian languages, including Chinese, Korean and Vietnamese, are also spoken in Lynnwood. Exhibit 17 lists the top five languages spoken by Lynnwood residents.

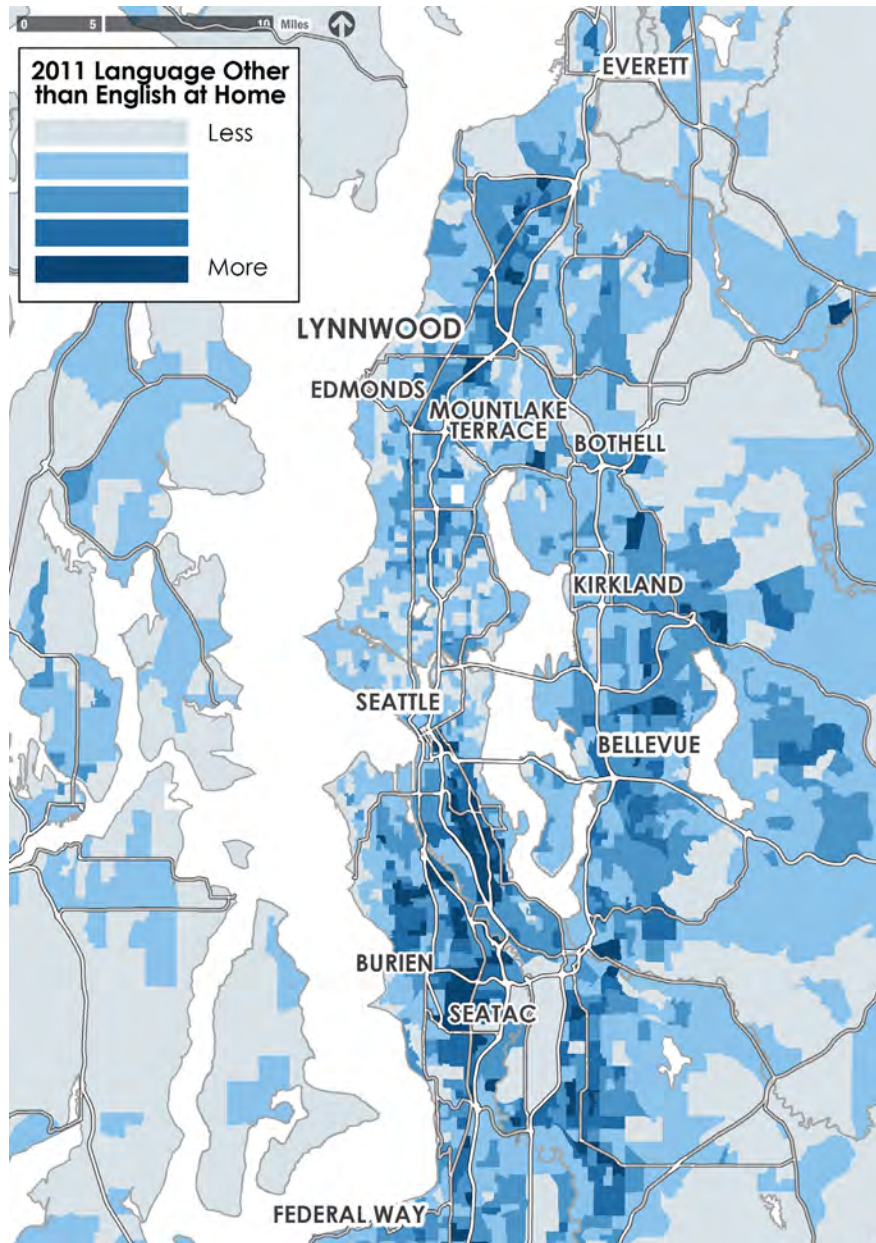
Exhibit 18, on the following page, maps the percent of residents speaking a language other than English at home.

Exhibit 17. Top Five Languages Spoken in Lynnwood, 2011

Language	Percent Speaking
Only English	66%
Spanish	10%
Chinese	4%
Korean	3%
Vietnamese	3%

Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

Exhibit 18. Map of Residents Speaking a Language Other than English at Home, Central Puget Sound Region, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

SUMMARY OF KEY FINDINGS

Lynnwood is an important mid-sized suburb of Seattle with changing demographics. The following findings summarize key insights drawn from preceding demographic analysis of Lynnwood and are important for consideration in developing the economic strategy:



PSRC forecasts suggest Lynnwood’s population will grow more slowly than other communities in the area.



While some areas are already comparatively dense for the region, other areas present infill and redevelopment opportunities.



Lynnwood’s population of retirement-aged adults has grown substantially.



Lynnwood’s educational attainment levels are lower than those of comparable cities in the region, but are increasing at a faster rate.



Of comparison cities, Lynnwood had the lowest growth in household income between 1999 and 2011, while family households are similar to comparison cities.



Lynnwood has become more diverse and will continue to do so in the future.



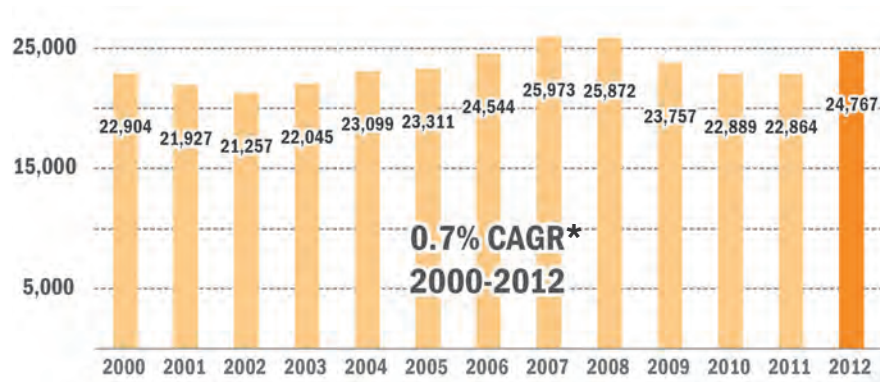
3 LYNNWOOD'S ECONOMY IN 2014

LYNNWOOD'S ECONOMY IN 2014

This section of the report provides insights into Lynnwood's economy; who works in Lynnwood and where they come from; how the City's role in the regional economy is changing; and drivers of the City's economy now and into the future.

Lynnwood remains an important job center for Snohomish County and the central Puget Sound region, despite the recent recession. Employment is gradually returning to pre-recession levels and was at about 24,800 in 2012 [Exhibit 19]. Between 2011 and 2012, Lynnwood gained about 1,900 jobs. Retail and Services sectors anchor the workforce. Lynnwood's largest private sector employers include Nordstrom, Sears, J.C. Penney and Zumiez.

Exhibit 19. Jobs in Lynnwood, 2000-2012



Source: Puget Sound Regional Council (2000-2012); Community Attributes Inc. (2014)

* Compound Annual Growth Rate

The ratio of jobs to housing units in a city is an indicator of a city's role in the regional economy. This metric also has implications for housing, land use and transportation. Lynnwood is a net labor importer, with a job to housing units ratio of 1.7 (for every housing unit in Lynnwood, there are 1.7 jobs) [Exhibit 20]. By this measure, Lynnwood is the second largest job center located completely within Snohomish County behind Everett. Of Lynnwood's comparison cities only Bothell, Everett, Bellevue and SeaTac have more jobs relative to housing units. Jobs in Lynnwood are poised to grow faster than the City's housing stock and improved transit may make it easier for the City to attract workers to fill the increasing number of jobs.

Exhibit 20. Ratio of Jobs to Housing Units, Lynnwood, 2011



Source: Puget Sound Regional Council (2012); Community Attributes Inc. (2014)

WORKFORCE

The previous section of this report identified some characteristics of Lynnwood’s residents, some of whom live and work in the City. However, most workers in Lynnwood commute to their jobs from outside the City and throughout the region. Data from the U.S. Census Bureau identify the location of residence for Lynnwood’s workers and the location of work for Lynnwood’s residents. This data is depicted in the maps on the following page, in **Exhibits 21 & 22**, respectively.

Generally, people working in Lynnwood live in southwest Snohomish County and, to a lesser extent, northern King County [**Exhibit 21**]. However, Lynnwood’s workforce is widely distributed, as evidenced by the fact that no single jurisdiction is home to more than 9% of Lynnwood’s workers. In fact, only 7% of workers in Lynnwood also live in Lynnwood, and the five most common places of residence accommodate a total of only 30% of Lynnwood’s workforce.

Lynnwood’s location relative to major transportation corridors (e.g. Interstates 5 and 405 and Highway 99) allow Lynnwood’s workforce to conveniently commute between home and work.

Lynnwood residents tend to work in large employment centers throughout the region, on the east and west sides of Lake Washington, predominantly north of Interstate 90. Some of these clusters include downtown Seattle and the University District (home of the University of Washington), the Boeing campus at Payne Field, downtown Bellevue and the Bel-Red Corridor (home of Microsoft) and Lynnwood’s commercial centers along Interstate 5 and Highway 99. Workplaces in Seattle employ 31% of Lynnwood’s resident workers, which is more than any other jurisdiction by a significant margin.

Exhibit 21. Places of Work & Residence, Lynnwood, 2011

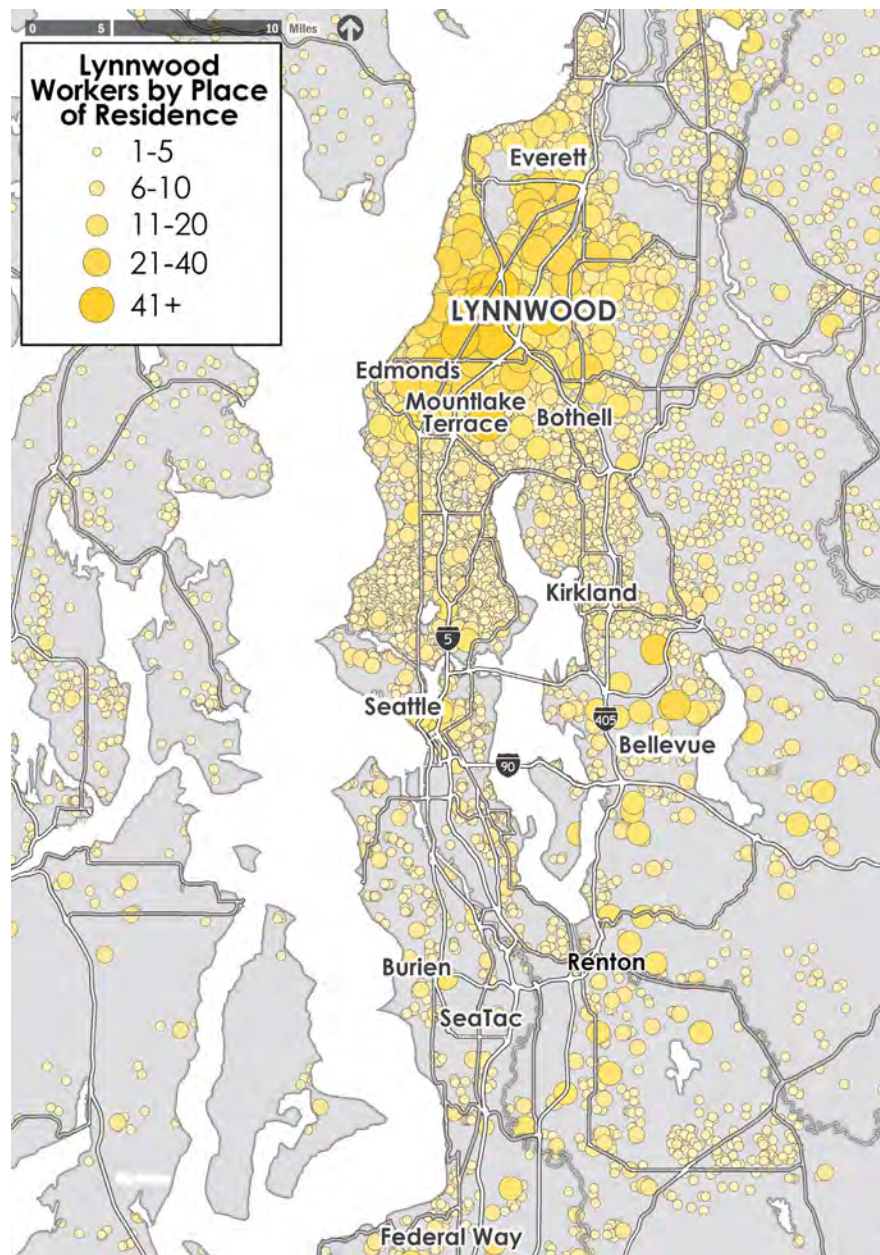
Workers in Lynnwood reside in: County	2011 Workers	2011 Percent
Snohomish County	13,997	52%
King County	7,916	29%
Other	5,022	19%
Top Two Locations	26,935	100%

