

SOME ASSEMBLY REQUIRED

An Economic Development Strategy



"Shaping a High Performing Economy for Federal Way"



 **CITY OF
Federal Way**
January 2015

Some Assembly Required

An Economic Development Strategy

**Shaping a High Performing Economy
for Federal Way**

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Message from Mayor Jim Ferrell

It is my pleasure to present to the residents and business people of Federal Way, the Mayor's Economic Development Strategy for 2015-2016.

The Strategy is a vital component of the City's efforts to make Federal Way the premier city in the Puget Sound Region for business and families.

Federal Way already enjoys many qualities that make it an excellent community to locate in. Federal Way is a vibrant and dynamic part of the Puget Sound region. It is the 11th largest city in the state and the fifth largest city in King County.



Federal Way is home to a diverse economic base of businesses. It was recently ranked as one of the fastest growing cities in the nation according to the website Wallet Hub.

Federal Way's commitment to business is matched by a great quality of life that includes excellent schools, low crime rates and wonderful recreational facilities.

The Economic Development Strategy –“Some Assembly Required,” builds on these strengths and focuses on creating and retaining businesses and jobs through a cost-effective and practical approach that will maximize economic return to the city and the community. As the strategy works to foster economic growth, it will enhance the tax base. Additionally, City services can be leveraged to further address our City's quality of life and further investments toward our community's economic vitality.

The phrase line “Some Assembly Required,” captures the spirit that Economic Development is the responsibility of Federal Way's citizens, businesspeople, elected officials, city staff and regional partners.

In order to have a strong economy we must include an economic development perspective in all that we do, and be willing to work together through planning, design, finance and construction of projects along with attraction, retention and expansion of businesses and jobs

The Economic Development Strategy is intended not only as guide map for the City's economic development efforts, but also as a beginning for the community conversation about how we can work together to realize our shared goal of a strong, diversified and sustainable Federal Way economy.

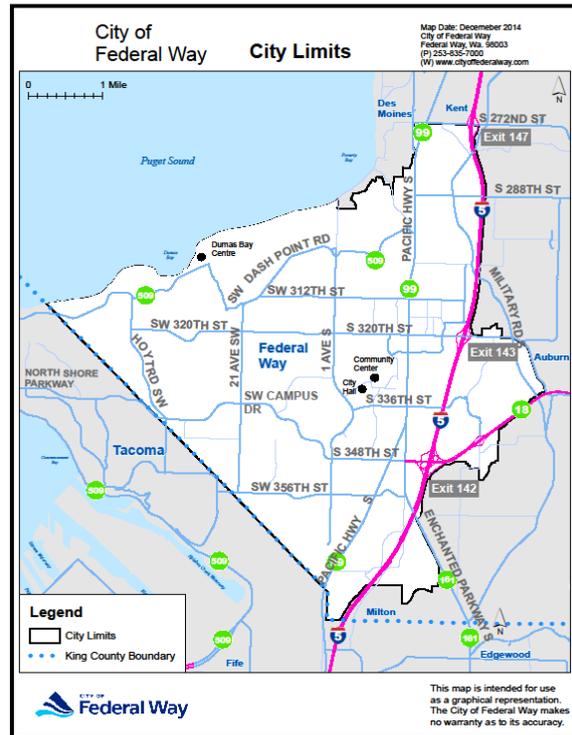
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EXECUTIVE SUMMARY

The purpose of this strategy is to formulate actions that create a high performing economy. Simply to create jobs while continuing to both diversify and sustain Federal Way, Washington.

The name of the Strategy, "Some Assembly Required" calls attention to the goals and objectives involved with the planning, designing, financing and construction associated with the programs, projects and services which are all needed to accomplish the reason or issues for the strategy.

Federal Way is located in King County, Washington. It is located between Seattle and Tacoma. Its northwestern boundary is the inlet from the Pacific Ocean into the Puget Sound. It is bordered by the cities of Des Moines and Kent on the north, Auburn. Milton is located on the south, and the City of Tacoma as well along with as Fife Heights and Dash Point in unincorporated Pierce County on the southwest. It is located in a metropolitan area with a population of 3.7 million.



The City is 22.46 sq. miles in size. Some 22.26 sq. miles encompass land and .20 sq. miles encompass water. The City was incorporated in 1990, making it one of the youngest cities in the state. It will celebrate its 25th Anniversary of Cityhood in 2015.

Population

Federal Way's population was 89,306 at the 2010 Census. Today, its population is estimated to be 92,734 according to the Census Bureau's 2013 population estimate making it currently the 11th largest city in Washington State and the 5th largest out of 38 incorporated cities in King County.

Federal Way's population is young with over 50 percent of the population below 34 years of age. Nearly 80 percent of the population is under 54 years of age. The largest percentage is the age group 35-54 at 28.4 percent. The age group 5 to 19 is 2.3 percent is the next largest. The smallest age group is 85 plus years of age at 1.5 percent. Only 10 percent of the population is of retirement age. Federal Way has a younger population than Seattle and Tacoma. See Appendix for table and graph on age of population.

Ethnicity

Federal Way has a diverse population. According to the Federal Way School District, there are 111 languages spoken in the households of its students. According to the 2010 Census, 57 percent of the population is white. The Asian community comprises 14 percent; Black or African is 10 percent, Other Race comprises 8 percent; Two or More Races account for 7 percent of the population; Native Hawaiian and Other Pacific islander is three percent and Native Indian and Alaskan Native is one percent. See Appendix for table and graph on age of ethnicity.

Income

According to the Census Bureau's American Community Survey 5 Year Estimate 2009-2013, the Median Household Income is \$55,872, the Average Household Income is \$66,663 and the Per Capita Income is \$26,508. These numbers are all up from the 2000 Census as the Median Household Income was \$49,278, the Average Household Income was \$55,833 and the Per Capita Income was \$22,451.

Business

Fifty percent of the state's population is located within a 2 hour drive either north or south from Federal way. Like many cities, Federal Way's economy suffered during the "Great Recession," however the diversity of its employment sectors served it well during this period as no one sector dominated the city's economy.

The City collected nearly 5,000 business licenses in 2013/14; 2,846 or 58 percent were based in Federal Way. Of these businesses, an estimated 70 percent employ less than 5 employees.

Meanwhile, 2,064 or 42 percent of the licenses collected were from businesses located outside of Federal Way that are doing business in Federal Way.

Defining Economic Development

Economic development means different things to different people. On a broad scale, anything a community does to foster and create a healthy economy can fall under the auspice of economic development. Today's economic development professionals are trying harder than ever to define their field in terms that are more concrete and salient to policymakers, the public, and other professionals. There are probably as many definitions for economic development as there are people who practice it.

Economic Development refers to any action that creates change in what and how goods and services are produced through shifts in resource allocation such as Production, Workforce Skills, Technology/Information and Finance/Capital that increases economic growth.

Simplified, it is what increases a local economy's capacity to create wealth for its residents using financial, physical and human resources. Wealth refers to increased prosperity - that, which a community desires, including the creation of jobs for the production of goods and services, increasing incomes from these jobs and an environment for investment for sustained economic growth.

Supply v. Demand Side Economic Development

Demand Side Economic Development is specifically focused on the business incentive activities surrounding expansion, attraction and retention of businesses. However, recruitment of businesses can be a zero-sum game especially if you get trapped in providing give-a-ways or incentives and fail to receive more in return than what you promised.

Supply Side Economic Development is specifically focused on the activities of meeting the needs of the business community, e.g. the quantity and quality of the labor force, financial resources, i.e., availability and access to capital for business growth, available land and good quality infrastructure. Federal Way has practiced Supply Side Economic Development.

The Evolution of Economic Development Strategies

There are many reports and studies that have examined local economic development strategies over history. In the U.S., academicians identified that there are “waves” of economic development with unique characteristics that have occurred over periods of time. They have identified at least five with another being considered currently in vogue.

The first wave focused on industrial strategies, This wave occurred during the 1930’s through 1940’s post WWII. It was sometimes known as “smokestack chasing.” The second wave involved the retention of existing businesses within a community. This occurred during the 1950’s. The third wave focused on assisting small business development and entrepreneurship activities. This activity occurred during the 1960’s and 70’s. The fourth wave was sustainable economic development. This occurred during the 1980’s through 1990’s. The fifth wave involves the idea of a comparative advantage. This occurred in the late 1990’s early 2000’s. Lastly, since the Great Recession, economic developers maybe witnessing the creation of the sixth wave – known as creative place making. In creative place making, partners from public, private, nonprofit and community sectors strategically shape the physical and social character of a neighborhood, town, city or region around arts and cultural activities. Today, economic developers focus on one or more of these waves.

Economic Development Before and After the Great Recession

The Great Recession, 2007-2009 has forced communities to change their economic development strategies from its aftermath. Economic Development professionals have been faced with numerous changes that have impacted their efforts

ECONOMIC DEVELOPMENT BEFORE GREAT RECESSION

- Federal Funding for Econ. Development
- Plentiful Tax Credits
- Local Revolving Loan Fund programs were Robust
- Heavy Use of Special Assessment Districts
- Tax Exempt Bonds used Extensively

ECONOMIC DEVELOPMENT AFTER GREAT RECESSION

- Reductions in Federal Funding Assistance
- Tax Credits Projects Exist, but are now layered and even more complex
- Tax Exempt Bonds Available, but only to those with good to great credit
- Revolving Loan Funds are Stressed
- Government Grants reduced or eliminated
- Private Foundations Less to Grant as impacted by Portfolio Losses
- Special Assessments have Faded
- Elimination of State Programs

Organizational Structure

There are a variety of organizational structures that can be used for implementing economic development. There are public, private and public-private partnerships, outsourced efforts and even hybrid structures. In the case of the City of Federal Way, it will be using a public sector- based economic development program that will utilize outsourcing of objectives to it regional partners such as the Greater Federal Way Chamber of Commerce, Highline Community College and the Federal Way Performing Arts Coalition and to private consultants.

Issues/Reasons for an Economic Development Strategy

Federal Way is confronted by several key issues that impact its economic future. These include the following:

- Jobs Housing Balance – historically Federal Way has had a job-housing imbalance. Simply, more people live here than work here. Federal Way has been a bedroom community to Seattle and Tacoma. This has caused constraints on infrastructure, mass transit systems and gridlock at rush hours. The opportunity presents itself through the reuse of the Weyerhaeuser campus and the

redevelopment of downtown to create employment opportunities for the city's residents by bringing new or expanding businesses.

- **Income Levels**
Based upon the Census Bureau's American Community Survey 5 Year Estimate 2009-2013, 16 percent of the population lives below poverty levels as compared to 13.4 percent for the state. Additionally, the Median Household Income is \$55,872 as compared to \$59,478 for the state.
- **Education Levels**
Data from the U.S. Census Bureau identified 25.4 percent of the population of Federal Way has a bachelor's degree or better. Unfortunately, this is less than the State percentage at 31.6 percent; King County at 46 percent and Seattle at over 50 percent. In the "Information Age" an educated workforce is tantamount to success for a business.
- **Departure of Weyerhaeuser**
This longtime business has made a decision to consolidate and move into a new building in downtown Seattle. This will movement will create the loss of 1,250 jobs to Federal Way. The reuse of their 400 acre campus and two iconic buildings and corresponding property provides an unequalled opportunity to bring the next generation of businesses and jobs to Federal Way.

Strategy

The Strategy includes a Vision, Mission & Goals, provides solutions (through the achievement of the goals and objectives) in response to the reason for initiating economic development.

Vision: To Become the Premier Business Community in the Puget Sound

Mission: Produce solutions to attract and retain businesses, jobs, investments along with improving the tax base and enhancing the quality of life in Federal Way

Goals:

1. Promote and Create a Sustainable, Diversified and Globally Focused Economy
2. Help Attract, Expand & Retain Businesses, Jobs and Investments (New Development & Redevelopment) that Provide Employment Opportunities for Federal Way Residents
3. Alignment of Reuse of Weyerhaeuser Corporate Campus to Next Generation of Jobs
4. Build a Brand to Promote and Enhance the Image of Federal Way
5. Ensure Education Opportunities Align with Future Job Growth
6. Formulate Tools and Systems to Encourage Entrepreneurship

The components of the Implementation Plan of the Strategy are focused on two parts: Special Projects and Economic Development Programs and Services.

- **Special Projects**
 - Downtown Development/Town Center
 - University Initiative
 - Reuse of Weyerhaeuser
 - Branding Federal Way
- **Economic Development Programs & Services**
 - Business Attraction, Retention and Expansion
 - Cluster Analysis/Targeted Industry Sectors
 - Market Intelligence
 - Access to & Availability of Capital
 - Communications & Outreach

An industry cluster is defined loosely as a geographic grouping of similar businesses that demonstrate an advantage. Simply, an industry cluster is a geographic concentration of businesses that gain

performance advantages by co-locating in a geographical area. This comes through inter-relationship with suppliers and buyers along with businesses that provide complementary or competing services.

Given Federal Way's proximity in the Puget Sound marketplace, analysis was undertaken to review clusters in Seattle and King County and in Tacoma and Pierce County. Research examined cluster analysis completed for multiple organizations.

The analysis of the clusters identified by these organizations showed some similarities with Federal Way's clusters. Such similarities include Information & Communications Technology, Healthcare and International Trade & Investment. There were other clusters that Federal Way has similarities with such as Professional & Business Services and Tourism, however, beyond that, there is a departure.

Based upon a review of clusters, the following were selected for continued analysis: Professional & Business Services, Construction, Information & Communications Technology, Healthcare, Arts & Tourism, International Trade and Investment and Entrepreneurship.

Assembly

The section - Assembly is the implementation for the Strategy. It illustrates over 30 different objectives which include (the four efforts under "Special Projects" and the Economic Development Programs and Services) which lead to the creation or retention of jobs or bolster the business climate in the effort to create and retain jobs.

The following highlights some of the key objectives of the Strategy.

Highlights of Objectives

- Economic Development Summit
- Federal Way Showcase
- Formulation of Business District Connections
- Recruitment of a Branch Campus of a Major University
- IDE²A Zone
- Presentation of Federal Way Entrepreneurs Fest and Formulation of Network
- Presentation of Women in Business Conference
- Presentation of Biannual Business Lender's Forum
- Enhance Sister City Business Relationships
- Formulation of Mayor's Roundtable of Economic Development Advisors
- OPERATION LANDLORD
- Examination of a Community Development Corporation

Outcomes

Given the start-up nature of this economic development program and the city's corresponding budget, the ability to produce and manage many of these objectives is going to take a team effort. This effort will be amongst city staff and a variety of stakeholders to ensure success. City staff is aware of such obstacles and will work to accomplish the objects as not to impact further General Fund obligations.

Upon the approval of this Strategy, by the Mayor and City Council, the Economic Development Director will provide reports outlining the progress and status of the achievement of the goals and objectives to the City Council. These progress reports will come through staff reports, memorandums and public presentations. The identification of stakeholders and fiscal resources and policy issues for each objective will be presented as the work progresses on the various objectives. At that time, if required, the discussion of any potential increased level of budget for these activities will be addressed.

City staff will formulate metrics and monitor efforts to achieve the Strategy, specifically identified outcomes. Key metrics that will be used and measured annually will include the following:

Metrics and Measurements

- # & % of Small Businesses Assisted
- Office Vacancy Rate
- Retail Vacancy Rate
- % increase in Tourism/Lodging Tax Revenues
- Amount of Private Sector Investment
- Net Job Growth
- # of New Jobs
- # of Jobs Retained
- # of New Businesses
- # of Businesses Retained
- # & \$'s Invested in Commercial/Office/Hotel Development
- % Increase in Sales Tax Revenue
- # of New Business Licenses

Again, these progress reports will come through staff reports, memorandums and public presentations.

INTRODUCTION

Purpose

In a recent survey of nearly 3300 municipalities by the International City/County Managers Association and the National League of Cities, 44 percent identified they did not have an economic development strategy. Additionally, nearly 60 percent identified that their budget process was not linked to economic development priorities. This is not lost on Federal Way's political leadership, hence the reason for the formulation of this strategy.

The purpose of this strategy is to formulate actions that create a high performing economy. Simply to create jobs while continuing to both diversify and sustain Federal Way, Washington.

The name of the Strategy, "Some Assembly Required" calls attention to the goals and objectives involved with the planning, designing, financing and construction associated with the programs, projects and services which are all needed to accomplish the reason or issues for the strategy.

Background

The City of Federal Way has historically included economic development in its vision, mission and goals even though it did not have a formal economic development strategy.

For example, the City's vision identifies that it is known for its cultural diversity, attractive parks, safe neighborhoods and vibrant business centers. Meanwhile, its mission identifies that the City is responsive, innovative and fiscally responsible in delivering quality services and promoting economic development. Additionally, the City has embraced several goals that are focused on economic development including the following:

- Create a multi-use urban city center that is pedestrian friendly, linked to neighborhoods and parks and services as the social and economic hub of the City.
- Establish Federal Way as an economic leader and job center in South King County by attracting a regional market for high quality office and retail businesses.

The Strategy will incorporate these and build upon them.

Approach

This report presents five sections: Prerequisites, Foundations, Strategy, Assembly and Outcome.

The first section - Prerequisites provides background on economic development. It provides insight on the different definitions of economic development. It also provides clarity as it pertains to economic growth versus economic development. Also it provides insight on demand versus supply side economic development and Federal Way's position. Additionally it provides information on what services a community can expect to receive for an economic development professional.

The second section - Foundations provides insight to the economic climate at the national, state or local levels and how it could impact economic development activities. Additionally, it provides insight to Federal Way's economy. Also it provides information on emerging themes identified during the research of the Strategy that provides the basis for the reasons and issues of why invest in economic development specifically in Federal Way.

The third section - Strategy provides the vision, mission and goals. The Strategy incorporates into the goals, "Special Projects" of the Mayor and City Council along with economic development programs and services. There are four key special projects. These include the Reuse of the Weyerhaeuser Corporate Campus; Downtown Development, specifically the formulation of the Town Center; the University Initiative and Branding/Image Building for Federal Way. Also incorporated in the Strategy are economic development programs and services. These include business attraction, retention and expansion services. Within this component is the identification of targeted industries. Also included are programs and services for market intelligence, access to and availability of capital and communications and outreach.

The fourth section – Assembly, illustrates nearly 40 different objectives which include (efforts under the “Special Projects’ and Economic Development Programs and Services) to either create or retain jobs or bolster the business climate in the effort to create and retain jobs to the overarching goals.

The fifth section – Outcome, provides budget considerations and subsequent metrics that will be used to determine the success of the program.

PREREQUISITES

Defining Economic Development

Economic development means different things to different people. On a broad scale, anything a community does to foster and create a healthy economy can fall under the auspice of economic development. Today's economic development professionals are trying harder than ever to define their field in terms that are more concrete and salient to policymakers, the public, and other professionals. There are probably as many definitions for economic development as there are people who practice it.

Economic Development refers to any action that creates change in what and how goods and services are produced through shifts in resource allocation such as Production, Workforce Skills, Technology/Information and Finance/Capital that increases economic growth.

Simplified, it is what increases a local economy's capacity to create wealth for its residents using financial, physical and human resources. Wealth refers to increased prosperity - that, which a community desires, including the creation of jobs for the production of goods and services, increasing incomes from these jobs and an environment for investment for sustained economic growth.

One of the key issues that municipalities struggle with is understanding the difference between economic growth and economic development. Clarity as it pertains to the difference is tantamount to success. If a jurisdiction or its agent for economic development miss characterizes the task at hand, success may elude it.

Hence the reason so many local governments have a hard time deploying successful economic development programs.

Economic Development v. Economic Growth

Economic Development refers to any action that creates change in what and how goods and services are produced through shifts in resource allocation such as Production, Workforce Skills, Technology/Information and Finance/Capital that increases economic growth.

Simplified, it is what increases a local economy's capacity to create wealth for its residents using financial, physical and human resources. Wealth refers to increased prosperity - that, which a community desires, including the creation of jobs for the production of goods and services, increasing incomes from these jobs and an environment for investment for sustained economic growth.

Economic Development works to harness the following four factors:

- Wealth (Prosperity)
- Income
- Investments
- Jobs

Conversely, Economic Growth Theory identifies that four factors constitute the growth of an economy:

- Increase in Population
- Increase in Capital
- Increase in Harvesting/Mining of Agricultural Products or Natural Resources
- Changes in Technology

Thus, as can be seen, there is a difference, hence the reason for some clarity.

Also, the concept of how quality of life gets included into economic development is through the general belief that wealth (prosperity) is a component of quality of life for residents and that an evaluation matrix used to measure a community by site location consultants includes items such as crime rates to

recreational opportunities justify the need to include quality of life as a key component in the location of a business thus many times, quality of life finds its way as a goal into economic development strategies.

Given this information, the following further illustrates economic development along with an approach and corresponding framework for Federal Way to implement in its economic development strategy.

Approach: Demand or Supply Side

As is true in economics, economic development approaches can be classified in two categories, demand and supply. A community may have to blur its strategy between the two in order to be successful.

Demand Side

Demand side economic development is specifically focused on the business incentive activities surrounding expansion, attraction and retention of businesses. As a jurisdiction measures economic opportunities, economic developers will find untapped or unmet markets that could yield business opportunities creating corresponding spin-offs such as jobs and enhanced tax base in the effort to

diversify and sustain its economy. However, jurisdictions need to be very cautious in this arena because businesses incentives can be a zero-sum game especially if you get trapped in providing give-a- ways or incentives and fail to receive more in return than what you promised. Additionally, the jurisdiction may recruit a company and find that the company was headed for a merger and the acquiring company closes the plant that you just provided incentives for to locate into your community. The success of any economic development program is the adoption of good guiding principles to ensure the well-being of community resources, avoiding such issues as the 'fiscalization' of land use and misuses of specific programs like enterprise and redevelopment zones.

Supply Side

Supply side economic development is specifically focused on the activities of meeting the needs of the business community, e.g. the quantity and quality of the labor force, financial resources, i.e., availability and access to capital for business growth, land and infrastructure.

For example, in Washington, state and local jurisdictions have as a whole, moved towards the supply side direction. For example, by law, Washington communities cannot forgive or defer state taxes. In addition, little if any public sector funds can be used to host, 'wine or dine' potential clients. So, Washington and its communities have to focus on selling the state or their local communities based upon its assets, such as its great university systems, community colleges, its diverse population along with its massive infrastructure to support the ever demanding needs of business and industry. Federal Way has practiced supply side economic development, specifically in its investment in streets and infrastructure, parks and recreational facilities and public safety, specifically in police protection.

What Do Economic Developers Do?

While one could look at a job description, the following provides insight to the subtle and varied work of an economic development professional.

- Provides advice and recommendations to elected officials
- Provides advice and recommendations to businesses and entrepreneurs
- Recommend investments in infrastructure needed to accommodate growth such as shovel ready industrial/commercial land, broadband networks, etc.
- Work to ensure that the regulatory approval process is clear and that the process is responsive to business needs when they apply for permits or licenses.
- Provides assistance to help existing businesses resolve problems
- Act as facilitator between businesses and/or individuals who have common interests
- Encourages businesses to explore new markets
- Works to stimulate entrepreneurship, innovation and the commercialization of new technology in the community through involvement and support for technology associations and angel networks
- Provides advice and assistance to individuals interested in starting their own businesses
- Coordinates directly or indirectly with lending or capital businesses
- Markets the community to tourists or recruit conventions, meetings or sports tournaments to our community

- Develop networks among realtors and developers to mutually support the development and sale/lease of industrial and commercial properties
- Responds to business inquiries.
- Coordinates with workforce development groups to ensure a readily available skilled and trained workforce
- Conducts research on the local economy, gathering and analyzing data and making sure it is available to support decision making by civic leaders and new or expanding businesses.
- Through economic development strategic planning, focus community efforts on targeted industries and economic objectives judged to have the highest priority for the community's development
- Pursue a wide range of special projects related to improving the "Quality of Life" which are significant in both investment and site location decision.

The Evolution of Economic Development Strategies

There are many reports and studies that examined local economic development strategies over history. In the U.S. academicians identified that there are "waves" of economic development with distinct characteristics that occurred over periods of time.

The first wave of economic development was characterized by industrial strategies, whereby local governments offered abatements, incentives and subsidies along with marketing and other promotional assistance to attract firms to their community. This wave occurred during the 1930's through 1940's post WWII. It was sometimes known as "smokestack chasing."

The second wave was created in response to the growing need to broaden economic development approaches. This involved the retention of existing businesses within a community. This occurred during the 1950's.

The third wave was centered on even broader community strategies, such as small business development and entrepreneurship activities. This activity occurred during the 1960's and 70's.

The fourth wave is called sustainable economic development and includes strategies that enhance environmental quality and self-sufficiency. This occurred during the 1980's through 1990's.

The fifth wave involves the idea of a comparative advantage. This wave is marked by economic developers who work to emphasize unmet demand, function as a facilitator to identify opportunities, financing and build partnerships to achieve these opportunities. This occurred in the late 1990's early 2000's

Lastly, since the Great Recession, economic developers maybe witnessing the creation of the sixth wave-known as place making.

Today, economic developers focus on one or some of these waves.

Economic Development Before and After the Great Recession

The Great Recession, 2007-2009 has forced communities to change their economic development strategies from its aftermath. Before the recession, there was available federal funding, plentiful tax credits, revolving loan funds programs were robust and there was a cornucopia of grants. Local governments were using special assessments to help with development projects. Tax exempt bonds were used extensively.

ECONOMIC DEVELOPMENT BEFORE GREAT RECESSION

- Federal Funding for Econ. Development
- Plentiful Tax Credits
- Local Revolving Loan Fund programs were Robust
- Heavy Use of Special Assessment Districts
- Tax Exempt Bonds used Extensively

Post-recession has seen the economic development profession impacted by the reduction in federal funding assistance. Tax credit projects exist, but they are now layered and even more complex. While

tax exempt bonds still exist, only those with good credit have no problems. Revolving loan funds are stressed. Grants, specifically government grants have been reduced or eliminated. Private foundations were impacted by the loss of to their investment portfolios. Special assessments have faded away and states have eliminated a variety of programs and services, specifically the State of Washington eliminated its Tourism office.

ECONOMIC DEVELOPMENT AFTER GREAT RECESSION

- Reductions in Federal Funding Assistance
- Tax Credits Projects Exist, but are now layered and even more complex
- Tax Exempt Bonds Available, but only to those with good to great credit
- Revolving Loan Funds are Stressed
- Government Grants reduced or eliminated
- Private Foundations Less to Grant as impacted by Portfolio Losses
- Special Assessments have Faded
- Elimination of State Programs

Structure and Federal Way

Local governments for decades have participated in a variety of economic development activities to stimulate and create wealth, jobs and incomes for its residents along with investments that enhance the tax base of their cities and towns. Some of these activities have been programs initiated by the federal government with a 'one size' fits all methodology that have been embraced by local jurisdictions, such as the Model Cities programs in the early 1960's, followed by the Urban Action Development Grant program in the late 1970's. After their elimination, they were followed by the creation of the Community and Economic Development Block Grant programs in the 1980's. And, changes continue with the reduction if not total elimination of a variety of community and economic development programs through the federal government's Strengthen America's Communities Initiative.

However, local governments specifically representing suburbs, edge and rural communities have typically been left out of these federal economic development models and programs and their corresponding monies, because they have typically been focused at large cities specifically aimed at inner city issues.

In response to this, local elected officials have looked elsewhere for resources to pursue economic development activism. This increased activity has been pursued by local elected officials in the effort to sustain and diversify their local economies. This has changed the US economy over the last 30 years and even more pronounced in the last ten years with manufacturing and food processing becoming a smaller percentage of employment, while the service and government sectors have increased. Coupled with this, international competition and technological changes have caused businesses to become footloose where previously they were considered to be key pillars of a city or town's economy. So what is a community to do?

This section describes options for Federal Way to consider in the formulation of their strategy but more specifically the structure of an organization that might be incorporated to deploy the programs, projects and services associated with the strategy.

Framework of a Structure

All jurisdictions should make collective decisions about their economic development priorities and implement demand and supply strategies suitable for meeting local goals. But to implement and deliver these activities, an organizational structure needs to be formulated.

Economic Development organizations have historically fallen into three categories:

Public- local governments operate a department, division or agency funded strictly by tax dollars (General Fund) and possible government grants, and the public sector is solely liable for its success. Examples of this are the City of Seattle and Pierce County which both operate their own economic development programs

Private non-profit organizations formed by local business and/or community leaders receiving only private sector dollars to pursue economic development activities and the private sector is solely responsible for its success. There are several organizations that have operated, but unfortunately few succeed because

they do not have a strong enough business model to sustain their own operations. Those that have been successful typically represent large cities or metro regions.

Public-Private Partnerships bring together participants from both sectors and receive both public and private funds and share exposure and risk of operations and their outcomes. These entities are typically non-profit entities. These entities can represent large cities, rural communities and multiple jurisdictions representing a region. They have been the most successful models because of the diverse support and financial contributions they receive.

But since the Great Recession, three new options have presented themselves:

New Hybrid- while no name has been given yet to this type of organization; it is one that is currently coming into vogue. This hybrid brings together local governments into a private non-profit operation. They bring together local government agencies such as economic development, redevelopment, workforce investment agencies, i.e., employment training programs coupled with business lending entities. The non-profit is created as the master entity, with jurisdiction staff from the different agencies operationally controlled by management of this entity. The public employees stay public employees and retain all of their wage and salary benefits but report to a new organization in the effort to create an effective and efficiently run operation.

Outsourcing - this option provides any of the above organizations the opportunity to increase further effectiveness and efficiency. For example both the city and county of Sacramento use the Sacramento Area Commerce and Trade Organization to just recruit business and industry while they maintain retention, expansion, demographic and business statistical analysis and special projects. In the context to local jurisdictions, this option is very well suited for the startup phase pending the formulation of goals, principles and strategies along with acquiring the expertise for the formulation of a business loan program for the city.

Community Building -The current economic conditions facing the nation have negatively impacted cities and counties. The economy has forced communities to address these impacts in an effort to find solutions and opportunities to reverse the conditions created by the downturn and its subsequent impacts it has had on the health and welfare of our nation's communities. To achieve this, cities and counties like Durham, North Carolina have embraced community building, which is a methodology or approach that is in its simplest form about people from the community, government and business that take steps towards finding solutions to issues within their communities.