Workers in Lynnwood reside in: Jurisdiction		
Seattle	2,512	9%
Lynnwood	1,762	7%
Everett	1,657	6%
Edmonds	1,345	5%
Shoreline	764	3%
Top Five Locations	8,040	30%

Residents of Lynnwood work in: Jurisdiction		
Seattle	4,729	31%
Lynnwood	1,762	12%
Everett	1,388	9%
Bellevue	892	6%
Edmonds	579	4%
Top Five Locations	9,350	62%

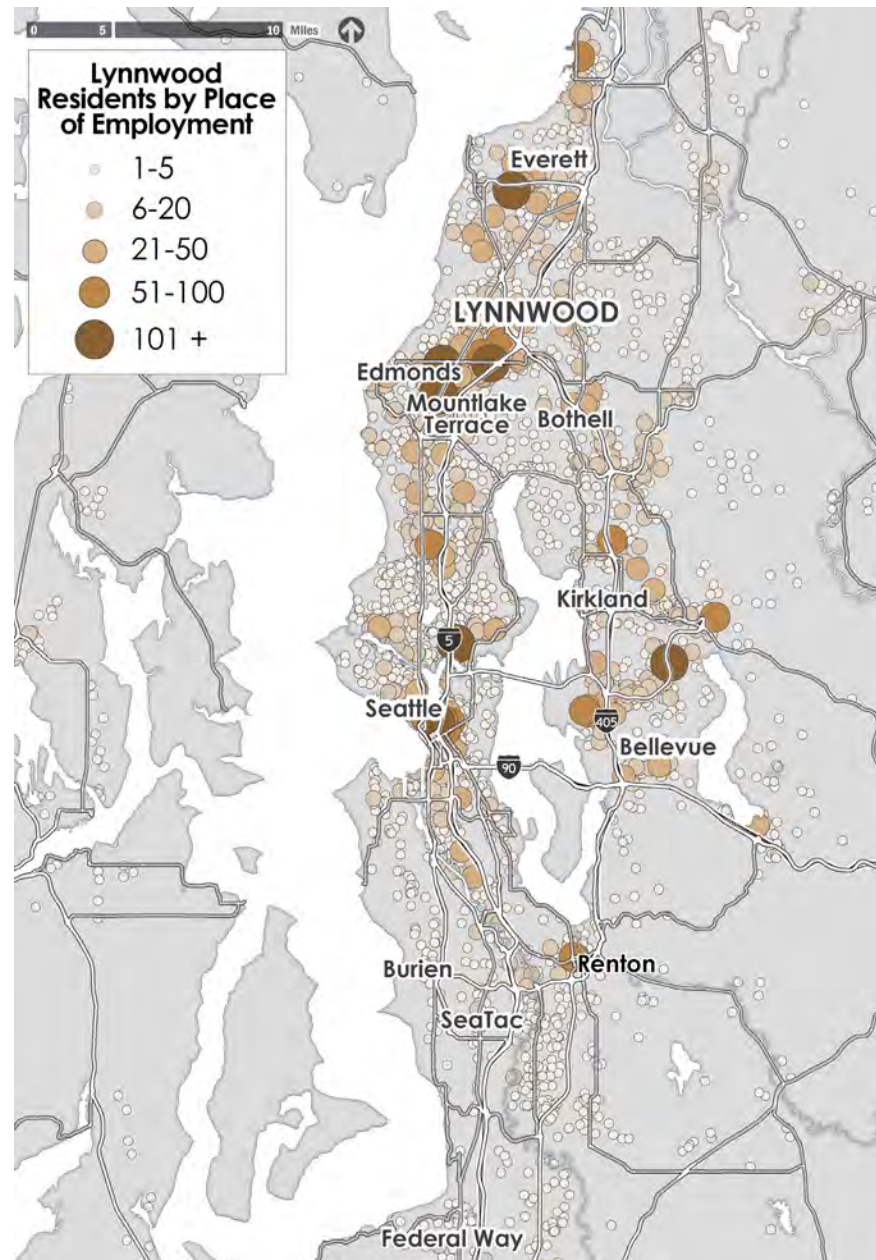
Source: U.S. Census Bureau LEHD (2013); Community Attributes Inc. (2014)

Exhibit 22. Map of Place of Residence for Lynnwood Workers, 2013



Source: U.S. Census Bureau LEHD (2013); Community Attributes Inc. (2014)

Exhibit 23. Map of Place of Work for Lynnwood Residents, 2013



Source: U.S. Census Bureau LEHD (2013); Community Attributes Inc. (2014)

EMPLOYMENT & WAGES

The largest segments of Lynnwood's workforce are employed in the Services and Retail sectors (73% combined; this figure has grown by 5% since 2000).

Jobs in the Services sector represent Lynnwood's largest segment of employment. Services employees fill many roles that provide for the daily needs of residents and workers, including baristas, servers, hotel workers, arts and entertainment and health care workers. These jobs account for 46% of all employment in the Seattle-Tacoma-Bellevue Metropolitan Statistical Area, indicating that Lynnwood's services sector parallels the regional average.

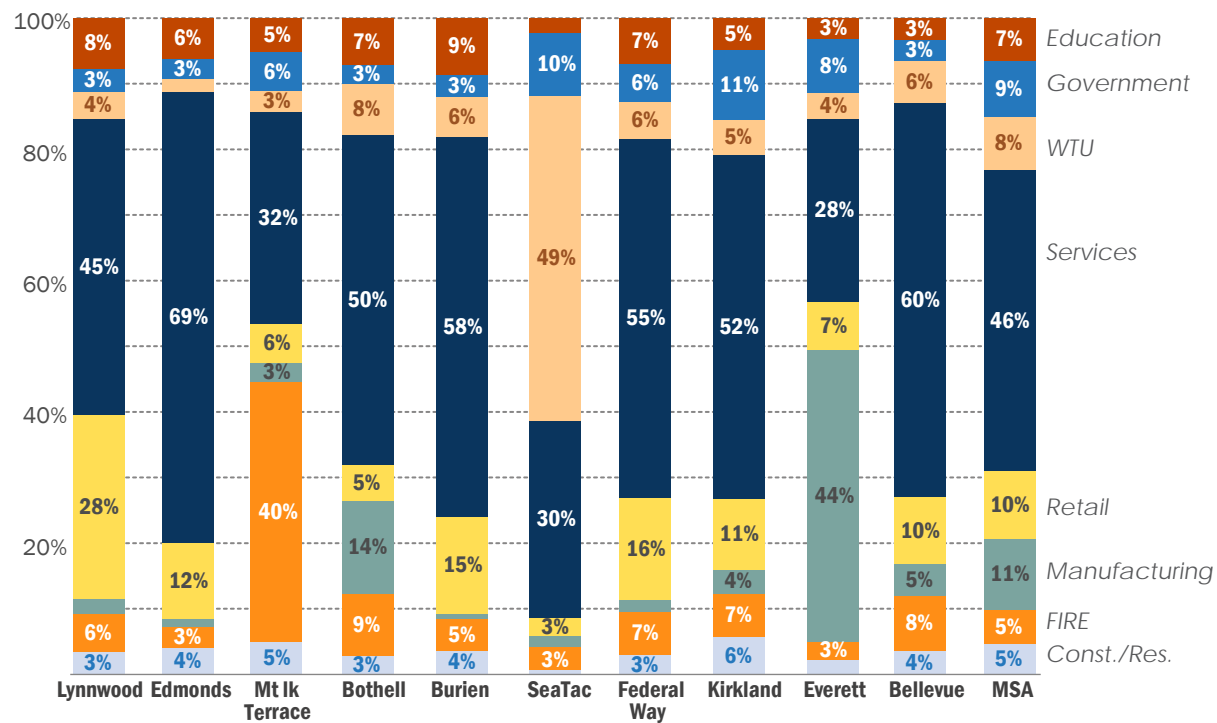
The Retail segment, anchored by Alderwood mall, is Lynnwood's second-largest employment segment and accounts for a larger share of employment in Lynnwood than in any other city studied.

Exhibit 24 relates employment by sector for Lynnwood and the selected comparison cities.

Jobs in Education account for 8% of all employment in Lynnwood, the third-highest employment sector. Finance, Insurance and Real Estate (FIRE) comprises 6% of all employment in Lynnwood, fourth-highest in the City. Employment in this sector is lower than in Mountlake Terrace, Bothell, Federal Way, Kirkland and Bellevue, and has decreased significantly since 2000, reflecting the impact locally of the Great Recession.

Wholesale, Transportation and Utilities (WTU) represents Lynnwood's fifth-largest employment sector, followed by Government, Construction and Resources and Manufacturing.

Exhibit 24. Employment by Sector, Lynnwood & Comparison Cities, 2012



Source: Puget Sound Regional Council (2000-2012); Community Attributes Inc. (2014)

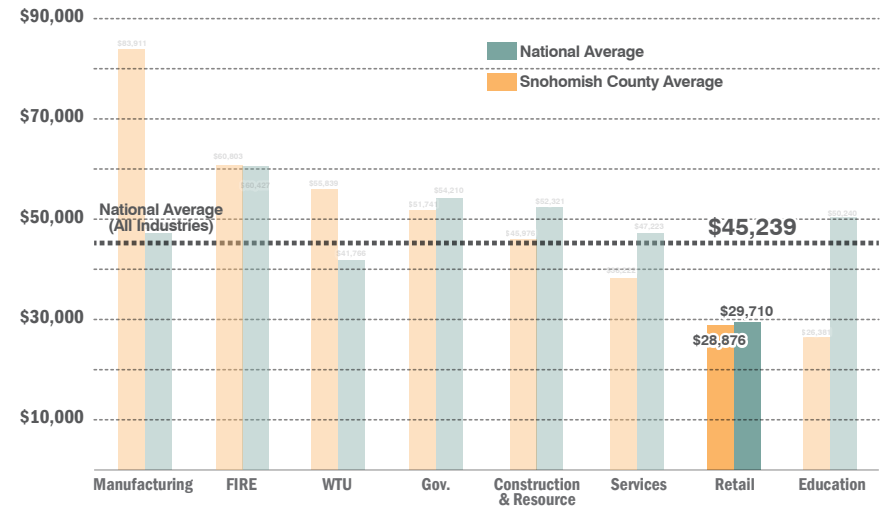
RETAIL SECTOR

The Retail sector is prominent in Lynnwood. The City is a regional retail destination and continued retail shopping in the City has a significant impact on the City's fiscal health. Alderwood mall is a major driver of retail activity, and home to some of Lynnwood's largest employers.

With about 7,000 jobs and 28% of all Lynnwood employment, the Retail sector forms the second largest employment base in Lynnwood (after Services). More Retail jobs are located in Lynnwood than in any other jurisdiction in Snohomish County, and Lynnwood alone accounts for 23% of the County's total Retail employment. No comparison city has as high a percentage of Retail jobs relative to total employment.

Retail activity is important to the City's fiscal health. It attracts residents and employers for jobs and provides easy access to needed amenities. Retail jobs, however, tend to pay annual wages that are far below the national average across all industries. In Snohomish County, Retail employees make, on average, less than \$29,000 per year [Exhibit 25], although many retail jobs are part time, and retail wages may not be the employee's sole source of income. Nevertheless, retail wages are lower than the City's median income and have implications for the spending patterns and lifestyle choices of those workers.