However, there are a variety of other definitions that are more comprehensive and specific. For example, the National Community Building Network defines community building as:

- *An ongoing process where members of a community share skills, talents, knowledge and experiences that strengthen or develop themselves and the community*

The American Planning Association defines community building as:

- *Continuous, self-renewing efforts by residents, community leaders and professionals engaged in collective action aimed at problem solving and enrichment that results in improved lives and greater equity and produces new or strengthened institutions, organizations, relationships, and new standards and expectations for life in community*

Representatives from the International City/County Management Association offer yet another definition:

- *Community building has come to refer to a variety of intentional efforts to (a) organize and strengthen social connections or (b) build common values that promote collective goals (or both).*

As identified earlier, at its most simplistic form, community building is about people from the community, government and business taking steps towards finding solutions to issues within their communities. And again yet another simplistic definition is that community building means building more community as a

way of achieving some set of desired outcomes such as a more jobs, safer neighborhoods, healthier children and families, cultural and recreational activities or a combination of a whole host of actions. While specific meanings vary widely depending on context, community building emphasizes the beneficial aspects of key processes (actions) that shape relationships, values, psychological attachment, and other aspects of community. As such, community building bears important connections to community organizing and community development.

These connections involve several components. One popular component of community building is civic action, which is used to improve quality of life or promote social justice. Another component involves the capacity building in community building in diversifying and sustaining or even rebuilding an economy, often to promote jobs, investments and increased incomes. Both imply the use of social capital, that is, networks, trust, or other features of community life that can serve as important resources in achieving the actions identified in community building.

The use of community building has presently become a key tool that has become elevated in addressing how to reverse the current economic conditions faced by communities across the nation but also as a tool to be used to help communities address other key issues. So no matter how it is defined, the mechanism of community building provides the platform to engage community leadership and to mobilize it, as a tool that certainly would benefit and continue to benefit cities

Actions by Jurisdictions

In response to the changes described above, local jurisdictions should be playing a strategic role in directing their resources for long-term benefits such as the investment into physical infrastructure, schools, safe communities and land use decisions that help direct market forces to achieve a diverse and sustainable local economy. As it pertains to the actions by jurisdictions, many communities make investments into physical infrastructure. Economists call this social overhead, but it is an investment that is made by the community rather than by a single business. Streets, sidewalks, curbs gutters, streetlights all will remain whether a single company comes or goes. Constituents may frown upon the concept of prioritizing the development of such overhead as a public incentive, but it should be looked at like an accountant would look at a physical asset of a company.

Local jurisdictions should be playing a strategic role in directing their resources for long-term benefits . . . to achieve a diverse and sustainable local economy

Certainly physical infrastructure can become functionally obsolete if no dollars are allocated for maintenance or for replacement. And similarly no private sector investment will occur or continue to occur unless there is some sense of commitment to support infrastructure. The public sector clearly plays a role in balancing the needs, interests and desires of its community. And when it makes an investment, it must ensure it brings benefits for the entire community and its residents.

One of the key issues facing local jurisdictions is being able to strike a balance between the financial commitments that it takes to achieve long-term goals while responding to short-term political pressures. As previously identified, the International City/County Management Association and the National League of Cities survey illustrates that 66 percent of local governments are not aligning their economic development strategy to their budget priorities.

For any jurisdiction to be successful in economic development, it must adopt goals and strategies that fit its local circumstances, resources and attitudes. Jurisdictions need to tailor economic development to meet its needs and reach its potential.

Towards Success

While it is possible for communities to sustain and diversify their communities no matter what their key industry segments, it takes understanding and innovation to ensure success. In order for this to be achieved, communities must do two things:

- Formulate a comprehensive approach to enhancing each of its key economic segments by defining ways to bolster and grow these segments
- Taking a holistic approach ensuring the success of its economy by embracing a comprehensive “Quality of Life Index’

The ability of a successful organization is to enhance its key economic/employment sectors through a deployment of a demand, supply or a combination of both economic development strategies that ensure the future of a healthy community.

It appears that the Great Recession has forced communities to rethink their economic futures and embrace new options such as community building, bringing together the resources of the community in formulating a strategy and the subsequent organization for its implementation. This is what Federal Way has been and is doing.

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FOUNDATIONS

Economic Conditions

The national economy seems to be improving with Gross domestic Product improving, employment, inflation in check interest rates in check but slowly rising

Analysts and economists alike are bullish on the fact that the nation's Gross Domestic Product, GDP will keep growing quickly. The GDP, a measure of all U.S. goods and services has been improving. The Commerce Department's latest revision shows GDP advancing at an astonishing 5 percent over July, August and September. This growth spurt suggests the U.S. economy has momentum heading into 2015. If lower energy prices continue it will give consumers more money to spend, and that should help boost revenues for stores, restaurants, hotels and more. "Our assessment for growth in 2015 will now be around 3 percent," wrote Doug Handler, chief U.S. economist for IHS Global Insight. For an economy in its sixth year of expansion, a 3 percent annual pace would be impressive.

Employers will hire and pay more. In 2013, the unemployment rate averaged 7.4 percent. Last December, economists were predicting a slide to about 6.6 percent. As it turned out, the jobless rate tumbled to 5.8 percent, and now economists see the rate dipping to 5.5 percent or lower in the coming year. According to a forecast by PNC Financial Services Group, the U.S. will add about 230,000 jobs per month on average next year. That would add up to about 2.8 million net new jobs in 2015. Currently, the country has 2.8 million people struggling with long-term unemployment. So if PNC's forecast were to come true, workers finally could enjoy a healthy market where job openings and willing workers would match up. And the increased demand for workers would help push up stagnant wages.

Again analysts and economists are forecasting that inflation will be exceptionally low. Even though the economy has been heating up, the price of energy has been cooling. The year began with crude oil selling for about \$110 a barrel, and is ending with the price at about half that. Oil's plunge has driven down prices for gasoline, home heating oil, jet fuel and more. Seeing that change, the Federal Reserve has sharply cut its forecast, saying that inflation will run between 1 percent and 1.6 percent in 2015. That's down from a September forecast of 1.6 percent to 1.9 percent.

Some analysts believe that interest rates will inch up; however, not everyone believes this prediction. For example, when this year began, the average 30-year fixed-rate mortgage was carrying an interest rate of 4.43 percent. Most economists thought that rate would rise. But as the year wound down, the 30-year rate was running at about 3.75 percent.

Nevertheless, economists think this time is different and that rates really will rise in 2015. In a mid-December statement, Fed policymakers said they "can be patient" when it comes to timing a rate increase, but most economists figure patience will run out by midyear, and that will lead to a slow, steady ratcheting up of interest rates to more normal levels. When it comes to the strategy of holding down rates to stimulate growth, "we believe the Fed's work is now done," said Bernard Baumohl, chief global economist with The Economic Outlook Group in a National Public Radio interview.

Meanwhile, the State of Washington continues to rank in the top ten in a variety of business and economic categories from State Business Tax Climate to Technology and Science to Best for Business & Careers to the Best for Small Business Policy to Quality of Life.

Beyond the rankings, the Federal Reserve's Beige Book along with several financial institutions, including Illustrate that 2015 will be a good economic year for the "Evergreen State."

Federal Way's economy is on the rise and the economic conditions look good. Federal Way was recently identified by the website, WalletHub as one of the strongest economies in the nation.

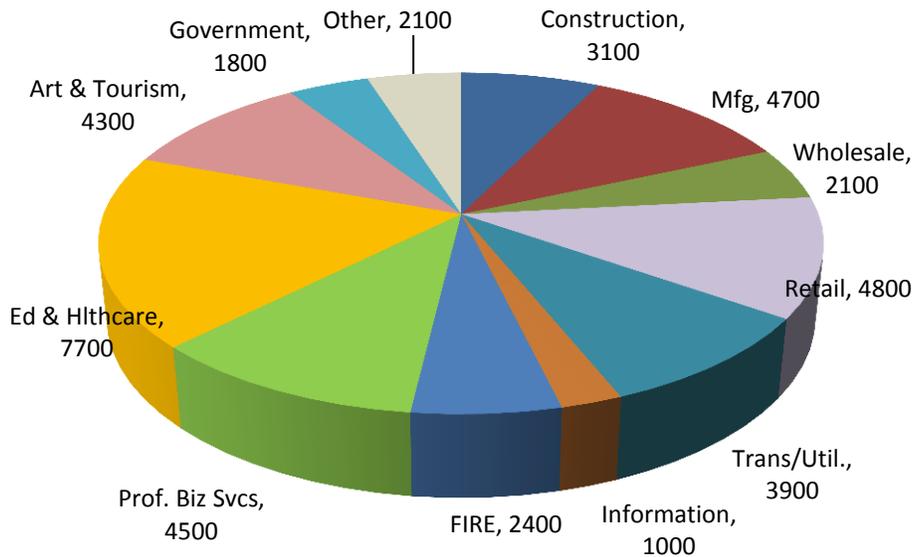
For Federal Way, development has rebounded as building permit applications were a just over \$136 million, a 75 percent increase over the previous year.

In addition, among the positive news is the Children's Hospital of Seattle announcing their \$15 million South Sound Regional Clinic opening scheduled in 2015. Also, the Commons Mall is in the midst of a \$27 million renovation including both new primary and secondary anchor tenants.

Activities in the city's downtown are increasing as well. At its June 2014, City Council meeting, the Council unanimously approved construction of a \$32.7 million performing arts and conference center. Yet even, more excitement continued with the Mayor and City Council approving the acquisition of nearly 8 more acres in the downtown area for future development adjacent to the Performing Arts and Conference Center.

Yet, it has been Federal Way's diversified economy specifically its employment sectors that has balanced its performance. The chart below illustrates the very balanced employment sectors of Federal Way's economy.

Composition of Labor Force 2013/14 Federal Way



Largest Employers in Federal Way

Name	Number of Employees
Federal Way School District	2,600
World Visions	1,704
Xerox Commercial Services	1,350
Weyerhaeuser	1,225
St. Francis	875
Norpoint Entertainment LLC (Wild Waves)	871
US Postal Services	616
Wal-Mart	560
City of Federal Way	480
DaVita	318
Safeway	254
Virginia Mason Health Care	253
Costco	221
BergerABM Inc.	220
Fred Meyer	220

Source: City of Federal Way

2013/2014 Business License

Emerging Themes: Issues & Reasons for Economic Development in Federal Way

So why is Federal Way initiating an economic development strategy? There are many reasons. They include jobs-housing balance, improvement of both education and income levels, a response to the departure of a major employer- Weyerhaeuser along with redevelopment of downtown and the creation of jobs.

Throughout the research on this report, several emerging themes became evident that illustrate both the city's strengths and challenges

- Young Population: Federal Way has a young population compared to its neighbors - Seattle and Tacoma.
- Quality of Life: Good parks and recreational facilities, affordable housing and low crime rates
- Diverse and Skilled Labor Force: This is a valuable asset for a community trying to recruit and help expand businesses.
- Location: Part of market area with population of 3.7 million. Located along Interstate 5 and US 99. Close to international airport and deep water marine terminals of the ports of Seattle and Tacoma

Conversely, the following illustrates the challenges that present themselves which could impair economic health and vitality.

- Educational Levels: While Federal Way has a young and skilled labor force, it also has a low rate of population with bachelor's degrees as compared to region and state.
- Income Levels: According to the Census Bureau, 16 percent of the population lives in poverty.
- Jobs-Housing Balance: Over 32,000 Federal Way residents go elsewhere to work, while over 25,000 come into Federal Way to work, placing nearly 60,000 people on the highways and streets at rush hour.
- Departure of Weyerhaeuser: The announcement in the summer of 2014, of the pending relocation and sale of the Corporate Campus.

Jobs Housing Balance

While the diversification or balance of its employment sectors is a strength, there is also an underlying reason for concern. A high percentage of Federal Way residents that are part of the labor force do not work in Federal Way. This issue has been of continuing concern. 86 percent of the residents of Federal Way that work leave the community to work elsewhere. While identified in the city's Comprehensive Plan over a decade ago, it continues today. The U.S. Census Bureau's "On The Map," GIS system illustrates it as well.

The following table reports the top ten cities that Federal Way residents' commute to for work. The latest numbers illustrate that Seattle is where most residents from Federal Way travel to for work at 8500 workers or 22.7% of the labor force from Federal Way. Seattle is followed by Tacoma, Kent and Auburn.

Labor Force Commuting 2002 & 2011 – Federal Way

	2002 Total	2011 Total
Employment Base, Federal Way	27,223	30,231
Labor Force Living in Federal Way	39,218	37,364
Net Job Inflow (+) or Outflow (-)	-11,995	- 7,133
Living & Employed in Federal Way	5,459	4,991
Living in Federal Way but Employed Outside	33,759	32,373
Employed in Federal Way but Living Outside	21,764	25,240

Source: U.S Census Bureau, OnTheMap

Work Destination – Where Workers are Employed Who Live in Federal Way

City	2002		2011	
	Total	Percentage	Total	Percentage
Seattle	10,310	26.3	8,500	22.7
Federal Way	5,459	13.9	4,991	13.4
Kent	2,922	7.5	2,430	7.0
Tacoma	2,546	6.5	2,627	6.5
SeaTac	2,018	5.1	1,620	4.7
Tukwila	1,834	4.7	1,670	4.5
Auburn	1,574	4.0	1,772	4.5
Bellevue	1,402	3.6	1,458	4.3
Renton	1,364	3.5	1,674	3.9
Burien	904	2.3	NA	NA
Everett	NA	NA	686	1.8
All Others	8,885	22.7	9,936	26.6
Total	39,218	100	37,364	100

Source: U.S. Census Bureau, OnTheMap

The following table reports the top ten cities that residents' outside of Federal Way commute from for work. The largest group of workers employed in Federal Way comes from Tacoma at 2,914. Tacoma is followed by Kent, Seattle and Auburn.

Work Destination – Where Workers Who are Employed in Federal Way Live

City	2002		2011	
	Total	Percentage	Total	Percentage
Federal Way	4,991	16.5	4,991	16.5
Tacoma	2,708	9.6	2,914	9.6
Seattle	1,224	4.7	1,401	4.6
Kent	901	4.6	1,429	4.7
Auburn	865	4.2	1,274	4.2
Lakeland South	579	2.3	548	1.8
Lakewood	520	1.9	NA	NA
South Hill	519	1.8	681	2.3
Puyallup	490	1.8	570	1.9
Des Moines	481	1.6	542	1.8
Renton	NA	NA	478	1.6
All Others	11,915	47.3	15,403	51.0
Total	25,681	100	30,231	100

Source: U.S. Census Bureau, OnTheMap

MOVEMENT OF LABOR FORCE IN AND OUT OF FEDERAL WAY

- There are an estimated 30,231 jobs in Federal Way
- There are 37,364 Federal Way Residents who Work
- 32,373 of these Residents Work Outside of Federal Way
- 25,240 of the people Employed in Federal Way, Live Elsewhere



MEANING

- Only **4,991** Federal Way Residents Live and Work in Federal Way
- Nearly **60,000** People Enter and Leave at Rush Hour, Monday–Friday



SOURCE: US Census Bureau, On The Map, 2011



Education of Population

Data from the U.S. Census Bureau identified 25.4 percent of the population of Federal Way has a bachelor's degree or better. Unfortunately, this is less than the State percentage at 31.6 percent; King County at 46 percent and Seattle at over 50 percent. In the "Information Age" and educated workforce is tantamount to success for a business. In the Information Age, having an education is tantamount to success for an employee and even for an entrepreneur. The concept of "K through Gray", meaning lifelong learning from kindergarten through retirement is now a reality, if not a necessity to be successful.

Income

Based upon the Census Bureau's American Community Survey 5 Year Estimate 2009-2013, 16 percent of the population lives below poverty levels as compared to 13.4 percent for the state. Additionally, the Median Household Income is \$55,872 as compared to \$59,478 for the state. According to the Census Bureau, 16 percent of Federal Way's population lives below poverty. The fastest growth for low income population in the Puget Sound occurred in suburban King County, this according to a recent analysis by the Brookings Institute. The report also illustrated that South King County's poverty rate is four percent higher at 13.9 percent as compared to the rest of the county at 9.4 percent. Additionally, the report illustrated that poverty rates rose from 9 percent in 2000 to 16 percent in 2012.

COMPARISON OF POVERTY LEVELS

CITIES	PERCENTAGE
Auburn	17%
Burien	16%
Federal Way	16%
Kent	18%
Renton	13%
SeaTac	22%
Tukwila	18%

The Departure of Weyerhaeuser

The Weyerhaeuser Company publically announced on August 26, 2014 that it is planning to move its headquarters from Federal Way, Washington to Seattle. The move will occur in mid to late 2016 when construction of the new building is complete. The move will cause the loss of 1,225 employees.

Weyerhaeuser Company, (NYSE: WY) is one of the world's largest private owners of timberlands. It began operations in 1900. The company owns or controls nearly 7 million acres of timberlands, primarily in the U.S., and manages another 14 million acres under long-term licenses in Canada. Weyerhaeuser is also one of the largest manufacturers of wood and cellulose fibers products. The company is a real estate investment trust. In 2013, Weyerhaeuser's operations generated \$7.3 billion in sales and employed approximately 13,000 people that served customers worldwide.

The site consists of over 430 acres of land. It is anchored by an iconic 355,000 square foot corporate headquarters building, comprised of five stories with over 900 parking spaces. Also on the campus is a 467,000 square foot three stories high building with a basement for research and development. It is known as the Weyerhaeuser Technology Center. It is comprised of offices, laboratories and industrial spaces with 600 parking spaces. Over 360 acres of the campus remains undeveloped.

Thus the company will divest the land and buildings it owns in Federal Way.

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THE STRATEGY

The Mayor's Economic Development Strategy Plan outlines a vision, mission, goals and an action plan over the next two years as it coincides with the City's budget.

Vision, Mission, Goals

The Mayor's plan is intended to achieve the following vision, mission and goals.

Vision:

To Become the Premier Community in the Puget Sound

Mission:

Produce solutions to attract and retain businesses, jobs, investments along with improving the tax base and enhancing the quality of life in Federal Way

Goals:

1. Promote and Create a Sustainable, Diversified and Globally Focused Economy
2. Help Attract, Expand & Retain Businesses, Jobs and Investments (New Development & Redevelopment) that Provide Employment Opportunities for Federal Way Residents
3. Alignment of Reuse of Weyerhaeuser Corporate Campus to Next Generation of Jobs
4. Build a Brand to Promote and Enhance the Image of Federal Way
5. Ensure Education Opportunities Align with Future Job Growth
6. Formulate Tools and Systems to Encourage Entrepreneurship

There are nearly 40 objectives that correspond to the six goals. These objectives are identified in the section- Assembly.

The components of the Implementation Plan of the Strategy are focused on two parts: Special Projects and Economic Development Programs and Services.

SPECIAL PROJECTS

The Mayor and City Council have identified and prioritized four key “Special Projects.” These included downtown development- specifically the development of the Town Center, Reuse of Weyerhaeuser, University Initiative and a Branding Strategy.

Downtown Redevelopment/Town Center

The Town Center is in the heart of Federal Way’s downtown. It is 21 acres in size. It includes four components:

- Four acres for a Performing Arts and Conference Center
- Four Acres for a park
- Eight acres for a hotel and potential development opportunities for office, medical office, higher educational facilities, small retailing and restaurants, along with arts and entertainment venues
- In addition there is a smaller component for office or institutional space
- A Transit Center and multi-story parking garage

Economic development has been working and will continue to work on the Town Center. Staff is currently working on the Performing Arts and Conference Center regarding the use of New Market Tax Credits and assistance to the PACC Grant committee and their actions of acquisition of grants, donations and naming rights.

Reuse of Weyerhaeuser Corporate Campus

The City of Federal Way will work with Weyerhaeuser and its consultants to identify end-users for the Campus. The City has recently finished a major report illustrating this cooperation entitled “Conditions and Considerations Analysis: Public Services to and through the Weyerhaeuser Corporate Campus.

The City views the reuse of the Campus as tantamount to its Economic Development Strategy, hence the reason for its reuse as a Goal and Special Project.

University Initiative

The City of Federal Way will be actively recruiting a branch campus to be located in the downtown core, ideally located to a major transit center, along with other civic and urban amenities. The purpose is to help improve the education levels of Federal Way residents but also act as a catalyst for reinvestment and redevelopment into the Town Center.

According to the Census Bureau, only 26% of Federal Way residents possess a four-year-degree or higher. This percentage is lower than the state and King County averages at 31 percent. Additionally, Seattle has over 50 percent of its population that possesses a four-year-degree. While no research has been done on the value of increased education and its implications on the Federal Way economy, prior development by universities to “un-anchor” themselves from their “hallowed halls,” to engage and create relationships with local industries and communities have proven fruitful. This is true even for those institutions already in cities but which have not always valued their location and, in times past, could be as gated as a secluded high end housing development.

Only 26% of Federal Way residents possess a four-year-degree or higher

Additionally, universities change lives for good with high quality, relevant and lifelong education. The value of recruitment of an institute of higher education can leverage catalytic public investments to redevelop an urban landscape such as the Town Center. The University Initiative is incorporated into Goal #5 on Education and is a Special Project.

There are several trends in education that public leaders must be aware of to keep moving to meet the objectives of helping support a diverse and sustainable economy. These include the following:

- Rapid Increase in the Growth of Information
- Global Marketplace
- Increase Reliance on computers
- New Technologies
- Required new Competencies
- Education must prepare students for jobs that yet exist.

The political leadership of Federal Way understands the importance of both the ‘bricks and mortar,’ impact as well as the value of an educated workforce. Combined it provides opportunities for its residents, businesses and overall health and well-being of the community.

Institutions of higher education have an obvious vested interest in building strong relationships with communities. Some of these interests include the following:

- Demographic changes in the student age, financial capacity, and racial and ethnic diversity;
- Federal funding climate specifically for research and other programs;
- Increased funding competition at the state level

Universities are the place for knowledge generation – knowledge for the good of the public; knowledge that can drive and transform the community. Today, communities need universities and higher education more than ever before. Universities serve the people; they advise governments in policymaking decisions; they help develop skills, create knowledge and train leaders. They are at the center of crucial research, through which a community can prosper from innovations as well as attract foreign investments and engage in scholarly and scientific commerce.

Branding Strategy

Branding is a tool that can be used by cities to define themselves and attract positive attention in the midst of an international information glut. Unfortunately, there is the common misconception that branding is simply a communications strategy, a tagline, visual identity or logo. It is much, much more. It is a strategic process for developing a long-term vision for a place that is relevant and compelling to key audiences. Ultimately, it influences and shapes positive perceptions of a place. Most of all, a branding strategy is anchored in a community’s societal, political or economic objectives by focusing on its relevant differences, identifying the core promise that it makes to key audiences, such as inquiring businesses, investors, tourists and visitors. It is about developing and consistently communicating the core of Federal Way and its positive attributes.

Economic Development staff will provide and work with the Council to ascertain directions to help identify brand product, vision, positioning, target, identify, envision, experience, pricing association and message, not the tagline. This strategy is both a Goal and Special Project

ECONOMIC DEVELOPMENT PROGRAMS & SERVICES

The strategy recommends the formulation of multiple economic development programs and services. These include Business Attraction, Retention and Expansion Services, Market Intelligence, Access to and Availability of Capital and Communications and Outreach. In the effort to improve the economic position of Federal Way, the Strategy incorporates to principle activities to achieve the desired results of job creation.

1. Attraction of Business
2. Retention & Expansion of Business.

Business Attraction

Attraction activities usually start with a “Targeted Industry” study. The process analyzes the economic sectors of the national economy and compares these sectors against the local sector (this exercise is called the identification of targeted industries). Following the identification is the activity of work focused on bolstering these sectors.

Coincident with the efforts to attract business is advertising, recruitment trip, media production and economic briefings materials. See next subsection – Clusters.

Business Expansion and Retention

In a report by Dr. David Birch of MIT, it was identified that over 80 percent of all jobs created in a local economy come from existing employers. However, to have a successful retention and expansion program a community must due the following:

- Focus on public infrastructure, low crime and tax rates along with possessing a skill and trained labor force and a pro-active local government

Market Intelligence

Another service that will be provided is the acquisition and dissemination of market information. This action is very important for both inquiring businesses and real estate investors.

Work will involve the collection of the following:

- Demographic
- Real Estate
- Business
- Development

The work will include a Fact book that will provide a comparative in-depth data.

Access to and Availability of Capital

Another key component of the economic development program and services involves the access to and availability of capital.

Capital is the life blood for business and the most successful economic development programs have either created or partnered with community based-loan programs to provide capital to business,

The work will include the following:

- Presentation of Biannual Lenders forum
- Examine formulation of Equity and Equivalent Line of Credit EQ-2 Program
- Examine Relationship Opportunities with CDFI's
- Examine Relationship Opportunities with Angel Networks
- Examine use of Crowd Funding sources for Federal Way Businesses and Developments

Communications and Outreach

In the effort to keep the community involved and informed on economic development, the strategy recommends several communications and outreach programs. These include the formulation of business district 'connection' programs in the following areas:

- Downtown
- Twin Lakes
- North Pacific Highway
- South Pacific Highway

In addition, work will focus on updating the economic development component of the City website and its subsequent update of it.

Additionally economic development staff will continue to produce the Federal Way Business Minute, providing information to local businesses and entrepreneurs and community partners and stakeholders.

Lastly, city staff will undertake an annual outreach to property owner's that is code named – PROJECT LANDLORD. The purpose is to meet with property owners of commercial, office, and industrial zoned properties. The reason is to keep them informed of the strategy and the economy along with taking their input to improve customer service.

Clusters

An industry cluster is defined loosely as a geographic grouping of similar businesses that demonstrate an advantage. Simply, an industry cluster is a geographic concentration of businesses that gain performance advantages by co-locating in a geographical area. This comes through inter-relationship with suppliers and buyers along with businesses that provide complementary or competing services. For further information, see Appendix, Types of Clusters.

Given Federal Way's proximity in the Puget Sound marketplace, analysis was undertaken to review clusters in Seattle and King County and in Tacoma and Pierce County. Research examined cluster analysis completed for multiple organizations. These included the Puget Sound Regional Council, Workforce Development Council of Seattle and King County, Economic Development Council of Seattle & King County, City of Seattle, Economic Development Board of Tacoma and Pierce County and lastly the Workforce Development Council of Pierce County.

The analysis of the clusters identified by these organizations showed some similarities with Federal Way's clusters. Such similarities include Information & Communications Technology, Healthcare and International Trade & Investment. There were other clusters that Federal Way has similarities with such as Professional & Business Services and Tourism, however, beyond that, there is a departure. The similarities and differences can be seen in the following chart that identifies the clusters or targeted industries of the different areas of the Puget Sound region and the region as a Puget Sound region and the region as a whole.

Findings of Clusters

Based upon a review of clusters, the following were selected for continued analysis: Professional & Business Services, Construction, Information & Communications Technology, Healthcare, Arts & Tourism, International Trade and Investment and Entrepreneurship.

The following charts illustrate the location quotient factor, average annual rate of growth and the size of the cluster compared to the employment base.

The review identified that the largest employment sectors are Retail, Manufacturing and Healthcare. The highest Location Quotients are Information & Communication Technology at 3.30; Professional & Business Services at 1.41 and Arts and Tourism at 1.34.

Based upon the analysis from the State of Washington Employment Security Department, the forecasted fastest growing employment sectors for Federal Way/King County from 2012 to 2017 are Construction at 5.35 percent per year; Professional & Business Services at 3.7 percent per year; Healthcare at 2.4 percent and Arts & Tourism also at 2.4 percent per year.

When examining the two elements – location quotient and average annual growth rate - there appears to be 5 (five) employment sectors or targeted industries for Federal Way. These include Professional & Business Services, Construction, Information & Communication Technology, Healthcare along with Arts and Tourism.

Now, although there is a way to calculate a Location Quotient for Entrepreneurship and for International Trade and Investment, it would be very demanding and time consuming. Thus, instead of Location Quotient factoring, heuristics was used.

Thus, understanding that nearly 70 percent of the businesses located in Federal Way employ less than five people, it was identified that entrepreneurship should be included as a targeted industry. Additionally given that Federal Way is located in the Puget Sound and international trade and investment is a key component of the region's economy, it too was added.

The following pages have charts that illustrate the location quotient factor, average annual rate of growth by employment sector and the size of the cluster compared to the employment base. Following these is information on each of the identified targeted industries

Targeted Industry Comparison

Seattle/King Co EDC	Tacoma/Pierce Co. EDC	Puget Sound Regional Council	Seattle/King WDC	Pierce Co. WDC	Federal Way
Aerospace	Aerospace	Aerospace		Aerospace	
			Automotive		
		Business Services			Business Services
Clean Tech	Clean Water Tech	Clean Technology	Green Economy		
			Construction	Construction	Construction
Information Technology	Cyber Security	Information Technology	Information Technology	Information Technology	Information & Communication Technology
Life Sciences & Healthcare	Medical Services	Life Sciences & Global Health	Biotech/Life Sciences & Healthcare	Healthcare	Life Sciences & Healthcare
					Entrepreneurialism
				Food Mfg.	
				Bldg. Product Mfg.	
				National Security	
Maritime		Maritime	Maritime		
		Tourism & Visitors			Arts & Tourism
		Philanthropies			
Fashion					
Financial Services					
		Military			
Global Trade & Investment	Logistics and International Trade	Transportation & Logistics		Trade/Logistics/Transport	International Trade & Investment