Exhibit 25. Avg Annual Wages for Workers in the Retail Sector, Snohomish County & US, 2012



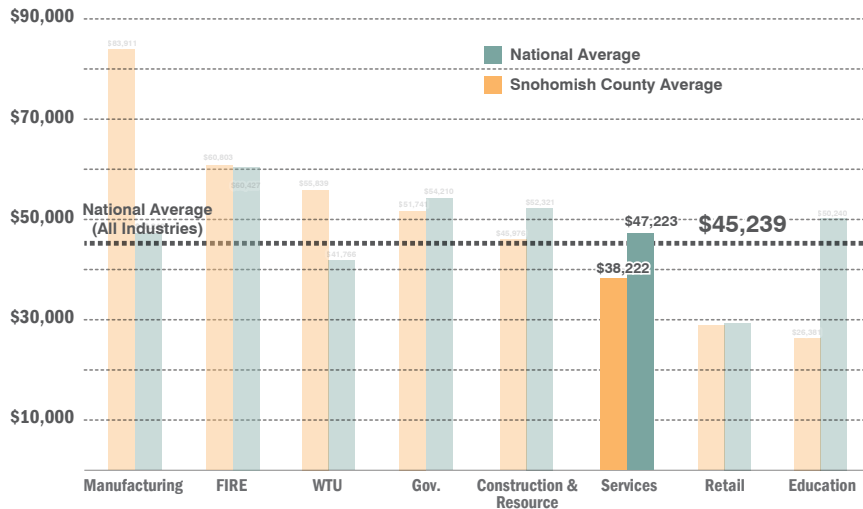
Source: U.S. Bureau of Labor Statistics (2012); Community Attributes Inc. (2014)

SERVICES SECTOR

Lynnwood’s large commercial concentrations—including the City Center, Alderwood mall and Highway 99 corridor—house more than 11,000 workers (citywide) in the Services sector .

Jobs in the Services sector provide essential amenities and account for at least 28% (and up to 69%) of employment in all selected comparison cities [Exhibit 24]. Services jobs in Snohomish County pay average annual wages of \$38,000 – 18% less than the national average across all industries (\$45,000) [Exhibit 26].

Exhibit 26. Average Annual Wages for Workers in the Services Sector, Snohomish County & United States, 2012



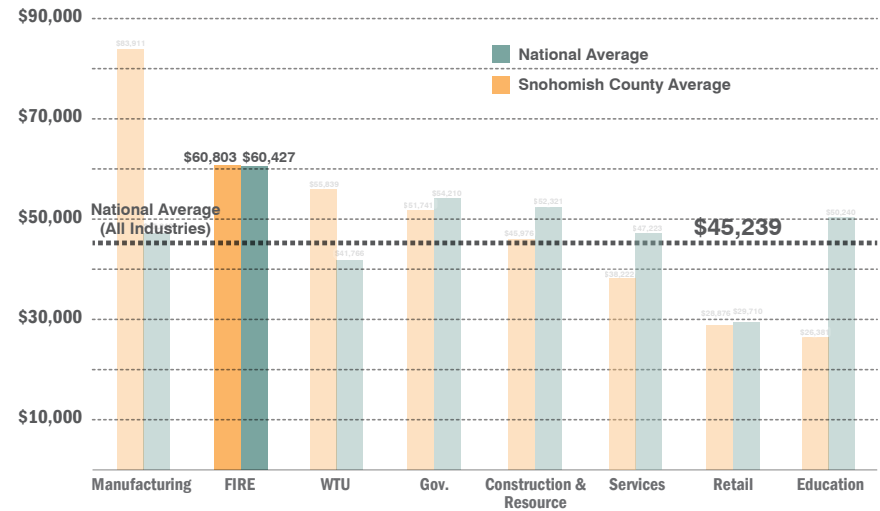
Source: U.S. Bureau of Labor Statistics (2012); Community Attributes Inc. (2014)

FINANCE, INSURANCE & REAL ESTATE SECTOR

In the 2004 Economic Profile and Key Issues Report, the *Finance, Insurance and Real Estate (FIRE)* sector was identified as a prominent industry cluster. Since that time, Lynnwood suffered the effects of the Great Recession, losing 500 jobs in the FIRE sector, which now accounts for 6% of total employment in Lynnwood (compared to 9% in 2004). Nevertheless, the FIRE sector remains an important component of Lynnwood’s economy. FIRE jobs in Snohomish County currently account for 13% of all FIRE employment in Snohomish County, ranking Lynnwood third in the County behind Mountlake Terrace (25%) and Everett (22%).

FIRE jobs pay wages well-above the national average, and FIRE sector wages in Snohomish County are marginally above the national average for the sector. Exhibit 27 identifies the average wages for workers in the FIRE sector relative to other major sectors in both Snohomish County and, more broadly, the U.S.

Exhibit 27. Average Annual Wages for Workers in the FIRE Sector, Snohomish County & United States, 2012

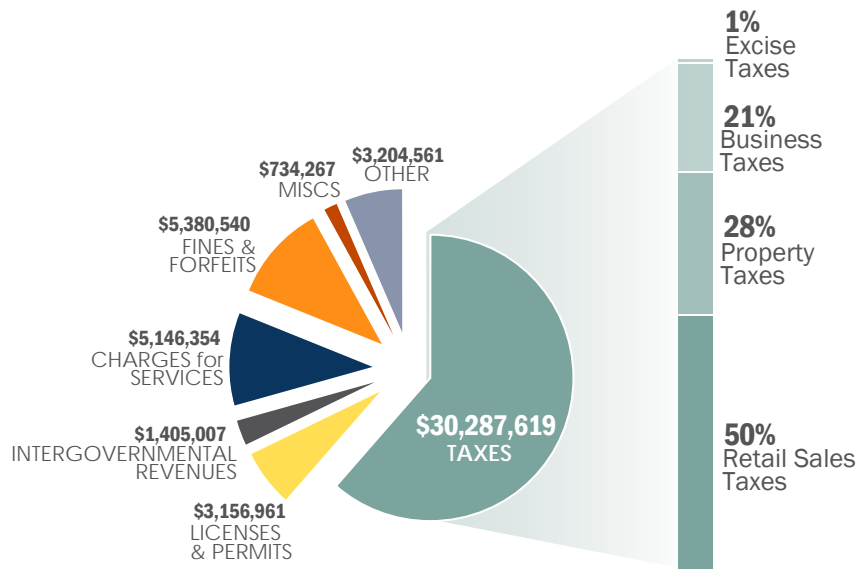


Source: U.S. Bureau of Labor Statistics (2012); Community Attributes Inc. (2014)

FISCAL IMPACTS OF RETAIL TRADE

Sales tax revenues account for 30% of the City's budget, more than any other single revenue source. These revenues allow the City to continue providing its citizens with high levels of service. **Exhibit 28** illustrates the extent to which taxable retail sales contribute to the City's operating budget.

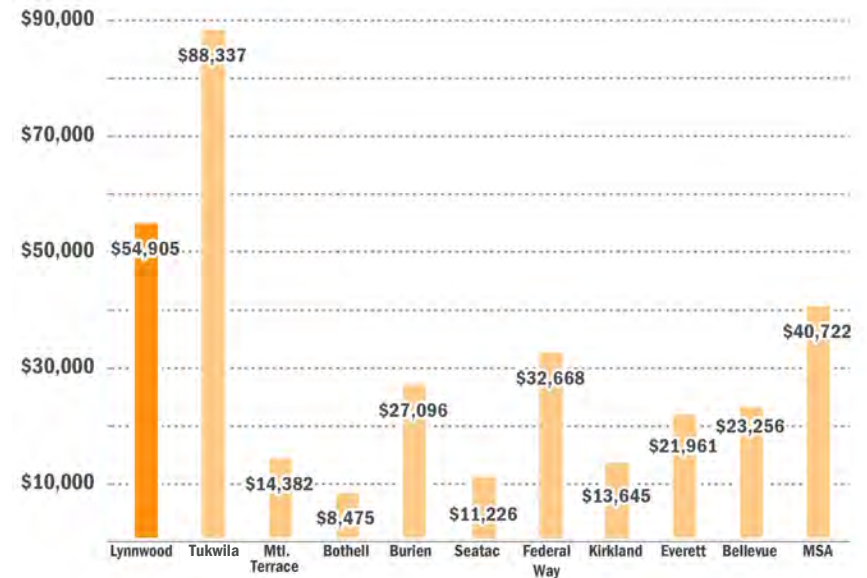
Exhibit 28. Sources of Municipal Revenue, Lynnwood, 2013



Source: City of Lynnwood Budget (2013-2014); Community Attributes Inc. (2014)

Taxable retail sales per capita equals total dollars spent at retail establishments in Lynnwood, per City resident. It is an indicator of the retail activity in a city, given its population. At \$54,905, Lynnwood is a regional leader in taxable retail sales per capita, surpassed only by Tukwila [Exhibit 29]. Taxable retail sales per capita in Lynnwood have increased 25% since 2002, adjusted for inflation.

Exhibit 29. Taxable Retail Sales per Capita, Lynnwood, 2012



Source: WA Department of Revenue (2012); Community Attributes Inc. (2014)

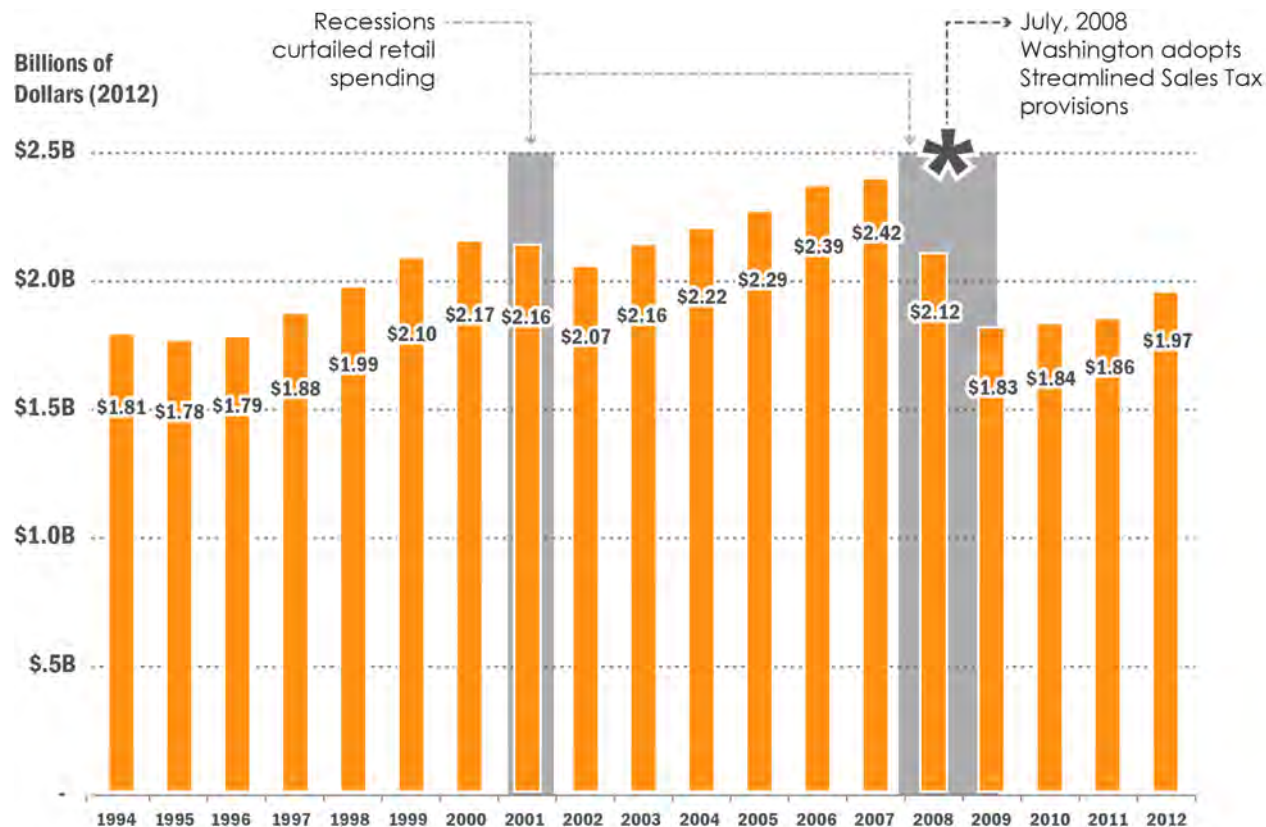
Retail spending is recovering from major drops in 2008 and 2009. This decline is partially explained by the recent recession, which negatively impacted consumer confidence and resulted in limited discretionary spending. The data also show a decrease in taxable retail sales after the 2001 recession.

Taxable retail sales were also affected by the implementation of *Streamlined Sales Tax (SST)* provisions, which dictate that sales taxes are distributed to the jurisdiction where the item is shipped or delivered, not where it was sold. As a result, Lynnwood is no longer receiving sales tax on products retailers ship outside of Lynnwood. The impact of SST compounded the retail sales tax declines seen during the Great Recession, decreasing the amount of revenue available to the City. As of 2012, taxable retail sales are rebounding,

but this source of revenue will always be partially dependent on larger macroeconomic factors. Retail sales tax trends are depicted in **Exhibit 30**.

As the region grows, Lynnwood is well-positioned to capture a significant portion of additional spending power. The City's existing concentration of retail uses may create opportunities for other retailers to take advantage of customer traffic, which provides an incentive for continued retail development.

Exhibit 30. Total Annual Taxable Retail Sales, Lynnwood, 1994 - 2012



Source: WA Department of Revenue (2012); Community Attributes Inc. (2014)

RETAIL TRADE ANALYSIS

Trade capture measures retail sales in a city relative to household spending that occurs within a given area, termed the *trade area*. Trade areas are used to contextualize spending patterns within a larger region. In this study, trade capture is analyzed within a five, eight and ten mile radius of City Center. Alderwood mall management, notably, defines its primary trade area as a seven mile radius from the property. Trade areas can also be defined by drive time or jurisdictional boundary. The maps in **Exhibit 31** overlay population density with the retail trade areas surrounding a number of the region's most prominent retail centers to illustrate how Lynnwood's major retailers compete regionally.

Detail Zoom of Lynnwood

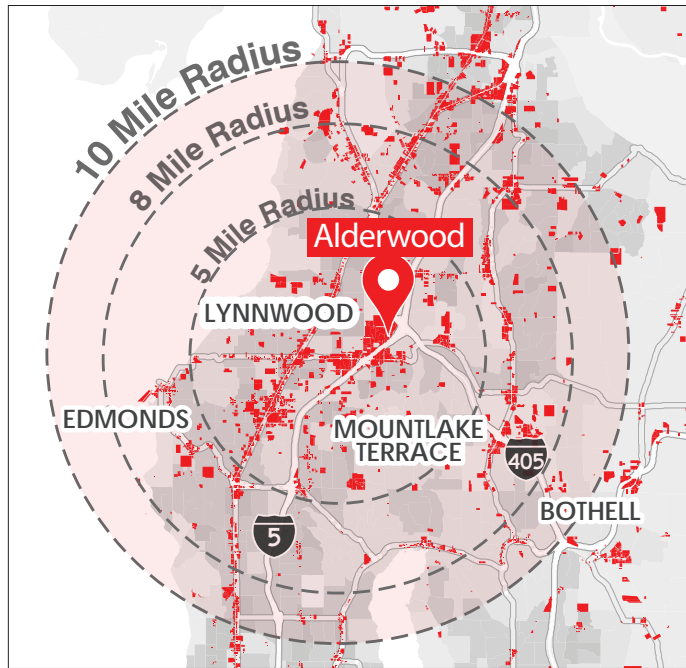
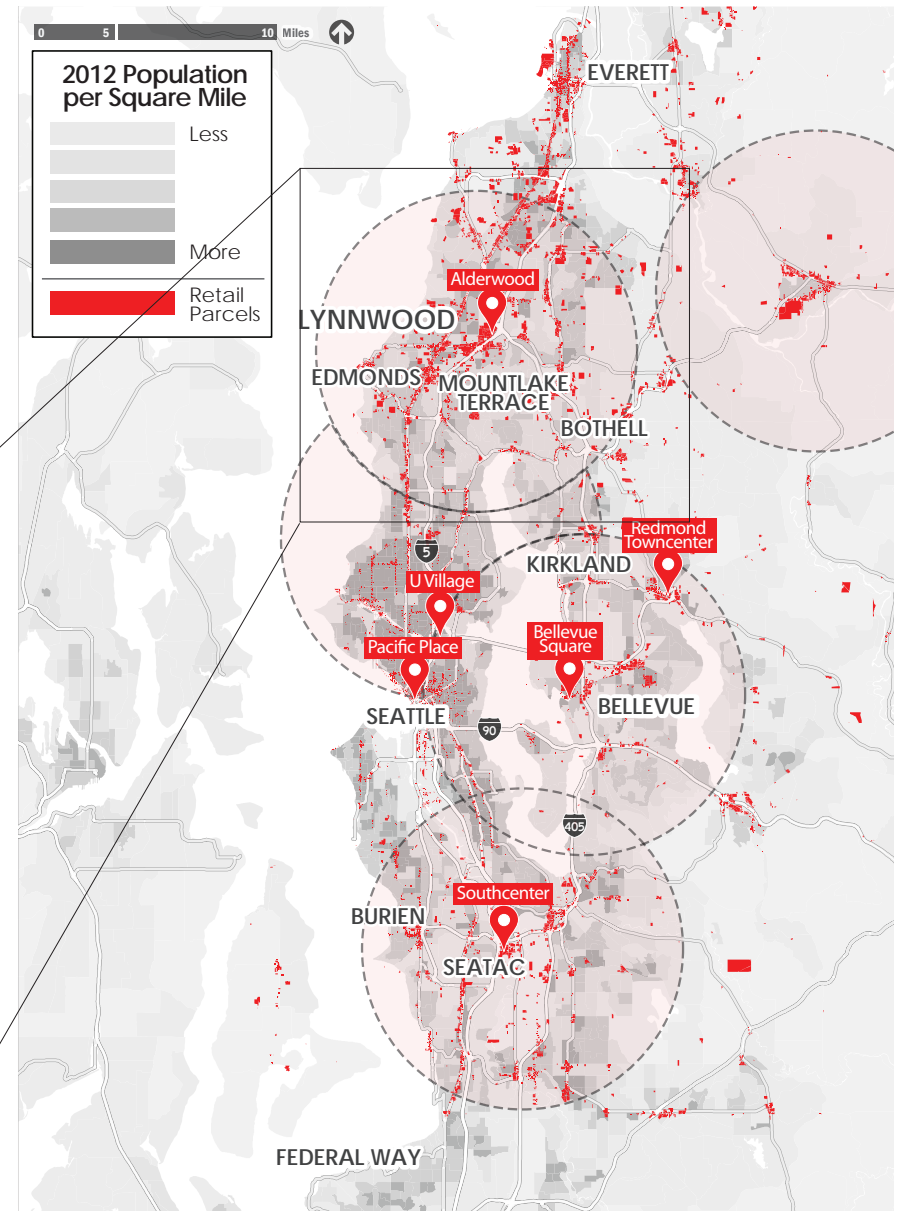
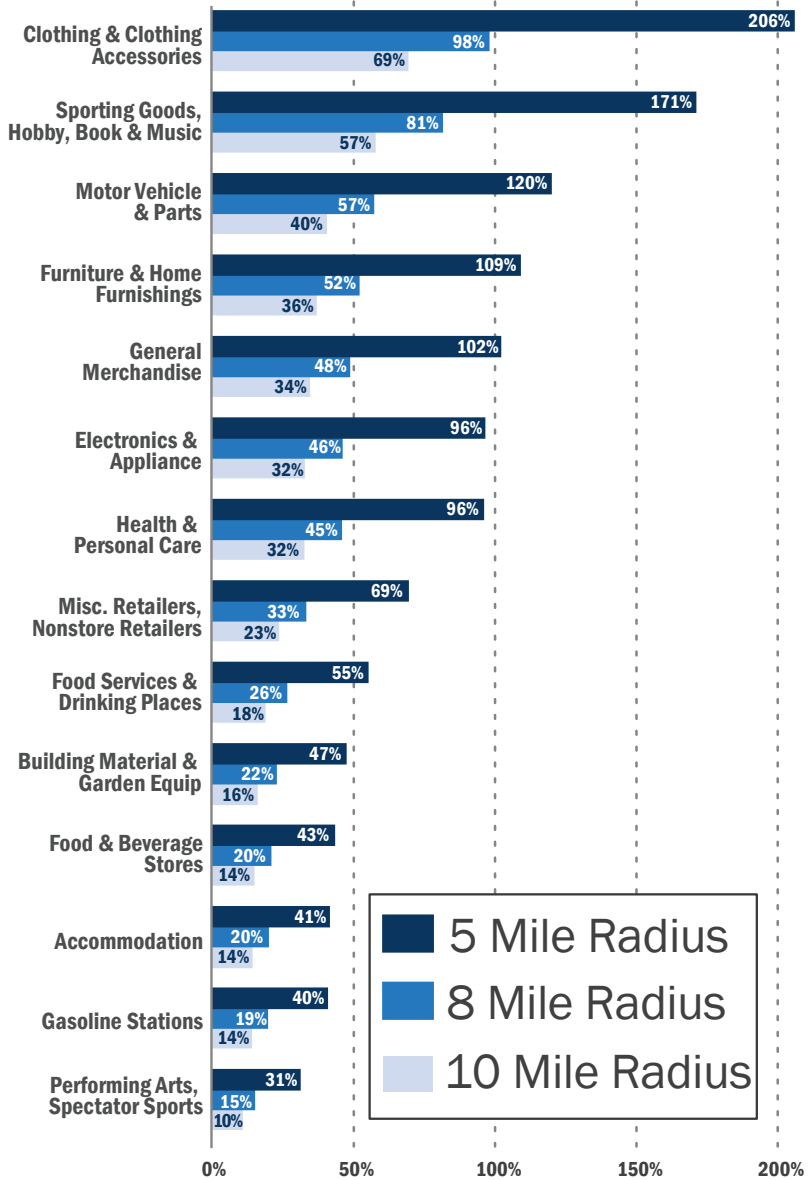


Exhibit 31. Major Retail Centers in the Central Puget Sound Region, 2014



Source: WA Department of Revenue (2012); Community Attributes Inc. (2014)

Exhibit 32. Retail Trade Capture, Lynnwood, 2012



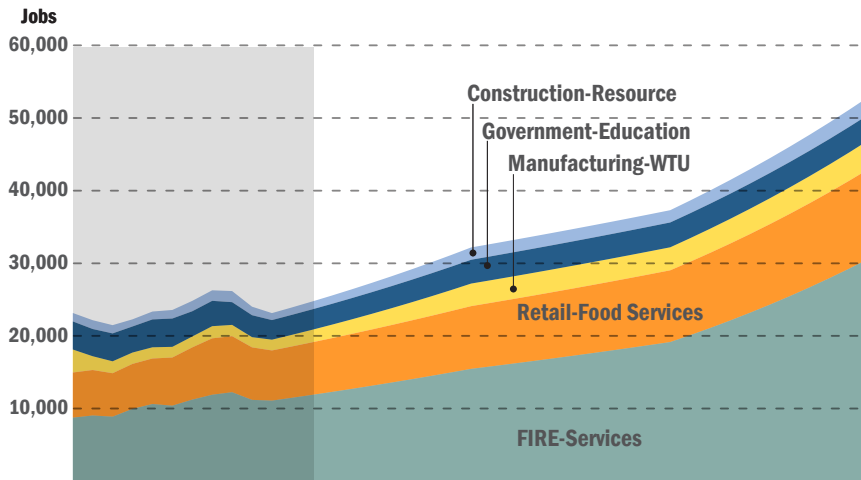
As shown in **Exhibit 32**, trade capture in Lynnwood is highest in stores that sell clothing and clothing accessories. These stores capture almost 100% of related household spending within eight miles of City Center. Lynnwood exhibits strong trade capture in sporting goods, book and music stores, motor vehicles and motor vehicle parts, furniture and home furnishings, general merchandise, electronics and appliances and health and personal care. Lower trade capture in performing arts and spectator sports is attributable to the fact that Lynnwood has few such venues. The data suggest that there may be an opportunity to improve the City’s offerings in entertainment.