Sector Analysis

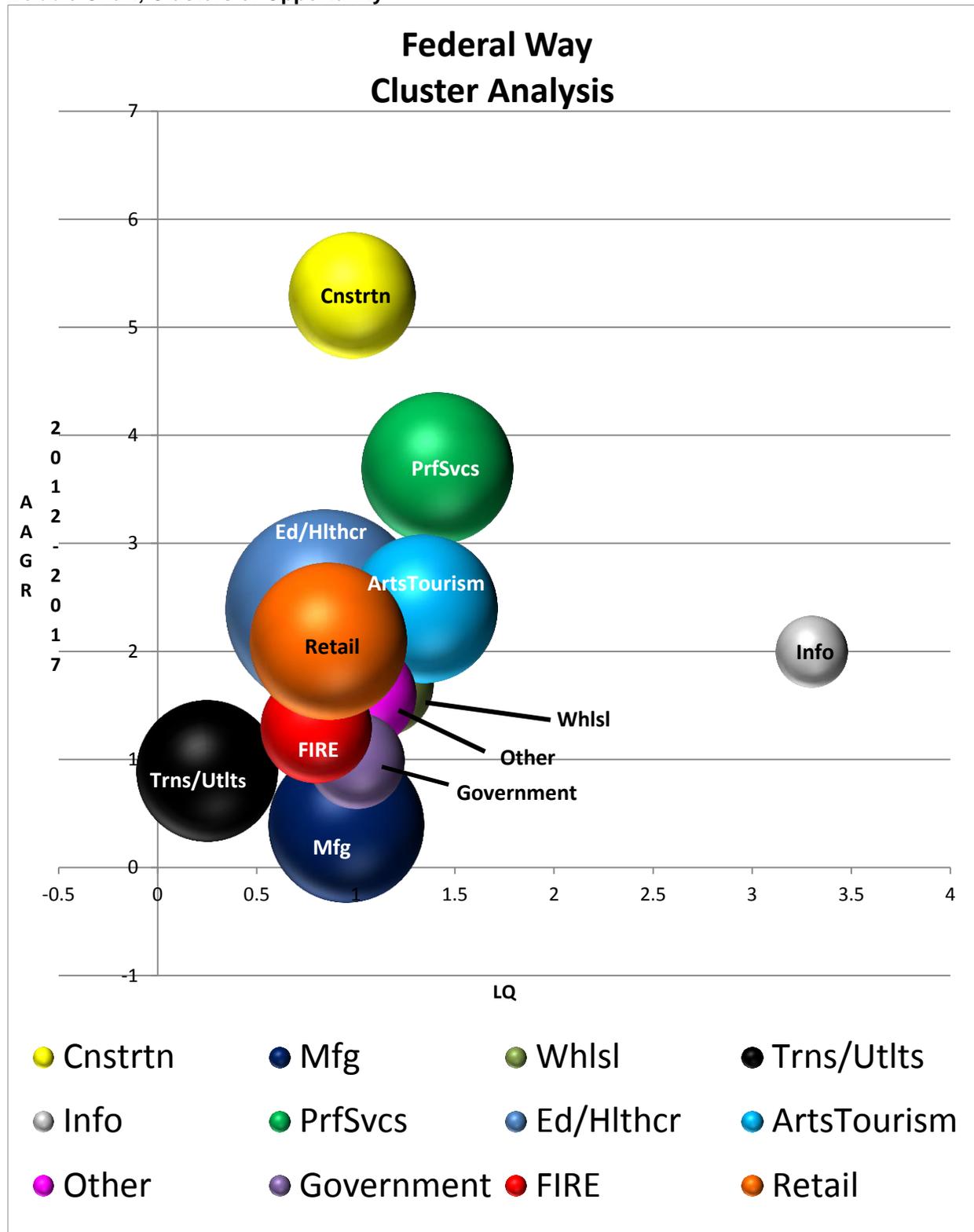
Sector	Federal Way Employment	Size Ranking	LQ	AAGR 2012-2017	% of Employment Base
Construction	3,100	7	1.0	5.35%	7.35%
Manufacturing	4,700	3	0.97	0.4%	11.0%
Wholesale	2,100	9	1.13	1.7%	4.9%
Retail	4,800	2	0.86	2.1%	11.6%
Transportation/Utilities	3,900	6	0.25	0.9%	9.2%
Information	1,000	11	3.30	2.0%	2.3%
FIRE	2,400	8	0.80	1.3%	5.6%
Prof. Biz Services	4,500	4	1.41	3.7%	10.5%
Ed. Healthcare	7,700	1	0.84	2.4%	18.0%
Leisure/Hospitality	4,300	5	1.34	2.4%	10.1%
Other	2,100	9	1.0	1.6%	4.9%
Government	1,800	10	-	0.99%	4.3%

- The largest employment sectors are Education/Healthcare, Retail and Manufacturing
- The Highest LQ's are Information, Professional Biz Services and Arts & Entertainment
- Forecasted Fastest Sectors by Average Growth Rate are Construction, Professional Business Services along with Education/Healthcare and Arts & Entertainment

Sources:

U.S Census Bureau
 U.S. Dept. of Labor Bureau of Labor Statistics
 Employment Security Dept. Washington State
 Finance Dept. City of Federal Way

Bubble Chart, Clusters of Opportunity



Cluster Analysis: The size of the bubble reflects employment size of the business sector in Federal Way. Sectors to the left of "0" or in the negative are declining in employment size. Sectors to the right of "0" or in the positive are increasing in employment size. Sectors moving vertically on the scale are assigned increasing "Location Quotient" points based upon industry and employment growth and percentage growth occurring within the business sector

CONSTRUCTION

Overview

The construction sector comprises establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction and establishments primarily engaged in subdividing land for sale as building sites also are included in this sector.

Construction work done may include new work, additions, alterations, or maintenance and repairs. Activities of these establishments generally are managed at a fixed place of business, but they usually perform construction activities at multiple project sites. Production responsibilities for establishments in this sector are usually specified in (1) contracts with the owners of construction projects (prime contracts) or (2) contracts with other construction establishments (subcontracts).

Employment

In a report entitled the “Construction Industry Labor Market Assessment, commissioned by the City of Seattle in 2014, it examined the growth of sector in King, Pierce and Snohomish counties. It identified that it will be the fastest growing employment sector.

“The Construction industry cluster is taking off with large public works projects and indications of an improving housing situation”

Workforce Development Council of Tacoma-Pierce County

Key Issues

Demand

Jobs forecasts for construction represent the realized intersection of supply and theoretical demand for Construction workers. In the case of Construction, demand reflects broader growth of the regional economy; the need for buildings and other physical capital investments; and builders’ ability and willingness to implement construction projects. Demand for Construction comes primarily from three sectors of the regional economy:

1. Commercial and industrial growth and need for space and facilities;
2. Public sector capital investments, for example, new regional investments by school districts, cities, and state and federal agencies; and
3. Household demand for new housing stock

These three sources of demand are not mutually exclusive—private sector demand for housing can reflect an increase in commercial jobs as the economy grows. Likewise, increases in the regional population create added pressure on the existing housing inventory and infrastructure, eventually resulting in new investments in both. Each type of investment has a varying distribution of subcontractors by subsector and activity (e.g., engineering firms, wholesalers, builders) with implications for required employment.

Supply

The supply of construction workers includes both those who are currently employed in Construction and those actively seeking work in the Construction sector. Supply forecasts of construction workers includes the sum of 1) currently employed workers; 2) forecasted unemployment claims made by construction workers, and 3) new entrants to the workforce, including new apprentices and the previous year’s graduates from Construction-specific post-secondary education programs from institutions within the three-county region.

The gap between the supply and demand is the surplus or deficit of regional workers needed to satisfy forecasted local Construction employment. The analysis measures the workforce gap for all Construction employment, including workers in administrative and managerial positions, as well as for sector workers in trades only found in Construction, such as framers.

For both the overall Construction industry and the Construction trades alone, economic forecasts suggest a surplus of workers will exist through 2019. The surplus is projected to decline from 8.0% in 2013 to 4.9% in 2019 for the former segment of Construction labor, and from 9.4% in 2013 to 5.8% in 2019 for the latter population.

Outlook

A recent report commissioned by the City of Seattle illustrated a concern with the growth of the Construction industry. The study evaluated the Construction labor market and workforce availability for King, Pierce, and Snohomish counties combined, in an effort to understand the sources of demand and supply for the regional Construction workforce. This analysis focuses on the regional Construction workforce.

The report illustrates a supply of workers through 2009. The gap between the supply and demand is the surplus or deficit of regional workers needed to satisfy forecasted local Construction employment. The analysis measures the workforce gap for all Construction employment, including workers in administrative and managerial positions, as well as for sector workers in trades only found in Construction, such as framers.

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So even though there is average annual growth rate of 5.3 percent it will still not be strong enough to reduce the supply of workers in this employment sector until 2019. However, there is an estimated potential of \$150 million in the development just in the Town Center that could be spent over the next three to five years creating local opportunities for employment. Additionally, with the reuse of Weyerhaeuser corporate Campus, other construction opportunities through renovation may also materialize. Thus, the research points to localized opportunity that must be considered, hence, the reason for the construction industry to be considered a targeted industry.

CONSTRUCTION

- Types of Businesses:**
- Industrial/Comm. Construction
 - Residential Construction
 - Utility Construction
 - Highway, Street Construction
 - Bridge Construction
 - Framing
 - Masonry
 - Roofing
 - Plumbing
 - Painting
 - Flooring

CONSTRUCTION CLUSTER STATISTICS

Employment (Federal Way)	3100
Annual Average Employment Growth 2012-2017	5.3%
Percentage of Federal Way Employment	7.35%
Percentage of King County Employment	5.04%
Percentage of MSA Employment	5.73%
Percentage of Washington Employment	5.15%
Location Quotient	0.98

Numbers from the U.S. Census Bureau; U.S. Dept. of Labor and Employment Security Dept. State of Washington

Leading Employment Occupations

Sampling of Local Businesses

- Carpenters
- Construction Laborers
- Construction Managers
- Electricians
- Operating Engineers

- Kiewit Bridge & Marine
- CR Floors & Interiors
- Five Star Electric
- Rockwell Collins
- Lennar Northwest Inc.
- Joe's Painting



ARTS AND TOURISM

Overview

Tourism is a major contributor to the region's economy—and it supports 133,000 jobs in the Puget Sound region. A strong tourism and visitors cluster attracts external wealth, spent not only on goods and services, but also generates taxes that help fund public services and infrastructure. In addition, local residents enjoy many of the same activities that attract people to the Puget Sound region.

The subsectors of the Leisure and Hospitality Super Sector - Arts, Entertainment and Recreation along with Accommodations are one of the fastest growing employment sectors in Federal Way.

The Leisure and Hospitality Super Sector consists of these sectors:

- Arts, Entertainment, and Recreation: NAICS 71
- Accommodation and Food Services: NAICS 72

The Arts, Entertainment, and Recreation sector includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons. This sector comprises (1) establishments that are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest; and (3) establishments that operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.

The Arts, Entertainment, and Recreation sector consists of these subsectors:

- Performing Arts, Spectator Sports, and Related Industries: NAICS 711
- Museums, Historical Sites, and Similar Institutions: NAICS 712
- Amusement, Gambling, and Recreation Industries: NAICS 713

Industries in the Performing Arts, Spectator Sports, and Related Industries subsector group establishments that produce or organize and promote live presentations involving the performances of actors and actresses, singers, dancers, musical groups and artists, athletes, and other entertainers, including independent (i.e., freelance) entertainers and the establishments that manage their careers. The classification recognizes four basic processes: (1) producing (i.e., presenting) events; (2) organizing, managing, and/or promoting events; (3) managing and representing entertainers; and (4) providing the artistic, creative and technical skills necessary to the production of these live events. Also, this subsector contains four industries for performing arts companies. Each is defined on the basis of the particular skills of the entertainers involved in the presentations.

In addition to this sector, the Accommodation and Food Services sector comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption. The sector includes both accommodation and food services establishments because the two activities are often combined at the same establishment.

The accommodation and food services sector consists of these subsectors:

- Accommodation: NAICS 721
- Food Services and Drinking Places: NAICS 722

Industries in the Accommodation subsector provide lodging or short-term accommodations for travelers, vacationers, and others. There is a wide range of establishments in these industries. Some provide lodging only; while others provide meals, laundry services, and recreational facilities, as well as lodging. Lodging establishments are classified in this subsector even if the provision of complementary services generates more revenue. The types of complementary services provided vary from establishment to establishment.

The accommodation subsector consists of these industry groups:

- Traveler Accommodation: NAICS 7211
- RV (Recreational Vehicle) Parks and Recreational Camps: NAICS 7212
- Rooming and Boarding Houses: NAICS 7213

Tourism and visitors is an export-oriented cluster meaning that the goods and services are primarily sold to individuals from outside the region rather than residents. In addition, most sales and other taxes paid by tourists remain and help fund public services and infrastructure.

Employment

According to the economic strategy of the Puget Sound Regional Council, this sector employs more than 133,000 workers in the region and is estimated to have generated over \$10 billion in sales in 2011. Food services and drinking establishments account for almost one-half of employment in the cluster. Other major employment sectors within the cluster include performing arts, spectator sports, and related events; accommodations; guided tours and transportation; amusement gambling, and recreation.

In addition, jobs in tribal employment (casinos, etc.) account for Tribal employment mostly related to tourism accounts for 11,200 jobs in the region. However, these jobs are not included in this cluster total because they are classified in the government category.

Of interest, despite making up only 8 percent of total nonfarm employment in the nation, the food services and drinking places industry (part of the larger leisure and hospitality industry) accounted for almost 1 out of every 6 nonfarm jobs added during the recovery after the Great Recession. The overall leisure and hospitality industry accounted for almost 1 out of every 5 nonfarm jobs added during the recovery.

The most recent employment downturn (the recession that began in December 2007) was historic in many ways, but most notably, in the substantial number of jobs lost. In percentage terms, the job loss between the total nonfarm employment peak in January 2008 and the trough in February 2010 was the largest job loss since the 1940s. The employment downturn between July 2001 and June 2002 (part of the recession that began in March 2001) was less severe in comparison with the recent recession.

The leisure and hospitality industry employment recoveries in 2002 and 2010 differ in several ways. For many industries, the 2001 employment downturn was shorter than the 2007 downturn and the accompanying job losses were less severe. It took the leisure and hospitality industry 6 months to recover the jobs it lost between its July 2001 peak and its June 2002 trough, a recovery rate of about 17 percent per month. It took half as long to recover the jobs as it did to lose them.

In contrast, it took the leisure and hospitality industry 24 months to recover the jobs it lost from the December 2007 peak to the January 2010 trough, a recovery rate of about 4 percent per month. It took about the same amount of time to recover the jobs as it did to lose them.

Outlook

Although the State of Washington eliminated its Office of Tourism due to budgetary issues, local governments have cobbled together programs that have proven to be successful. Additionally, the Washington State Convention Center is moving towards \$1 billion expansion in Seattle.

Federal Way will spend \$33 million on a new Performing Arts and Conference Center with ground breaking scheduled for 2015. The City is also working to have a corresponding conference center hotel built in concert with it. The demand for hotel/motel facilities has increased substantially. In a recent analysis by the Puget Sound Business Journal there are 5,450 hotel rooms either under construction or proposed in Seattle and Bellevue and the demand is coming south down Interstate 5 towards Federal Way.

The City of Federal Way has multiple organizations that are working on the promotion of both the arts and tourism. The City's Arts Commission is working to advocate and promote the arts through a variety of means. The Lodging and Tax Advisory Committee is also working to attract visitors and to enhance the visitor experience.