Source: WA Department of Revenue (2012); Community Attributes Inc. (2014)

FORECASTS & TRENDS

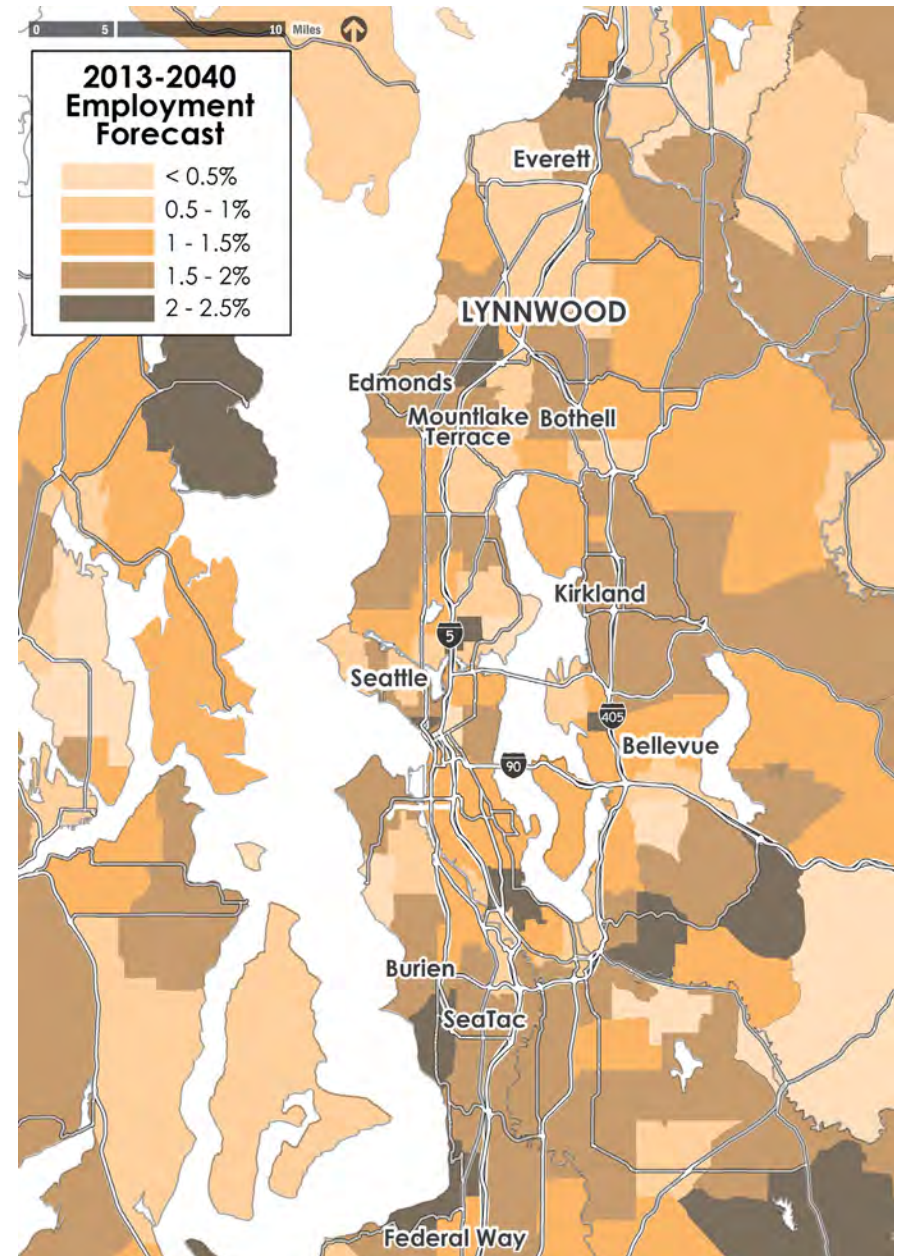
Employment forecasts indicate that employment in Lynnwood will grow by 2.9% annually between 2012 and 2040 [Exhibit 33], adding almost 29,000 new jobs through 2040. The FIRE-Services sector is expected to add the most jobs and experience the fastest growth, at an average annual rate of 3.6%. Both the Manufacturing-WTU and the Construction-Resource sectors are also expected to grow faster than the average of all industries across the MSA. The map in Exhibit 34 indicates that most of this growth will occur in the eastern portion of Lynnwood, which is also the location of Lynnwood's Regional Growth Center and City Center.

Exhibit 33. Observed & Projected Growth in Employment by Major Industry Sector, Lynnwood, 2000-2040



Source: Puget Sound Regional Council (2013); Community Attributes Inc. (2014)

Exhibit 34. Forecasted Employment Growth, 2013-2040



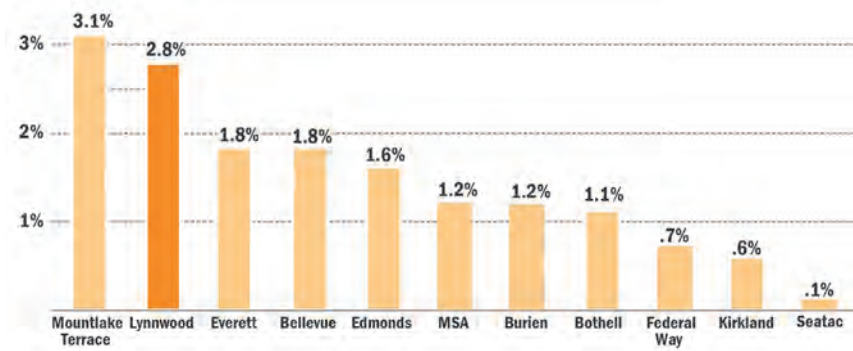
Source: Puget Sound Regional Council (2013); Community Attributes Inc. (2014)

These growth rates are high when compared to the projected annual employment growth rate and the net change in total employment over the forecast period [Exhibit 35]. The *Compound Annual Growth Rate (CAGR)* for employment in Lynnwood is high relative to the comparison cities, second only to Mountlake Terrace.

Lynnwood ranks third in forecasted net growth in total employment among all selected comparison cities, and the City is expected to add more jobs than in the larger cities of Kirkland and Federal Way [Exhibit 36].

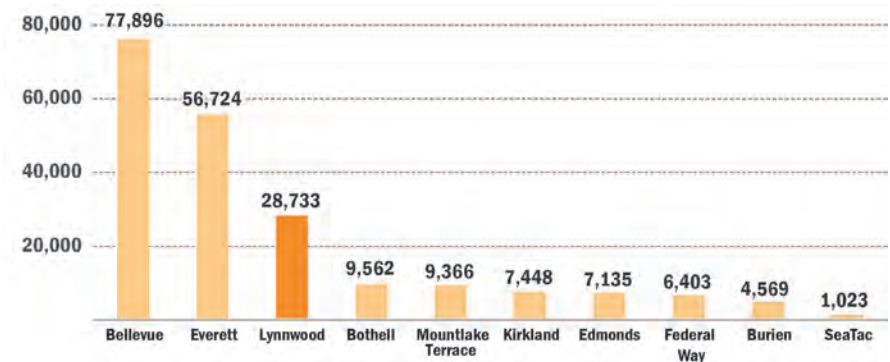
These forecasts imply that Lynnwood will require additional commercial space to house new workers; based on assumptions from the Snohomish County Buildable Lands report (2007, 2012). Based upon the space required per employee across industry sectors, the forecast data indicate that Lynnwood could potentially see up to 13 million square feet of new commercial development through 2040.

Exhibit 35. Forecasted Compound Annual Growth Rate in Employment by Sector, 2011-2040



Source: Puget Sound Regional Council (2013); Community Attributes Inc. (2014)

Exhibit 36. Change in Employment, Lynnwood & Comparison Cities, 2011-2040



Source: Puget Sound Regional Council (2013); Community Attributes Inc. (2014)

SUMMARY OF KEY FINDINGS

The following summarize key insights drawn from this analysis of Lynnwood's economy and are important for consideration in developing the economic strategy:



Lynnwood's jobs-to-housing units ratio demonstrates the degree to which the City is a job center for Snohomish County. Lynnwood has the second highest projected job growth rate of all selected comparison cities. Forecasts indicate that Lynnwood will remain a major job center for the foreseeable future, and that much of the City's job growth could be accommodated in the Regional Growth Center and the City Center sub-area.



In 2013 a smaller share of Lynnwood residents work in Lynnwood (12%) than compared to 2000 data (24%). Major workplace destinations for Lynnwood residents remain unchanged from 2000 and include Seattle, Everett and Bellevue.



Lynnwood's major sectors, especially the Services sector, continue to grow at rates well above the regional average. Average wages for Services jobs in Lynnwood, the City's largest employment sector, remain below the national average.



The Finance, Insurance & Real Estate Sector accounts for a smaller portion of Lynnwood's jobs in 2012 than in 2002. Though Lynnwood ranks third in the county for jobs in this sector, these jobs account for a small percentage of overall employment.



Retail has rebounded since the recent recession and taxes from retail sales account for a large portion of municipal revenues. Continued population growth points to the potential for additional retail development over the coming decades; Alderwood mall's regional draw propels retail activity in the City.



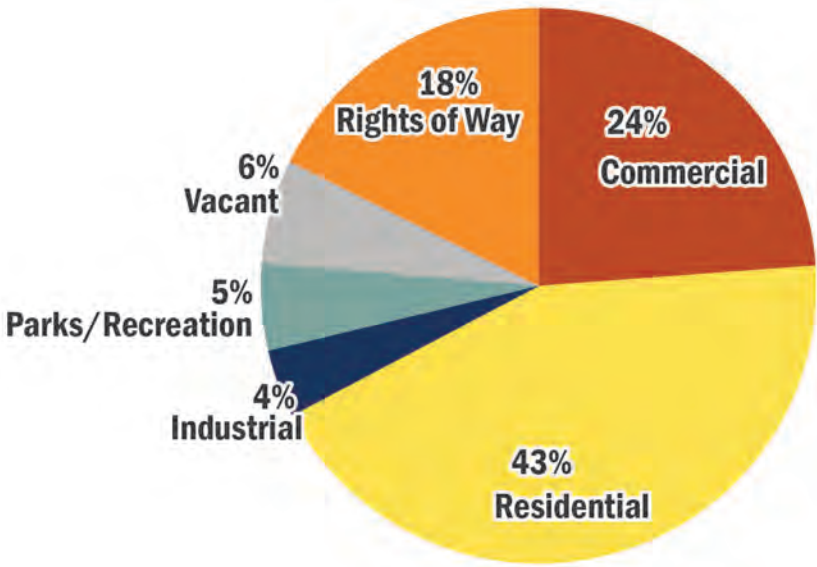
4 LYNNWOOD LAND USE & REAL ESTATE

LYNNWOOD LAND USE & REAL ESTATE

Lynnwood’s development pattern is characterized by single family housing and automobile-oriented commercial development. In 2013, commercial and residential land combined to account for more than half of Lynnwood’s land area. **Exhibit 37** shows the acreage associated with each major land use in Lynnwood.

The following section identifies challenges and opportunities associated with Lynnwood’s housing and transportation—core components of Lynnwood’s vision—and real estate market.

Exhibit 37. Land Area by Land Use Category, Lynnwood, 2013



Land Use	Acre (2013)	Percent
Commercial	1,201	24%
Residential	2,189	43%
Right of Way & Other	887	18%
Vacant/Undeveloped	306	6%
Parks/Recreation	255	5%
Industrial	198	4%
Total	6,458	100%

Source: Snohomish County Assessor’s Office (2013); Community Attributes Inc. (2014)

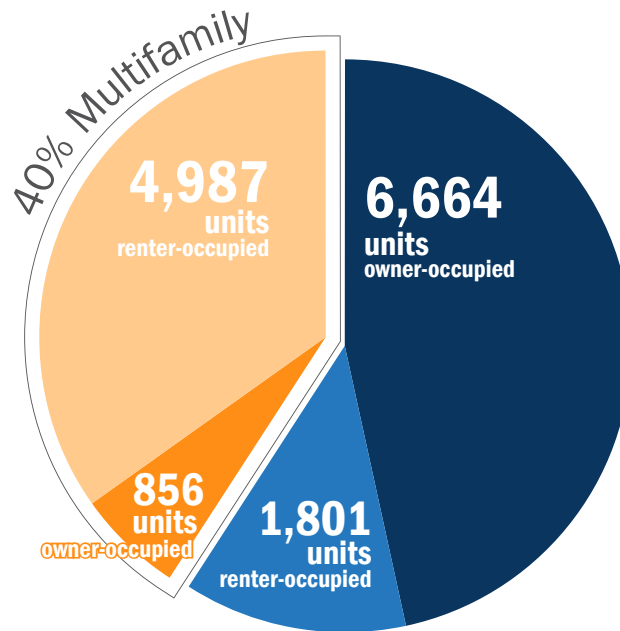
HOUSING

Residential uses occupy 43% of Lynnwood's land area, more than any other single use. There are approximately 15,000 housing units in Lynnwood, and about 14,300 (95%) of these units are occupied. Single family housing units comprise over 59% of occupied housing units in Lynnwood, including stand-alone homes or attached duplexes and triplexes. About one-fifth (21%) of these single-family units are renter-occupied. The remaining single-family homes are owner-occupied.

Multifamily housing units account for just over 40% of the occupied housing units in Lynnwood. The majority of these multifamily units are renter-occupied, though about 850 multifamily units are owner-

occupied. These owner-occupied units represent 6% of the occupied housing in Lynnwood and are typically condominiums. The number of owner occupied multifamily units has declined since 2000, when owner-occupied multifamily units accounted for 17% of all housing units in Lynnwood. Condominiums were hit particularly hard by the Great Recession and the housing market decline in 2007. This in turn led to higher vacancy rates and fewer apartment conversions in Lynnwood and elsewhere in the region. See **Exhibit 38** for detail on types of occupied housing units in Lynnwood.

Exhibit 38. Occupied Housing Units by Tenure & Type, Lynnwood, 2012

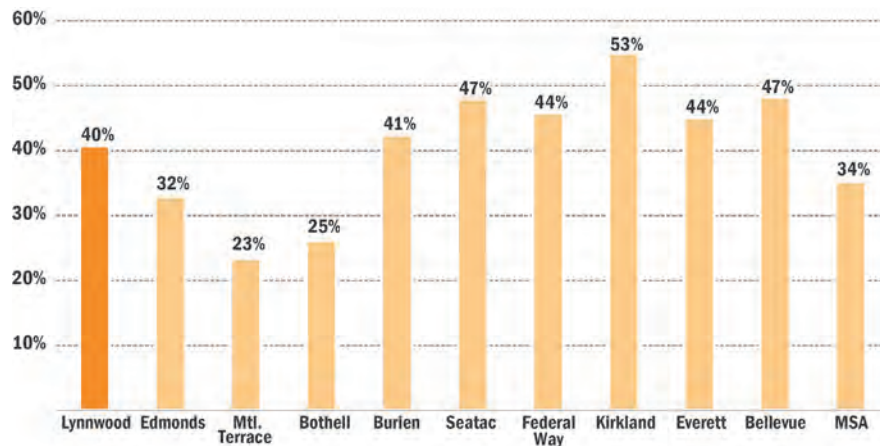


Source: U.S. Census Bureau ACS (2008-2012); Community Attributes Inc. (2014)

Lynnwood has the highest proportion of multifamily housing among neighboring cities, but a lower rate than in the larger cities of Kirkland, Everett and Bellevue, where higher land prices lead to dense concentrations of multifamily housing. The number of multifamily units as a percent of all housing units in Lynnwood and the selected comparison cities is illustrated in **Exhibit 39**. Multifamily housing is increasingly prominent in urban areas across the country, and is in higher demand as younger and older Americans alike increasingly desire urban amenities, accessible by walking or by public transit, and flexibility in their living arrangements.

Rental agreements for multifamily units tend to provide more flexibility than traditional mortgages, though multifamily units are not necessarily more affordable than single-family homes on a month-to-month basis. As previously indicated, median household incomes in Lynnwood are low relative to comparison cities and the MSA as a whole. Housing, traditionally one of the largest individual expenses for an American household, is considered affordable by the U.S. Department of Housing and Urban Development if it costs less than 30% of gross household income. **Exhibit 40** illustrates the percent of

Exhibit 39. Multifamily Share of Housing Units, Lynnwood & Comparison Cities, 2011

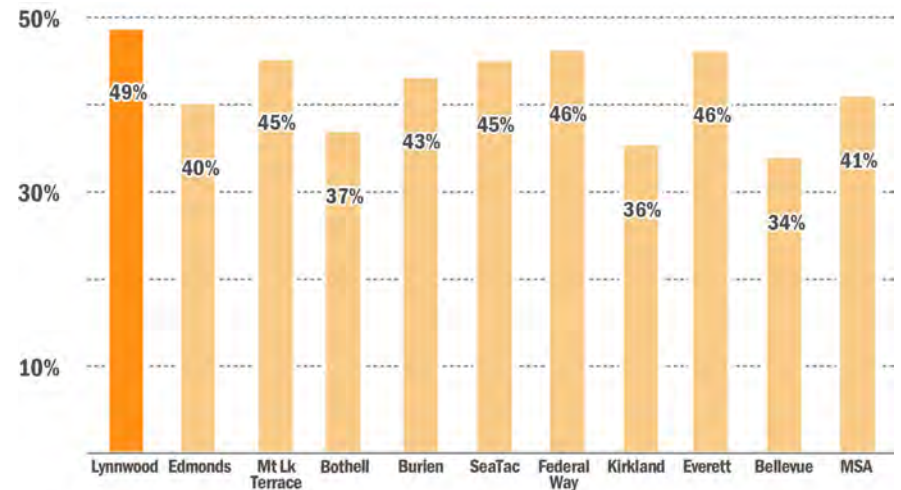


Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

residents spending more than 30% (excluding utilities) on housing in Lynnwood and in the selected comparison cities. Almost one-half of Lynnwood residents pay more than 30% of gross income for housing.

The lack of vacant land available for single family development in the city suggests an increasing role for multifamily and mixed-use housing typologies as Lynnwood grows. Based on current planning efforts and zoned capacity, these higher density developments are likely to be concentrated in the Lynnwood Regional Growth Center, City Center and along Highway 99. Population forecasts project the development of about 2,700 new housing units in Lynnwood by 2040, with an increasing share of multifamily units.

Exhibit 40. Percent of Residents Spending More than 30% of Gross Income on Housing, Lynnwood & Comparison Cities, 2011



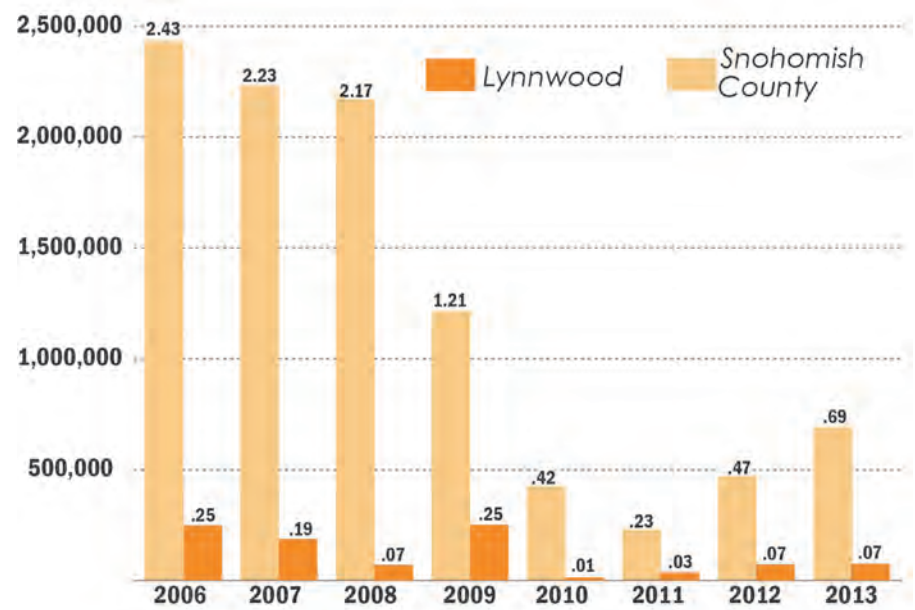
Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

COMMERCIAL REAL ESTATE

Ongoing development and redevelopment are important factors in achieving the City's vision of being a connected and sustainable city. After activity slowed during the recent recession, the Puget Sound region is experiencing a resurgence of development activity. In Lynnwood, a large portion of new commercial and residential development is expected to occur in City Center. This section of the report presents analysis of Lynnwood's real estate market.

In 2013, commercial real estate development in Lynnwood, including retail, office and flex/industrial buildings, created 74,000 square feet of new commercial space. This represents 30% of the total square feet delivered in 2006, the pre-recession high. Development in Lynnwood has returned marginally faster than development throughout Snohomish County, where the number of delivered commercial square feet reached 691,000 square feet in 2013, 28% of its pre-recession high. **Exhibit 41** illustrates these trends for commercial development, which includes retail, office and flex/industrial buildings.

Exhibit 41. Delivered Commercial Square Feet by Year, Lynnwood, 2006-2013

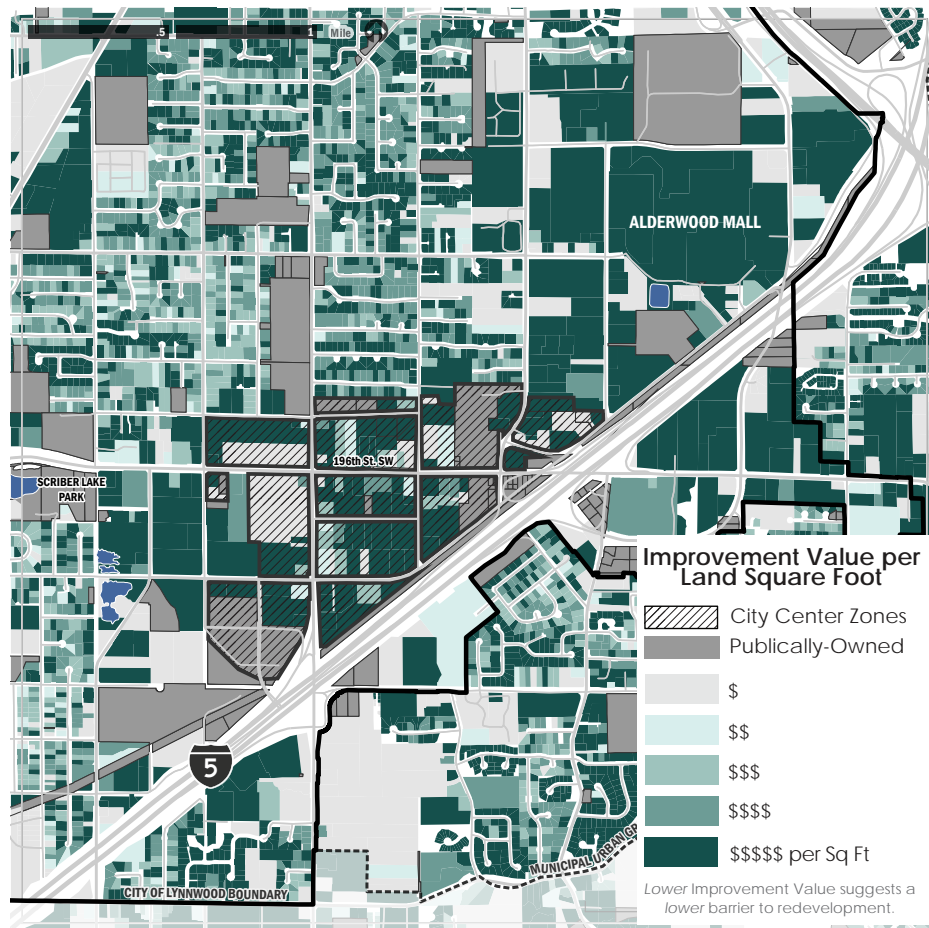


Source: CoStar (2014); Community Attributes Inc. (2014)

REDEVELOPMENT CONSIDERATIONS

Existing Improvement Values in the City Center help identify parcels that may have fewer impediments to redevelopment. High improvement values may be a barrier to redevelopment because they indicate that the owner has a higher opportunity cost to sell the property or because they indicate that a developer will have to pay a higher price to buy the land. The map in **Exhibit 42** illustrates parcels with lower improvement values (i.e. lower values associated with the built structures on the parcel) in lighter colors. There are a number of publicly-owned parcels in the City Center, which are shaded in gray.