ARTS & TOURISM

Types of Businesses: <ul style="list-style-type: none"> • Hotels/Motels • Theater Groups • Botanical Gardens • Restaurants/Bars • Amusement and Theme Parks • Golf Courses • Historical Societies • Museums • Bowling Centers • Amphitheaters • Movie theaters • Art Galleries 	ARTS & TOURISM CLUSTER STATISTICS			
	Employment (Federal Way)	4,300		
	Annual Average Employment Growth 2012-2017	2.3%		
	Percentage of Federal Way Employment	8.8%		
	Percentage of King County Employment	19.18%		
	Percentage of MSA Employment	17.93%		
	Percentage of Washington Employment	16.15%		
	Location Quotient	1.34		
	<p>Numbers from the U.S. Census Bureau; U.S. Dept. of Labor and Employment and the Security Dept. State of Washington</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">Leading Employment Occupations</p> <ul style="list-style-type: none"> Actors Musicians Docents Directors Curators Waiters/Waitresses Housekeeping Services Caterers Chefs </td> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">Sampling of Local Businesses</p> <ul style="list-style-type: none"> King County Aquatic Center LA Fitness Twin Lakes Country Club Federal Way Symphony Hampton Inn Marriot Best Western Rhododendron Species Foundation and Botanical Gardens Pacific Bonsai Museum Wild Waves </td> </tr> </table>		<p style="text-align: center;">Leading Employment Occupations</p> <ul style="list-style-type: none"> Actors Musicians Docents Directors Curators Waiters/Waitresses Housekeeping Services Caterers Chefs 	<p style="text-align: center;">Sampling of Local Businesses</p> <ul style="list-style-type: none"> King County Aquatic Center LA Fitness Twin Lakes Country Club Federal Way Symphony Hampton Inn Marriot Best Western Rhododendron Species Foundation and Botanical Gardens Pacific Bonsai Museum Wild Waves
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Healthcare

Overview

For the purposes of this report, the healthcare cluster encompasses both the production of healthcare related goods and the provision of services that promote the health and well-being of the city, county and region's residents. The health care cluster includes a full spectrum of health services including mental health, acute care, long-term care, outpatient services and medical supplies.

The healthcare cluster comprises establishments providing healthcare and social assistance for individuals in Federal Way and the region. Direct patient care forms the cornerstone of this cluster. Also included are businesses that support direct patient care such as ambulance services, retail drug stores and medical devices for home care.

Employment

According to a report commissioned by the Workforce Development Council of Seattle-King County in 2011, healthcare is and has been one of the largest employment sectors in Washington State. Health care occupations are estimated to produce nearly 23,500 total openings and 12,500 new jobs in King County alone from 2014 to 2019.

The healthcare sector encompasses 42 occupations primarily employed within the Health Care and Social Assistance industry sector as identified in the North American Industrial Code System (NAICS 62).

Ten occupations are estimated to account for 64% of health care occupational employment by 2019. Top ranking occupations include Registered Nurses, Personal and Home Care Aides, Nursing Aides, Medical Secretaries, Home Health Aides, Medical Assistants, Medical Scientists, Medical and Health Service Managers, Social and Human Service Assistants and Massage Therapists. The remaining 32 occupations that define the Health Care sector that were examined in the Seattle-King County Workforce Development Council's commissioned report are estimated to account for 36% of employment.

Top Ten Occupations for Growth in Healthcare 2014-2019

1. Registered Nurse
2. Personal and Home Care Aides
3. Nursing Aides
4. Medical Secretaries
5. Home Health Aides
6. Medical Assistants
7. Medical Scientists
8. Medical and Health Service Managers
9. Social and Human Service Assistants
10. Massage Therapists

Source: Workforce Development Council Seattle-King County

The following chart illustrates the Top Five healthcare occupations and their forecasted growth 2014-2019.

Health Care Occupations		
Ranked by Avg. Total Annual Job Openings, King County, 2014 - 2019		
Occupation	Avg. Total Annual (2014-2019)	% of Total Openings
1. Registered Nurses	1,111	24%
2. Personal and Home Care Aides	454	10%
3. Home Health Aides	276	6%
4. Medical Scientists, Except Epidemiologists	224	5%
5. Medical Secretaries	215	5%
TOTAL	2,280	50%

Source: WA ESD, Community Attributes (2011)

Key Issues

Demand

The report commissioned by the Workforce Development Council of Seattle-King County, "Talent Pipeline for Health Care," identified the following key issues.

Growth Rate

Overall, the Health Care sector will continue in a growth mode. The 42 Health Care occupations studied are projected to grow by 2.1% annually, outpacing total King County employment growth between 2014 and 2019.

Job Openings

The Health Care occupations examined are projected to produce nearly 23,500 openings in King County from 2014 to 2019, of which 12,500 will be new jobs added in the five year period. The sector's top 10 jobs, which account for 64% of Health Care employment, will grow from approximately 72,200 in 2014 to close to 81,200 by 2019; a gain of 9,000 new jobs from 2014-2019.

Highest Demand

The five highest demand jobs in terms of total annual job openings are projected to account for nearly half of all job openings: Registered Nurses, Personal and Home Care Aides, Home Health Aides, Medical Scientists, and Medical Secretaries.

Issues & Trends

Industry observers have commented on an employer trend to raise the education requirement when hiring for occupations such as Registered Nurse. According to the BLS, the most significant education for RNs is an associate's degree, yet data indicate that 60% of trained candidates in King County have a bachelor's degree.

Supply

Supply Gap

Across all of the Health Care occupations that were examined in the report, there is a projected labor shortage for 26 of 42 occupations. Based on education level, shortages appear for occupations at the associate's degree or vocational award level and the master's degree level or higher, the latter having a significant shortage of 394 candidates annually.

Greatest Shortages

The greatest shortages are for the Registered Nurse, Personal and Home Care Aide, and Home Health Aide occupations.

Issues & Trends

The number of graduates from private vocational schools is projected to create surpluses in occupations such as Medical Assistant and Medical Secretary.

Outlook

Health care employs an estimated 4,700 people in Federal Way comprising 11 percent of the employment base. Beyond the report commissioned by the Workforce Development Council of Seattle – King County, the U.S Bureau of Labor Statistics illustrates that health care sector is forecasted to have one of the fastest annual average growth rates at 2.4 percent. While it does not have a strong Location Quotient, the sector remains one of the top two largest employment sectors in Federal Way and its forecasted job growth is one of the top three.

Today, healthcare is the second largest employment sector in Federal Way

Additionally, jobs in the health care sector are good, high paying jobs and are rewarding. There is a strong regional identity to the area. This directly relates to the historical relationship between the community and St. Francis Hospital. Additionally, Virginia Mason Medical Group and its presence in Federal Way has bolstered the growth of this sector. Additionally, among the positive news is the Children's Hospital of Seattle announcing their \$15 million South Sound Regional Clinic opening in Federal Way in 2015.

HEALTHCARE

Types of Businesses	HEALTHCARE CLUSTER STATISTICS	
		Employment (Federal Way)
	Annual Average Employment Growth 2012-2017	2.4%
	Percentage of Federal Way Employment	18%
	Percentage of King County Employment	13.11
	Percentage of MSA Employment	14.22%
	Percentage of Washington Employment	15.63%
	Location Quotient	0.84
	Numbers from the U.S. Census Bureau; U.S. Dept. of Labor and Employment Security Dept. State of Washington	
	<p>Leading Employment Occupations</p> <p>Healthcare Practitioners</p> <p>Healthcare Support Occupations</p> <p>Registered Nurses</p> <p>Medical & Public Health Social Workers</p> <p>Pharmacists</p> <p>Pharmacy Technicians</p> <p>Medical Assistants</p> <p>Dental Assistants</p> <p>Senior Living Center Specialists</p>	<p>Sampling of Local Businesses</p> <p>St. Francis Hospital</p> <p>Virginia Mason Medical Clinic</p> <p>Surgical Associates Northwest</p> <p>Evergreen Eye Center</p> <p>Digestive Health Endoscopy Center</p> <p>American Medical Response</p> <p>Community Integrative Services</p> <p>Total Renal Care</p> <p>Signature Home Health</p> <p>H & B Homecare Staffing</p>
<ul style="list-style-type: none"> • Medical Offices/Clinics • Dental Offices/Clinics • Optometrist Offices/Clinics • Skilled Nursing Care Facilities • General Medical/Surgical Hospitals • Medical Laboratories • Dialysis Centers • Dental Laboratories • Psychiatric Facilities • Home Health Care Service • Medical Equipment • Pharmacies 		



PROFESSIONAL & BUSINESS SERVICES

Overview

Business Services encompasses a variety of administrative and business support services including Professional, Scientific and Technical Services, and Management of Companies and Enterprises, and Administrative Support (North American Industry Classification System, (NAICS) codes 54, 55 and 56

Much of the region's economic success depends on a strong and vibrant business services cluster. This cluster provides key support services to high technology, manufacturing, transportation, and service industries in the region.

***The business services cluster employs over 180,000 people-
more than any other cluster in the Seattle region,
including one of the largest sectors in Federal Way***

The professional and business services super sector is part of the service-providing industries super sector group.

The professional and business services super sector consists of these sectors:

- Professional, Scientific, and Technical Services: NAICS 54
- Management of Companies and Enterprises: NAICS 55
- Administrative and Support and Waste Management and Remediation Services: NAICS 56

The Professional, Scientific, and Technical Services sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: legal advice and representation; accounting, bookkeeping, and payroll services; architectural, engineering, and specialized design services; computer services; consulting services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and other professional, scientific, and technical services.

The Management of Companies and Enterprises sector comprises (1) establishments that hold the securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest or influencing management decisions or (2) establishments (except government establishments) that administer, oversee, and manage establishments of the company or enterprise and that normally undertake the strategic or organizational planning and decision making role of the company or enterprise. Establishments that administer, oversee, and manage may hold the securities of the company or enterprise. Establishments in this sector perform essential activities that are often undertaken, in-house, by establishments in many sectors of the economy. By consolidating the performance of these activities of the enterprise at one establishment, economies of scale are achieved.

The Administrative and Support and Waste Management and Remediation Services sector comprises establishments performing routine support activities for the day-to-day operations of other organizations. These essential activities are often undertaken in-house by establishments in many sectors of the economy. The establishments in this sector specialize in one or more of these support activities and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.

Employment

According to a 2012 report commissioned by the Workforce Development Council of Seattle-King County, ten occupations are estimated to account for 45.4% of Business Services employment by 2019. Top ranking occupations include: Office Clerks, General, Bookkeeping Accounting, and Auditing Clerks, Janitors and Cleaners except Maids and Housekeeping, Business Operations Specialists, All Other, Accountants and Auditors and Customer Service Representatives. More than half of the total demand for these occupations is found in a different sector than Business Services. Hence the discrepancy between this report and the one from the Employment Security Department of the State of Washington which illustrates an overall growth rate for NAICS 54, 55 & 56 of 3.7 percent per year from 2012 -2017.

Key Issues

Demand

Growth Rate

The report commissioned by the Workforce Development Council of Seattle-king county in 2012 identified that the section of Business Services and its corresponding jobs are forecasted to grow at a compound annual growth rate of 1.3%. However, some key positions anticipate higher growth rates, such as Accountants and Auditors at 2.8%.

Job Openings

Business Services will create 3,117 annual openings from 2014 to 2019, resulting in more than 18,000 jobs over the six year period.

Highest Demand

The top ten occupations ranked by total annual openings, account for only 45% of the total jobs in the sector, indicating that 54% of these occupations work in different sectors. This is to be expected, given the diverse range of business service type skills needed in all sectors. Issues & Trends: Few occupations in Business Services are associated with an Associate's degree or Postsecondary vocational award. Demand is highest for Bachelor's degrees and Master's degrees or higher. The bulk of this sector's employment base is made up of people with On-the-Job training experience. Supply keeps pace better with demand for this training/educational category than for the Bachelor's and Master's level.

Supply

Supply Gap

Forty-seven of the 53 occupations studied are projected to have a supply gap, totaling a net shortage of 4,887 annually across all studied occupations. This masks the degree of specific occupational shortages due to a surplus of the Managers, All Others occupational category. Business Services also represents over 50 occupations, compared to other sectors such as Informational Technology and Finance, insurance and Real Estate. Of the top five Business Services positions ranked by annual openings from 2014 to 2019, a shortage of 2,220 is expected.

Greatest Shortages

All of the top five occupations expect a shortage of more than 300 candidates annually. Based on education level, shortages are more pronounced for people with On-the-Job training, followed by Bachelor's then Master's degree or higher.

Issues & Trends

Few occupations are associated with an Associate's degree or Postsecondary vocational award. The majority of positions are better aligned with On-the-Job training, a Bachelor's or Master's degree.

Outlook

The sector, which offers intangible products, has immense employment opportunities as it requires both skilled and unskilled labor.

Professional & Business Services jobs are forecasted to grow at an annual average rate of 3.7 percent. It is estimated in a report commissioned by the Workforce Development Council of Seattle-King County that the subsector Business Services will create 3,117 annual openings in King County from 2014 to 2019, resulting in more than 18,000 jobs over this period.

The top ten occupations ranked by total annual openings, account for only 45% of the total jobs in the sector, indicating that 54% of these occupations work in different sectors. This is to be expected, given the diverse range of business service type skills needed in all sectors.

While advanced degrees are required for many of the jobs in this sector, few occupations in the subsector of Business Services are associated with an Associate's degree or Postsecondary vocational award. The bulk of this sector's employment base is made up of people with On-the-Job training experience. However, demand is highest for Bachelor's and Master's degrees or higher. Supply keeps pace better with demand for this training/educational category than for the Bachelor's and Master's degree level.

PROFESSIONAL & BUSINESS SERVICES

Types of Businesses: <ul style="list-style-type: none"> • Architectural Offices • Attorney Offices • Accountant/Auditor/Bookkeeping • Engineering Offices • Computer Services • Consulting Services • Veterinary Services • Advertising Services • Financial Management • Employment Services 	PROFESSIONAL & BUSINESS SERVICES CLUSTER STATISTICS																		
	Employment (Federal Way)	4,500																	
	Annual Average Employment Growth 2012-2017	3.7%																	
	Percentage of Federal Way Employment	10.5%																	
	Percentage of King County Employment	10.11%																	
	Percentage of MSA Employment	8.32%																	
	Percentage of Washington Employment	12.0%																	
	Location Quotient	1.41																	
	<p>Numbers from the U.S. Census Bureau; U.S. Dept. of Labor and Employment Security Dept. State of Washington</p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: left; color: #4F81BD;">Leading Employment Occupations</th> <th style="text-align: left; color: #4F81BD;">Sampling of Local Businesses</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Accountants</td> <td style="padding: 5px;">Aerotek</td> </tr> <tr> <td style="padding: 5px;">Auditors</td> <td style="padding: 5px;">Berger/ABAM</td> </tr> <tr> <td style="padding: 5px;">Engineers</td> <td style="padding: 5px;">Kennedy/Jenks Consultants</td> </tr> <tr> <td style="padding: 5px;">Employment Services</td> <td style="padding: 5px;">Robert Half International</td> </tr> <tr> <td style="padding: 5px;">General & Operations Managers</td> <td style="padding: 5px;">Tommy Bahama Group</td> </tr> <tr> <td style="padding: 5px;">Lawyers</td> <td style="padding: 5px;">Morpho Trak</td> </tr> <tr> <td style="padding: 5px;">Research Analysts</td> <td style="padding: 5px;">Brantley, Janson, Yost & Ellison</td> </tr> <tr> <td></td> <td style="padding: 5px;">Eliot Mgmt. Group</td> </tr> </tbody> </table>		Leading Employment Occupations	Sampling of Local Businesses	Accountants	Aerotek	Auditors	Berger/ABAM	Engineers	Kennedy/Jenks Consultants	Employment Services	Robert Half International	General & Operations Managers	Tommy Bahama Group	Lawyers	Morpho Trak	Research Analysts	Brantley, Janson, Yost & Ellison	
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INFORMATION COMMUNICATIONS TECHNOLOGY

Overview

Information Communications Technology, (ICT) is among the strongest industries in the Puget Sound region. The presence of strong and growing IT companies in the region including Microsoft, Amazon and the ongoing success of smaller start-ups transformed into established firms, continues to position Puget Sound well for growth and development of this cluster. Estimated total employment in this sector in King County is forecasted to be 137,484 by 2019.

ICT is a diverse and rapidly evolving industry and is defined in different ways. For the purposes of this study, ICT can be found in the North American Industry Classification System in code 51. The report commissioned by the Workforce Development Council of Seattle & King County expands to cover the following industry subgroups defined by the North American Industry Classification System (NAICS): Software Publishers (NAICS 5112), Telecommunications (NAIS 517), Data Processing (NAICS 518), Internet Publishing and Broadcasting and Web Search Portals (NAICS 51913).

The Information sector comprises establishments engaged in the following processes:

- Producing and distributing information and cultural products,
- Providing the means to transmit or distribute these products as well as data or communications
- Processing data

The main components of this sector are the publishing industries, including software publishing, and both traditional publishing and publishing exclusively on the Internet; the motion picture and sound recording industries; the broadcasting industries, including traditional broadcasting and those broadcasting exclusively over the Internet; the telecommunications industries; Web search portals, data processing industries, and the information services industries.

The Information sector groups three types of establishments:

- Those engaged in producing and distributing information and cultural products;
- Those that provide the means to transmit or distribute these products as well as data or communications
- Those that process data

The Puget Sound region's software publishers employ over 13 times more workers than the national average

Employment

In a report commissioned by the Workforce Development Council of Seattle-King County in 2012, it identified that five occupations will be the five Information Technology sector occupations with the largest total employment projections are also projected to have the highest number of annual job openings. The top five occupations are projected to account for 62.4% of total annual job openings. Of the 3,507 annual sector job openings projected for 2014 to 2019, 21.2% are expected to be in the Computer Software Engineers, Applications occupation. The next four occupations have between eight and ten percent of the total annual openings: Computer Software Engineers, Systems Software (10.9%) Network Systems and Data communications Analysts (11.6%), Computer Systems Analysts (8.6%) and Computer Support Specialists (10.1%).

**Information Technology Occupations
Ranked by Avg. Total Annual Job Openings, King County, 2014 – 2019**

Occupations	Avg. Total Annual Openings (2014 - 2019)	% of Total Openings
1. Computer Software Engineers, Applications	1,191	21.2%
2. Network Systems and Data Communications Analysts	651	11.6%
3. Computer Software Engineers, Systems Software	615	10.9%
4. Computer Support Specialists	658	10.1%
5. Computer Systems Analysts	482	8.6%
TOTAL	3,597	62.4%

Source: WA ESD, Community Attributes (2001)

Key Issues

Demand

Growth Rate

The sector's top ten jobs are expected to grow at a rate of 2.8% which is well above the average annual rate for King County total employment (1.4% CAGR).

Job Openings

Information Technology is projected to have 5,618 annual openings in IT employment, totaling 33,708 over the five year period (2014-2019).

Highest Demand

The top five occupations, ranked by total annual openings are projected to account for 3,507 job openings per year. This represents 62.4% of total job openings in all of the sector's occupations studied.

Issues & Trends

The highest demand is projected to be for candidates with an Associate's degree or Postsecondary vocational award, as segmented by BLS; however this may conflict with market reality and desired education level for these occupations. Local experts report a preference to hire candidates with a BA degree or higher for the same occupations.

Supply

Supply Gap

Seventeen of the 21 occupations studied are projected to have a supply gap, with a net shortage of 3,631 jobs for all 21 occupations, annually.

Greatest Shortages

The largest shortage in IT is projected to be for Computer Software Engineers, Applications.

Issues & Trends

The occupations with highest demand offer excellent pay, particularly Computer Software Engineers, Applications; Computer Software Engineers, Systems Software; and Computer Support Specialists, which all earn \$86,000 or more.

Outlook

The Information & Communication Technology (ICT) cluster is large and diverse, with important impacts on the state economy. ICT cluster activities extend across Business Services, Electronic Retail Internet Services & Publishing, Software, Telecommunications Services and Manufacturing. Employers that do not engage primarily in ICT activities, but perform ICT activities in support of their primary activity are referred to in this analysis as having “tech units,” which make up an increasingly large part of the state’s economy.

ICT Influences Every Company

ICT is not like traditional industry clusters. While 176,600 workers are counted in the ICT cluster, activities like mobile apps development, data systems design, hardware engineering and online platform development extend into many other major sectors of the state economy. As companies increasingly look to data for insight, skills development in ICT is an increasingly important factor in any businesses’ success.

High Wages

ICT employees are paid some of the highest average wages of any other sector; from \$78,600 on average in manufacturing, up to \$188,500 in software. Non-wage compensation is also extremely competitive. Occupations in computer and mathematical science also had the highest post-recession income growth of any occupational segment (1.96% annualized growth between 2009 and 2013) at a time when real wage growth was negative for the majority of segments. These high wages mean disposable income is spent throughout the economy, driving additional job creation, wages and business revenues.

Strong Growth

Since a recent low of 149,400 in 2009 during the Great Recession, ICT jobs grew 4.3% on an annualized basis, compared with just 1.1% growth for all employment statewide. ICT employment in Washington has helped boost the wage level of new jobs replacing those that were lost during the recession, and have contributed to Washington’s low unemployment rate. Washington’s strength in well-established software publishing, as well as newer activities such as cloud services and electronic retail, position it as a hub for future ICT growth.

Occupations and Workforce

ICT is a talent-based workforce, meaning businesses rely heavily on individuals with advanced computer skills, either in the development of new products and services, or in the managing of digital networks and other core business infrastructure. Combining both covered employment and non-employer businesses, Washington’s ICT sector was responsible for an estimated 176,600 direct jobs in 2013.

INFORMATION & COMMUNICATIONS TECH.

Types of Businesses:	INFORMATION & COMMUNICATIONS TECH. CLUSTER STATISTICS													
<ul style="list-style-type: none"> • Publishing • Motion Pictures • Sound Recording • Broadcasting • Telecommunications • Data processing , Hosting and Related Services • Other Information Services 	Employment (Federal Way)	1000												
	Annual Average Employment Growth 2012-2017	2.0%												
	Percentage of Federal Way Employment	2.3%												
	Percentage of King County Employment	7.9%												
	Percentage of MSA Employment	6.12%												
	Percentage of Washington Employment	4.33%												
	Location Quotient	3.30												
	<p>Numbers from the U.S. Dept. of Labor and Employment Security Dept. State of Washington</p>													
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;">Leading Employment Occupations</td> <td style="width: 50%; text-align: center;">Sampling of Local Businesses</td> </tr> <tr> <td>Computer Software Engineers</td> <td>T Mobile</td> </tr> <tr> <td>Customer Support Specialists</td> <td>Qwest corporation</td> </tr> <tr> <td>Customers Service Representative</td> <td>KHUN Radio</td> </tr> <tr> <td>Network & Computer Systems Administrator</td> <td>Metro PCS/Seattle Communications</td> </tr> <tr> <td>Telecommunication equipment installers and repairers</td> <td>Xerox Commercial Services</td> </tr> </table>			Leading Employment Occupations	Sampling of Local Businesses	Computer Software Engineers	T Mobile	Customer Support Specialists	Qwest corporation	Customers Service Representative	KHUN Radio	Network & Computer Systems Administrator	Metro PCS/Seattle Communications	Telecommunication equipment installers and repairers	Xerox Commercial Services
Leading Employment Occupations	Sampling of Local Businesses													
Computer Software Engineers	T Mobile													
Customer Support Specialists	Qwest corporation													
Customers Service Representative	KHUN Radio													
Network & Computer Systems Administrator	Metro PCS/Seattle Communications													
Telecommunication equipment installers and repairers	Xerox Commercial Services													



ENTREPRENEURSHIP

Entrepreneurship is alive and well in Federal Way. It is estimated that 70 percent of the businesses in Federal Way employ between 1 to 4 people.

Entrepreneurship is important due to several reasons:

- Entrepreneurship has been the key to job creation during the “Great Recession.” As a group, entrepreneurs help build the foundation to a diverse and sustainable economy. Entrepreneurs hire local residents and enhance the tax base.
- Entrepreneurs also represent a single location of operations, simply not multiple locations of businesses. Very few entrepreneurs ever move outside their county of origin. In fact a report by the Kauffman Foundation illustrates that entrepreneurs may lose employees or fail, but seldom do they move.

The New Entrepreneurial Economy

Artisans, historically defined as skilled craftsmen who fashioned goods by hand, will re-emerge as an influential force in the coming decade. These next-generation artisans will craft their goods and shape the economy -- through upswings and downturns -- with an effect reaching far beyond their neighborhoods, or even their nations. They'll work differently than their medieval counterparts, combining brain with brawn as advances in technology and the reaches of globalization give them greater opportunities to succeed.

This observation is one of the conclusions of the Future of Small Business Report by the firm INTUIT. The forecast examines the prospects, influences and profiles of small business. "No longer confined to a Main Street store front, tomorrow's small businesses will increasingly collaborate with big businesses, gain access to big business infrastructure, and take full advantage of a global marketplace," said Rick Jensen, senior vice president and general manager of Intuit's small business group. "The next generation of entrepreneurs will be knowledge artisans, yet in many ways look very similar to their pre-industrial age counterparts."

The study identified three emerging trends that reveal small businesses, equipped with advanced technology and unprecedented social networks, will amplify their reach and capabilities.

- **Brain Meets Brawn to Create Opportunities for Small Business**
 - The emergence of barbell-like economic structures will drive new business collaborations, creating greater opportunity and profitability for small business.
- **Barriers Down, Small Business Opportunities Up**
 - Access to big business infrastructure will expand, making their sophisticated technologies available to small and personal businesses, at lower risk, with a variable cost structure.
- **The Next Wave of Globalization will be Driven by Small Business**
 - Muted trade barriers, improved technology, and professional and social networks across borders will facilitate small business access to new markets.

Brain Meets Brawn to Create Opportunities for Small Business The first trend is based on the concept of barbell economics. It envisions a barbell structure for most industries, with a few giant corporations on one end, a relatively small number of mid-sized firms in the middle, and a large group of small businesses balancing the other end. As this structure becomes more prevalent, there will be increasing opportunities for small business to flourish in niches left untouched by the global giants. In addition to the physical skills that are the foundation of many small businesses, there will be greater opportunities for entrepreneurs to use their business savvy as well, to increase profits by collaborating with their larger counterparts in areas such as specialized services, innovation and outsourcing. As a result small businesses will be better positioned than large corporations to provide customers with highly targeted, customized and relevant products. Given their size and agility, small businesses are extremely well positioned to serve niche markets.

Outsourced innovation from big business will increase opportunities for small business. Simply put, large corporations will increasingly tap small business for collaboration, fueling the number of small business innovators.

Barriers Down, Small Business Opportunities Up

The second trend foresees dramatically lowered barriers to big business infrastructure, giving way to lightweight technologies that make running small and personal businesses easier than ever. As a result: Small businesses will reclaim manufacturing, fueling small-scale and specialized production. Tools such as computer-aided design and desktop manufacturing systems will transform the manufacturing process and change the very nature of producing goods. Plug-and-play infrastructures will make small businesses more competitive and successful. With the ability to access world class, large-scale infrastructure and new technologies, small businesses will expand their reach and address industries formerly served only by big business. The shift to variable cost structures for core business operations will reduce risk and increase opportunities for small businesses. As startup and operating costs decline, the risks associated with starting and running a small business will decrease, allowing for greater operating speed, agility and flexibility.

The Next Wave of Globalization Will be Driven by Small Business

The number of U.S. small businesses trading globally will substantially increase, fueled by cross-border business opportunities, technological advances leading to broader social networks, and reductions in export costs. More specifically almost half of U.S. small businesses will be involved in global trade by 2018. As the costs associated with doing business globally continue to decrease, small businesses will make no distinction between domestic and international commerce. Social networks will fuel borderless commerce. Online and offline social networks will help remove soft trade barriers, such as language and cultural differences. These networks will introduce small businesses to new markets and facilitate cross-border trade. Globalization will increase small business diversity and amplify its economic value. Small business diversity will help increase market growth in the U.S. and abroad and will unlock new opportunities for all small business owners.

The Future Resembles the Past

With the removal of technological and geographical limits, entrepreneurial artisans will reassert some of the force and influence they lost to the industrial revolution and the growth of manufacturing industries, the study found.

"Like their medieval predecessors in pre-industrial Europe and Asia, these next-generation artisans will ply their trade outside the walls of big business, making a living with their craftsmanship and knowledge," said Steve King, senior advisor at the Institute for the Future and study co-author. "But there also will be marked differences. In many cases, brain will meet brawn; software and technology will replace hard iron and hard labor. As a result, small businesses will increasingly serve international markets and customers as easily as they serve their local customers today."

GLOBAL TRADE AND INVESTMENT

The Puget Sound is one of the most internationally connected regions in the nation. International trade and investment is more than the exchange of goods, services and capital – it encompasses educational and scholastic exchanges, tourism, arts, sports, culture and many more important relationships. This activity is vitally important to the region.

But specifically from a goods and services perspective, the Puget Sound region is the third largest container complex in the nation and serves not only the Pacific Northwest, but also the major cities of the Midwest, East Coast and Canada. It is also a major air and overland hub, enabling rapid cargo shipments to literally anywhere in the world from one location. Through trucking and rail routes, overland shipments can make it to Southern California as quickly as overnight and to the East Coast in as few as five days.

The Puget Sound ports are competitively located for the global economy. The ports are one sailing day closer to Asia than other West Coast ports, with the Port of Everett offering the closest US shipping facility to Alaska and the Far East of any US port in the nation.

Together, the ports of Seattle and Tacoma are the second-largest Container trans-shipment point in the nation.