Exhibit 42. Improvement Value per Square Foot of Land Area, Lynnwood City Center, 2013



Source: Snohomish County Assessor's Office (2013); Community Attributes Inc. (2014)

RESIDENTIAL MARKET

Lynnwood is forecasted to absorb about 7,000 new residents through 2040. City Center will accommodate much of this growth in multifamily housing units. Almost 700 multifamily housing units are currently in the pipeline in Lynnwood, and an additional 1,500 are being constructed in the City's MUGA. According to the City's plans, the Alderwood mall area and the Highway 99 corridor are also key locations for new housing development.

Exhibit 43. Multifamily Development Pipeline Projects, Lynnwood & Lynnwood Municipal Urban Growth Area, 2013

Project Name (Developer)	Units	Rentable Building Area
City Center Senior Living Apartments (SHAG)	308	337,949
148th Street Townhomes*	42	46,000
Avalon Alderwood I (Avalon Bay Communities)*	367	293,600
Avalon Alderwood II (Avalon Bay Communities)*	124	99,200
Lynnwood Place (Cypress Equities)	344	258,000
Lynnview II (Williams Investments)*	30	30,000
Motif Apartments	46	58,995
Tivalli (Goodman Real Estate)*	383	310,000
Avalon Alderwood Urban Center*	491	491,000
Ash Creek II (Integral Northwest Corp.)*	110	110,000
Total (Lynnwood & PAA)	2245	2,034,744

* Project is located in the Urban Growth Area

Source: Dupree and Scott Apartment Advisors (2013); CoStar (2014); Community Attributes Inc. (2014)

Exhibit 44 details lease and vacancy rates for multifamily housing projects in Lynnwood and selected comparison cities. For-rent residential units in Lynnwood are moderately priced relative to the central Puget Sound region. The increased developer interest in construction of multifamily units indicates that multifamily developments are feasible at current market rents. However, rents may not yet be high enough to drive the provision of additional amenities such as structured or underground parking. These amenities are characteristic of urban markets, and will be desirable in a dense neighborhood like the City Center.

Exhibit 44. Average Monthly Lease Rate & Avg Vacancy Rate for Multifamily Properties, Lynnwood & Comparison Cities, 2013

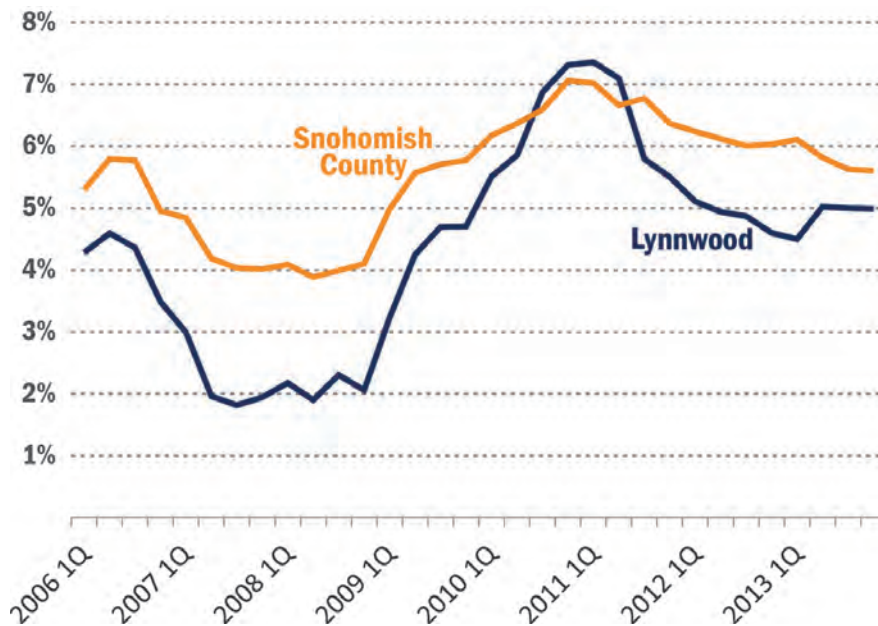
City	Avg Monthly Lease Rate	Rent per Sq FT	Vacancy Rate
Kirkland	\$1,514	\$1.72	4.3%
Bellevue	\$1,422	\$1.65	2.7%
Bothell	\$1,094	\$1.26	5.0%
MSA	\$1,082	\$1.30	3.6%
Lynnwood	\$969	\$1.08	3.7%
Mountlake Terrace	\$939	\$1.12	3.3%
Everett	\$883	\$1.16	2.9%
Federal Way	\$871	\$0.98	4.4%
Edmonds	\$862	\$1.07	2.9%
Burien	\$852	\$1.03	4.0%
Seatac	\$811	\$1.04	2.9%

Source: Dupree and Scott Apartment Advisors (2013); CoStar (2014); Community Attributes Inc. (2014)

RETAIL MARKET

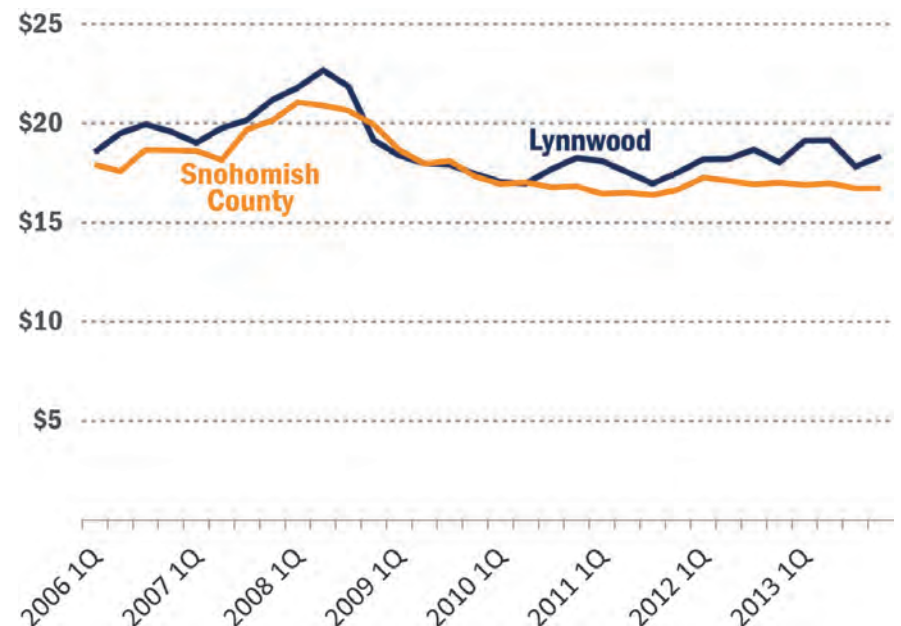
The market for retail development in Lynnwood appears stronger than in Snohomish County as a whole. Low vacancy rates—around 5%—detailed in **Exhibit 45**, indicate that demand for retail in Lynnwood is high. At the same time, average lease rates per square foot at \$18.70 for retail spaces [**Exhibit 46**] are slightly higher than the Snohomish County average. These metrics help inform a developer’s decision to pursue a development project; above average lease and vacancy rates are positive indicators of project feasibility. Currently, there are about 400 retail buildings in the City totaling more than 8 million square feet of space.

Exhibit 45. Average Direct Retail Vacancy Rate, Lynnwood & Snohomish County, 2006-2013



Source: CoStar (2014); Community Attributes Inc. (2014)

Exhibit 46. Average Direct Retail Lease Rate, Lynnwood & Snohomish County, 2006-2013



Source: CoStar (2014); Community Attributes Inc. (2014)

OFFICE MARKET

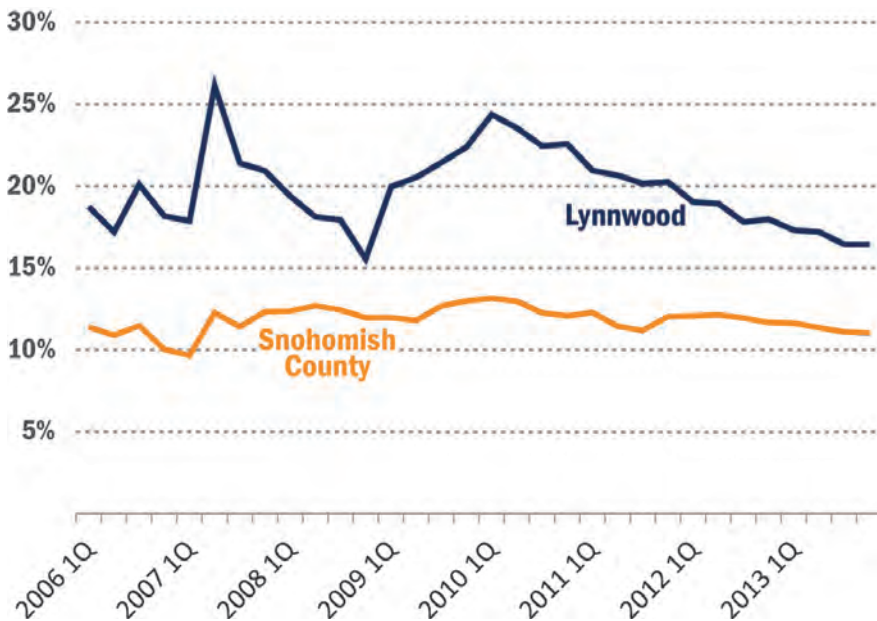
Currently, there are 176 buildings in Lynnwood classified as “office”. These buildings account for almost 2.8 million square feet of leasable space. Office vacancy rates in Lynnwood averaged 16.7% by the first quarter of 2014 - well above the County average of 11%. **Exhibit 47** shows that vacancy rates in Lynnwood have ranged from a high of 25.6% on average to a low of 15.1% since 2006.

Lease rates for Office Space in Lynnwood average \$22.73 per square foot, which is higher than the County as a whole [**Exhibit 48**]. Class A space in Lynnwood, which is limited to only 5 buildings, is currently at \$25.57 per square foot. By comparison, Class A space in Seattle leases for an average of \$33.50 per square foot. Class B buildings

account for 74 structures and have an average lease rate of \$22.16. The majority of office buildings in Lynnwood are more modest Class C buildings. There are 97 Class C buildings, currently leasing for an average of \$17.84 per square foot.

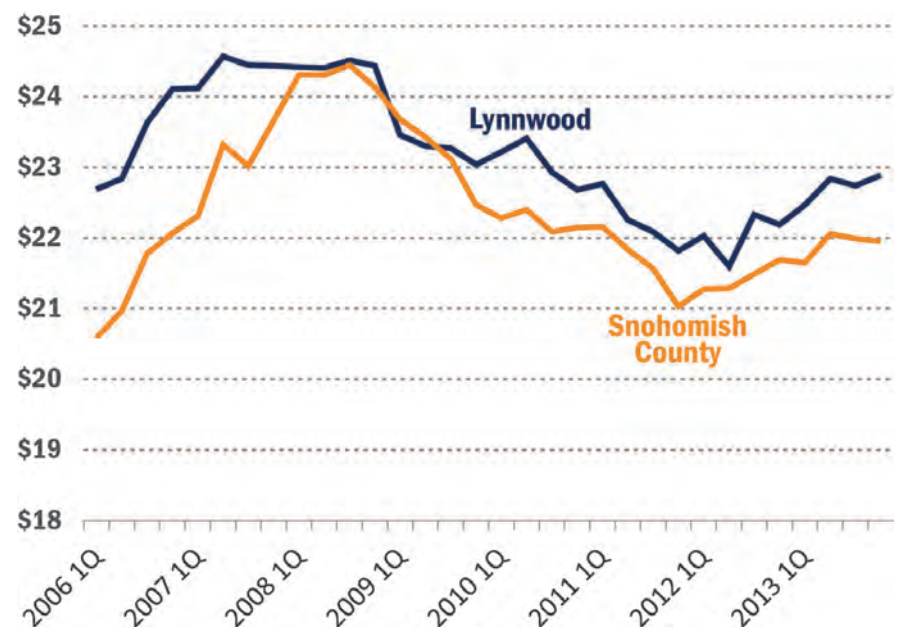
Lynnwood’s vacancy rate for office space peaked in 2007 at over 26%. **Exhibit 48** shows that lease rates were, however, climbing during this period, indicating growth. The spike in vacancy rate for Lynnwood may therefore be due to an influx of newly constructed office space: in 2007, all 175,000 commercial square feet delivered [**Exhibit 41**] were marketed for use as office space. Large spaces take time to fill, temporarily elevating the vacancy rate.

Exhibit 47. Average Direct Office Vacancy Rate, Lynnwood & Snohomish County, 2006-2013



Source: CoStar (2014); Community Attributes Inc. (2014)

Exhibit 48. Average Direct Office Lease Rate, Lynnwood & Snohomish County, 2006-2013

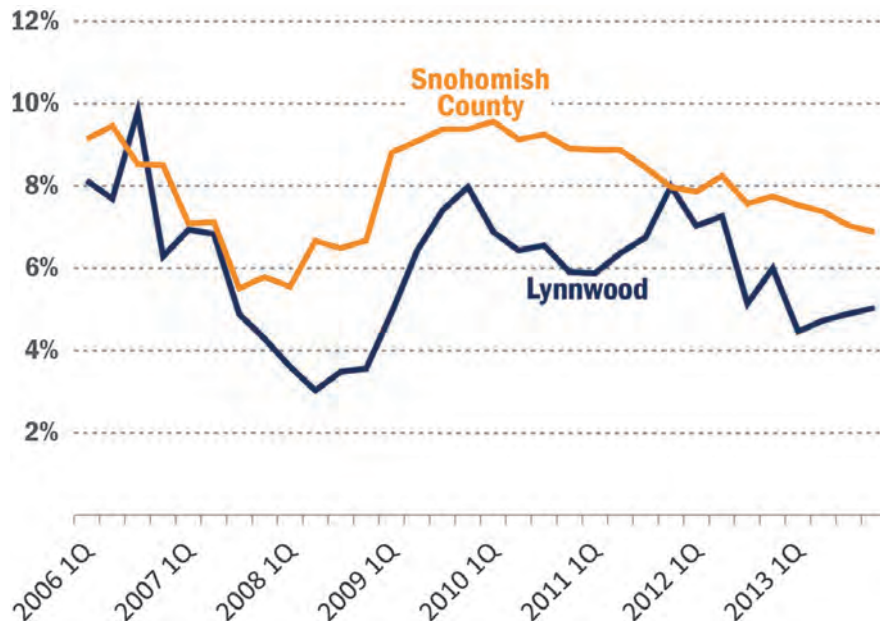


Source: CoStar (2014); Community Attributes Inc. (2014)

INDUSTRIAL/FLEX MARKET

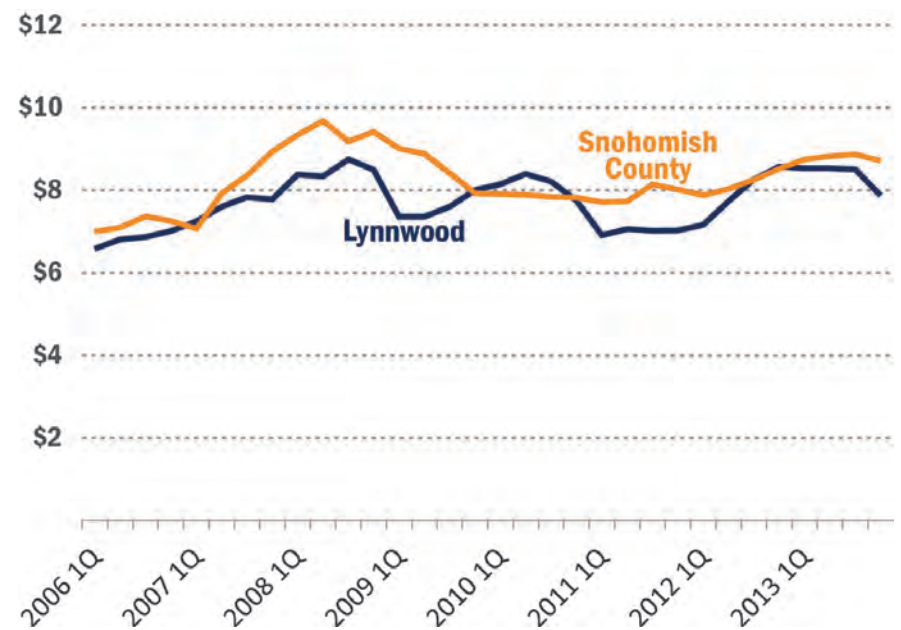
Lynnwood is not an industrial hub for Snohomish County and is constrained by available land, but metrics for industrial and flex space indicate that Lynnwood may continue to offer a limited market for certain types of light industrial development. At 4.7%, vacancy rates for industrial and flex space in Lynnwood are somewhat lower than rates for Snohomish County. Lease rates in Lynnwood have historically paralleled rates for the County [Exhibits 49 & 50], and are currently \$7.84, slightly lower than the County average.

Exhibit 49. Average Direct Industrial/Flex Vacancy Rate, Lynnwood & Snohomish County, 2006-2013



Source: CoStar (2014); Community Attributes Inc. (2014)

Exhibit 50. Average Direct Industrial/Flex Lease Rate, Lynnwood & Snohomish County, 2006-2013



Source: CoStar (2014); Community Attributes Inc. (2014)

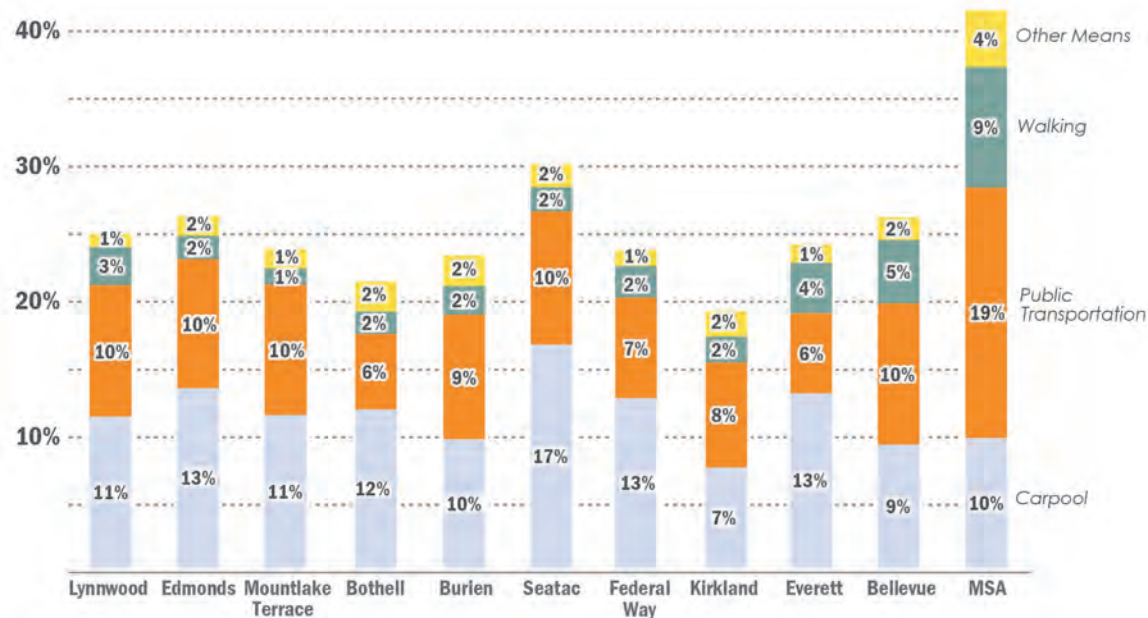
TRANSPORTATION

Workers who choose housing options further from job centers in urban areas may generate cost savings as housing tends to be less expensive, though those savings may be offset by increased transportation costs. Public transit is therefore an important amenity that can improve affordability for Lynnwood residents. A transportation mode split, given in **Exhibit 51**, reveals the commute modes of residents in Lynnwood and selected comparison cities.

Almost 25% of Lynnwood residents commute to work via a mode of transportation other than driving alone. This rate is higher than in neighboring cities like Mountlake Terrace and Bothell and similar to figures for some comparable and larger cities. Almost

3% of Lynnwood residents walk to work, nearly on par with walking figures from larger cities such as Everett and Bellevue. Nearly 10% of Lynnwood residents take public transportation, more than in any neighboring or comparable city but SeaTac. The scheduled opening of Lynnwood's light rail station in 2023 has the potential to increase this number. Higher alternative transportation mode splits indicate decreased reliance on personal vehicles for transportation.

Exhibit 51. Alternative Transportation Mode Split for Resident Workforce, Lynnwood & Comparison Cities, 2011



Source: U.S. Census Bureau ACS (2007-2011); Community Attributes Inc. (2014)

SUMMARY OF KEY FINDINGS

Data in the Land Use and Real Estate section provide several key findings that may inform the Economic Development Action Plan.



Lynnwood is characterized by strong commercial corridors, along Highway 99, in the Regional Growth Center and City Center, and around Alderwood mall.



Residential uses occupy a large share of land area, and additional multifamily construction is expected to increase average residential densities. Residential development will likely be concentrated in mixed-use centers.



Housing affordability is a significant issue for Lynnwood residents, but housing prices are not high for the region. Currently, low median household incomes may make relatively inexpensive housing unaffordable for some residents.



Transportation costs burden some residents of the City, though Lynnwood generally has good access to public transportation. With the scheduled completion of light rail in 2023, Lynnwood will improve transit access and decrease negative externalities associated with commuting by personal automobile.



Significant development is expected to occur Lynnwood's City Center, and retail development is feasible based on market conditions. Employment forecasts indicate that Lynnwood could see up to 13 million square feet of new commercial development through 2040.



5 STRATEGIC THEMES FOR ECONOMIC DEVELOPMENT

STRATEGIC THEMES FOR ECONOMIC DEVELOPMENT

This profile presents several key themes that inform the strategic planning process, including constraints and opportunities for economic development.

Accommodating Forecasted Growth

Though the City is not expected to grow rapidly in population, the increasing presence of multifamily housing and the significant growth in Lynnwood's potential annexation areas require the City to think strategically about where and how new growth can integrate into the existing fabric of its neighborhoods. New development can create powerful community assets.

Harnessing the Power of a Diverse Community

Ethnic restaurants, cultural festivals and international districts are just a few of the opportunities that diverse populations bring to the cities they live in. Lynnwood is already one of the more diverse communities in the region, with large populations of Asian and Mexican origin. As the City and the region continue to diversify, Lynnwood can work with its residents to develop a strong communal identity.

Focus on Housing & Amenities That Attract New Workers & Residents

While many Lynnwood residents find housing difficult to afford, housing is relatively affordable in Lynnwood when compared to the region. New housing projects can bring additional affordable units to Lynnwood, but developing mixed-income communities and attracting new residents that work in a diverse range of industries is the best long-term strategy for increasing prosperity for Lynnwood residents.

Identifying Opportunities to Grow Mixed-use Centers

Employment projections predict robust job growth in Lynnwood through 2040 and over 2,000 multifamily units are already in the development pipeline in Lynnwood and its Municipal Urban Growth Area. The Regional Growth Center and City Center have significant

untapped zoned capacity, giving Lynnwood a chance to bring new employers to the City and entice new workers to live near their place of employment. This will help new retail succeed, increase tax revenues for the City and contribute to the City Center's emergence as a vibrant destination.

Diversification of the City's Economic Base

Services and Retail will remain a large part of Lynnwood's economy, with the Services sector projected to grow faster than any other in the City. However, the continued presence of significant office-based employment represents an opportunity to diversify Lynnwood's economic foundation.

The Changing Face of Retail

New developments in Lynnwood—including Lynnwood Place, Lynnwood Crossroads and the City Center Senior Living Apartments—indicate that the real estate market favors walkable, mixed-use development. New amenities and capital improvements can help pave the way for new retail development, and Lynnwood's development regulations should encourage this style of retail. Market metrics indicate that new retail development is feasible, with favorable lease and vacancy rates compared to Snohomish County.

Capitalizing on Investments in Infrastructure

Existing development activity in the City Center and the coming light rail station, scheduled for completion in 2023, present an opportunity to promote geographic diversity in the City's employment, attract new employers, and decrease the negative externalities associated with commuting via personal automobile.