Quick Stats

- The Puget Sound is equidistant between London and Tokyo
- The State of Washington ranks first in the U.S. for exports per capita
- Flights from SeaTac Airport reach Asia 1-2 hours faster than those from Los Angeles or San Diego
- Approximately 8.7% of the State's private sector jobs are linked to export manufacturing
- The Puget Sound's largest trading partners are China, Japan and Korea

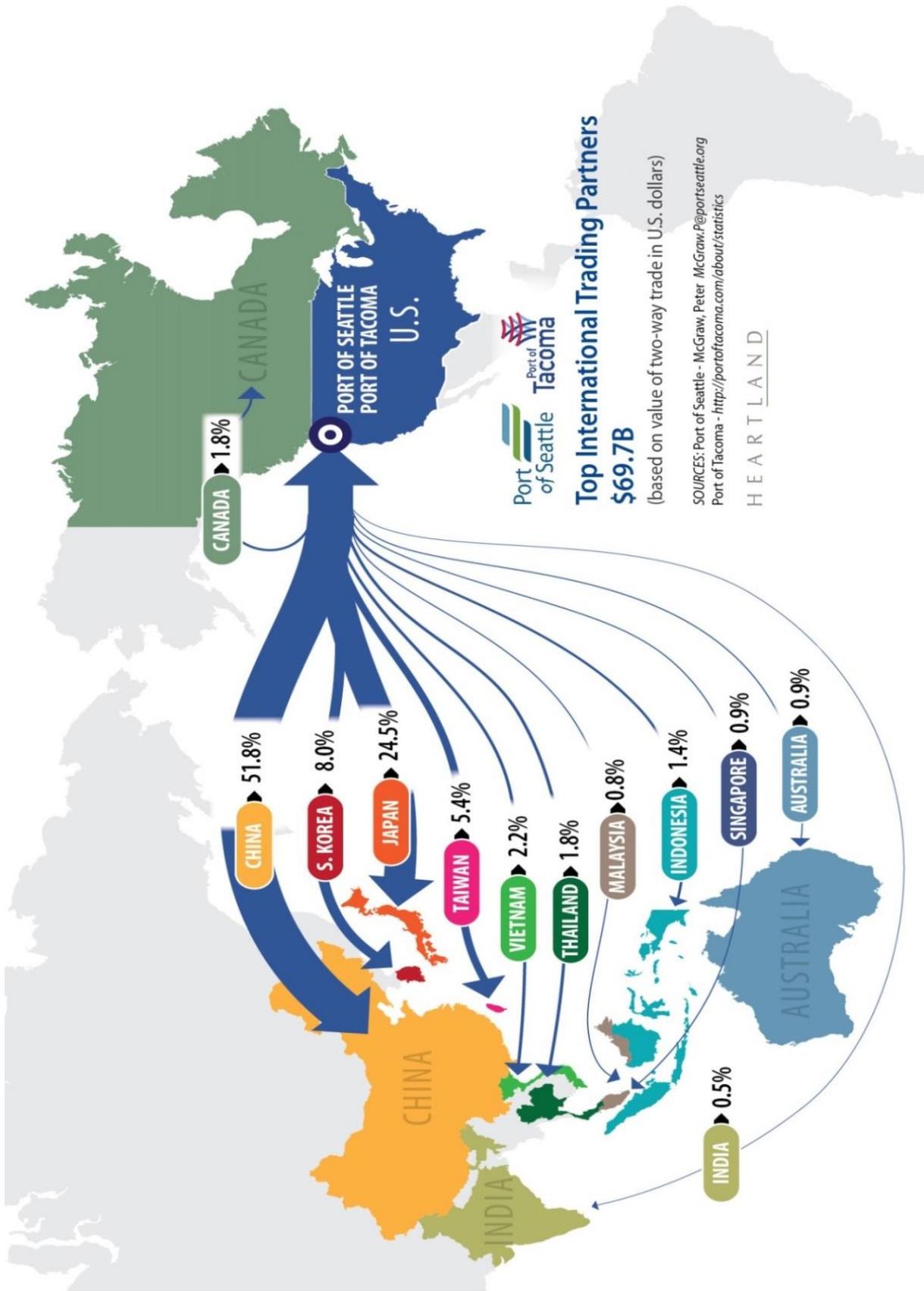
The Puget Sound's natural deep-water ports, international air hub, and proximity to Asia and the Pacific Rim, makes the Puget Sound a Great Gateway to Asia. As a result, King County possesses some of the nation's leading expertise in international trade and is one of the leading trade hubs on the West Coast.

Washington State is one of the top five largest exporting states in the nation. It is estimated that exports will exceed \$90 billion in 2014. Overall the state is in the top ten for import/export activity. Washington remains the 7th largest state in the nation with international trade activity behind Texas, California, New York, New Jersey, Illinois and Michigan.

Even though Federal Way is on the Puget Sound, it has no marine terminals. Nevertheless, there are a variety of companies engaged in international trade and investment. Weyerhaeuser, TOTEM along with the retailer, H-Mart provide examples of companies located here that operate ship or sell products internationally. Many take advantage of the Federal Way's close proximity SeaTac International, the airport for the purposes of trade.

Additionally, the City of Federal Way has two Sister City programs - Tonghae, Republic of Korea and Hachinohe, Japan. The City also has a cooperative relationship with the City of Shantou, China. The City is working to formulate trade opportunities and is seeking international opportunities for the reuse of the Weyerhaeuser Corporate Campus.

The following chart illustrates a graphic depiction of trade between Puget Sound ports and Pacific Rim nations.



ASSEMBLY

Overview of Objectives

The following highlights some of the key objectives of the Strategy. This is followed by Goals of the Strategy. This includes a draft City Policy framing the city's action(s) per goal. It also includes the individual objectives for each goal and the subsequent justification for the goal. This is then followed by timelines for completion of the individual objectives per goal.

- **Lender's Forum**
Partner with area banks, savings and loans, credit unions, community-based lenders and government agencies to present their current loan products and underwriting requirements to help local businesses understand the changing landscape of business lending.
- **Examine Formulation of Equity and Equivalent Line of Credit EQ-2**
This is a program started by the San Francisco Federal Reserve in 2000. Banks can offer heavily subordinated loans to non-profits or government agencies to re-loan in to disadvantage, minority and women – owned businesses or in low income and high unemployment areas. It is a loan product, financial tools that allows an applicant such as a non-profit or government to strengthen its capital structures, leverage additional debt capital and as a result, increases lending and investing in Federal Way.
- **Formulate Relationships with Community Development Financial Institution- CDFI's**
A Community Development Financial Institution is a community development lender. There are multiple Community Development Financial institutions that serve the state. The opportunity
- **Formulate Relationships and Opportunities with Puget Sound area's Angel Networks**
- **Examine use of Crowdfunding Sources for Federal Way Businesses and Developments**
- **Entrepreneurs Fest**
Annual presentation of a new event to illustrate business opportunities, trends and services to support Entrepreneurs in Federal Way
- **Formulation of a Federal Way Entrepreneurs Network**
- **Federal Way Showcase**
This is an annual event to a focus group of developers, investors, businesses, real estate, bankers and consultants on the development opportunities in Federal Way
- **Development of Town Center**
- **Formulation of Business District connections**
Formulation of Business District Association for Downtown, Twin Lakes, South Pac Highway and North Pac Highway
- **Women in Business Conference**
- **Recruitment of a branch campus of a major research university**

- **IDE²A Zone**

Incentive program in Town Center that bundles existing economic development tools in the effort to attract existing, expanding and start-up businesses involved with Innovation, Design, Education, Entrepreneurship and the Arts. They include the following:

- LIFT: Sales tax exemption on infrastructure improvements in the downtown
- ½ the School Impact Fees
- Reduction on Traffic Impact Fees
- Central City Project Area State Environmental Review
- No Parking Fees
- No Local Business and Occupation Tax
- No Head Count Fees
- No Business License

So what does this mean? While some are easy to understand, such as there is no B & O tax, this can mean the difference in significant costs for a development and a subsequent business.

Others like the LIFT and traffic impact fees need explaining.

For example, the City's Traffic Impact Fee program has two zones structure (City Center zone and outside City Center zone). The impact fees for City Center zone (downtown) is 28% to 40% lower than outside City Center zone depending on land use type. Below are examples of common impact fees rate for MF, Restaurant, Bank and office:

	Outside City Center	City Center
Multi-Family	\$2,019 per Unit	\$1,454 per Unit
Bank	\$20.46 per SF/GFA	\$14.32 per SF/GFA
Restaurant	\$13.45 per SF/GFA	\$9.42 per SF/GFA
Office	\$4.72 per SF/GFA	\$2.83 per SF/GFA

Also, some developments within the City Center are under the Planned Action State Environmental Review. Here the City has and continues to initiate the environmental and traffic reviews reducing the cost and need by a developer to pay for a full Environmental Review, thus saving significant costs. And as such, the City's Community Development Director will be responsible for determining the appropriate fee to be assessed on the project.

The School Impact Fees are similar to the Traffic Impact fees only that they are 50 percent less in the Downtown or City Center than in other locations of the city of Federal Way.

Also, as it pertains to the Business & Occupation Tax, it is .41500% in Seattle, .40000% in Tacoma and .14960 in Bellevue. It is zero in Federal Way.

As it pertains to Business & Occupation Head Tax, it is \$4.15 per employee per year in Seattle, \$4.00 in Tacoma and \$1.50 in Bellevue. It is zero in Federal Way.

Additionally, waive the fee for a business license for 5 years. Example, recruit 25 businesses per year for five years. The total cost to the loss of revenue for this action compounded is less than \$3,000 per year. Waiving the fee, although small sends a large signal that Federal Way is open for business.

- **Recruitment of Businesses**

Attraction of targeted industry clusters of Construction, Arts & Tourism, Professional and Business Services, Healthcare/Medical and Information, Communications Technology. Also the recruitment of a branch campus of a major research university.

- Networks for Targeted Industries
Formulate networks reflective of the clusters and that comprise representatives from the clusters to help advise how to promote, attract and market the opportunities of the clusters- Construction, Arts & Tourism, Professional and Business Services, Healthcare/Medical and Information, Communications Technology
- Economic Development Summit
- Formulation of Mayor's Roundtable of Economic Development Advisors
- Review and Update Marketing Material
This objective will involve the annual update of the marketing piece "Doing Business in Federal Way;" ongoing updating of Economic Development Information on the City's Website and publication of the Federal Way Business Minute
- Continued Collection and Presentation of Market Intelligence
Formulate implementation effort to communicate the Economic Development Strategy- Some Assembly Required and market data through different platforms, (owned and/or shared)
- Formulate and Implement Annual Business Retention Survey
- Enhance Sister City Relationships
Formulation of protocols and Formulation of business development strategy to enhance both economies.
- PROJECT LANDLORD
- Examination of a Formulation of an Community Development Corporation

As previously identified, there are six goals to the strategy Some Assembly Required

Highlights of Goals:

1. Promote and Create a Sustainable, Diversified and Globally Focused Economy
2. Help Attract, Expand & Retain Businesses, Jobs and Investments (New Development & Redevelopment) that Provide Employment Opportunities for Federal Way Residents
3. Alignment of Reuse of Weyerhaeuser Corporate Campus to Next Generation of Jobs
4. Build a Brand to Promote and Enhance the Image of Federal Way
5. Ensure Education Opportunities Align with Future Job Growth
6. Formulate Tools and Systems to Encourage Entrepreneurship

There are over 30 objectives that correspond to the six goals. These objectives are identified in the following subsection.

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Goal 1: Promote and Create a Sustainable, Diversified and Globally Focused Economy

Policy: The City of Federal Way will cooperate with the federal state and regions public jurisdictions and private entities on matters of individual interest including: economic, social and environmental issues.

Objectives:

G1-A Utilize federal, state and regional public agencies and private entities to provide current and reliable economic and development information.

G1-A1 U.S. Department of Commerce

- Census Bureau

U.S. Department of Labor

G1-A2

- Bureau of Labor Statistics
- Bureau of Economic Analysis

G1-B Formulate working arrangements with public agencies and private entities partner organizations, participating in local economic development programs.

G1-B1 Economic Development Council – Seattle, King County

G1-B2 Economic Development Board – Tacoma, Pierce County

G1-B3 State of Washington Department of Commerce

G1-B4 Trade Alliance of Seattle

G1-B5 Seattle Sports Commission

G1-B6 Seattle Visitors and Convention Bureau

G1-B7 Greater Federal Way Chamber of Commerce

G1-B8 Highline Community College

G1-C Help promote international trade through Seattle Trade Alliance, Port of Seattle & Port of Tacoma, State of Washington Department of Commerce, U.S. Department of Commerce and Federal Way Sister Cities.

G1-C1 Identify and communicate with Sister Cities on business opportunities

G1-C2 Identify dates to send delegates to sister cities: Tonghae, Republic of

G1-C3 Korea & Hachinohe, Japan – in 2014; Korea in 2015. Use one trip to visit Shantou, China.

G1-D Formulate and present Economic Development Summit

G1-D1 Invitation to site location consultants

G1-D2 Invitation to University Presidents to key note

G1-D3 Formulation of Mayor's Roundtable of Economic Development Advisors

Justification:

The Puget Sound Region is a dynamic and growing urban area. Complex urban issues do not respect jurisdictional boundaries. They impact all jurisdictions. Issues of air & water quality, transportation and economic development are issues that must be addressed on a regional scale. The continuing effort to diversify and sustain Federal Way's economy is a major goal intergovernmental cooperation along with private partners is needed for success of economic development. These actions rely on examining and fostering new opportunities. This can be accomplished through economic development programs along with capital improvement expenditures.

Goal #1:
Promote Create a Sustainable, Diversified and Globally Focused Economy

Objectives:	2015				2016			
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Inter Agency & Private Entity Programming								
Support For & With Lakelhaven Utility District								
South King Fire & Rescue District								
Puget Sound Energy								
Century Link								
Comcast								
Waste Management								
Promotion of International Trade								
Travel to Sister Cities								
Enhance Sister City Relationships								
Protocols for Welcoming Foreign Delegates								
Presentation of Economic Development Summit								
Mayor's Roundtable of Economic Development Advisors								

Key:

Activity during period/ent
X ¹ Hokkaido, Japan
X ² Tonghae, North Korea
Activity will continue onto following year

- References:
- ED - Economic Development
 - MO - Mayor's Office
 - Law - Law
 - PW - Public Works
 - PAE - Parks & Recreations
 - IT - Informative Technology
 - PD - Police Department
 - FIN - Finance
 - CD - Community Development
 - CP - Community Partner
 - RP - Regional Partner
 - SP - State Partner

Goal 2: Help Attract, Expand & Retain Businesses, Jobs & Investments that Provide Employment & Enhance Income Opportunities for Federal Way Residents

Policy: The City will actively promote the continued diversification and sustainability of the local economy and to expand employment opportunities for its residents.

The City will promote the redevelopment of existing urban development as a means to sustain the economy and provide jobs.

Objectives:

- G2-A Provide assistance to businesses expanding, relocating or working to retain them in Federal Way**
- G2-A1 Formulate Business attraction material specifically around targeted industry clusters
- G2-A2 Formulate Business Retention Materials
- G2-B Formulate Federal Way showcase. Annual presentation to a focus group of developers, buildings, business, financiers, engineers, land use & business consultants to tell the tale of opportunities available in Federal Way.**
- G2-C “Project Landlord” host annual meeting with landlords of commercial office and industrial zoned properties to discuss economic development effort and opportunities**
- G2-D Formulate Business Retention Summary**
- G2-E Formulation of Federal Way Entrepreneurs Network**
- G2-E1 Examine Formulation of Equity and Equivalent Ling of Credit EQ-2
- G2-E2 Formulate Relationships with Community Development Financial Institution – CDFI’s
- G2-E3 Formulate Relationships and Opportunities with Puget Sound area’s Angel Networks
- G2-E4 Examine use of Crowdfunding Sources for Federal Way Businesses and Developments
- G2-F Entrepreneurs Fest**
- G2-H Formulation of Federal Way Entrepreneurs Network**
- G2-I Federal Way Showcase**
- G2-J Development of Town Center**
- G2-J1 New Market Tax Credits for TC-1 (PACC)
- G2-J2 Technical Assistance for TC-2 (Park)
- G2-J3 RFQ for TC-3
- G2-J4 Technical Assistance for TC-4
- G2-K Women in Business Conference**
- G2-L Formulation of Business District Associations**
- G2-L1 Downtown
- G2-L2 Twin Lakes
- G2-L3 North Pacific Highway
- G2-L4 South Pacific Highway
- G2-M Continued Collection and Presentation of Market Intelligence**
- G2-N Formulate and Implement Annual Business Retention Survey**

Justification: In order to maintain a stable and balanced economy new employment opportunities must be available. Placing local residents in such jobs is often as important as creating them. Economic growth that provides jobs for residents involves dues little to benefit locally unemployed and underemployed

Goal #2:
 Help Attract, Expand Retain Businesses, Jobs Investments that Provide
 Employment Enhanced Income Opportunities for Federal Way Residents

Objectives:	2015				2016			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Assistance to Businesses expanding, relocating/ working to remain them in FW								
Form Business attraction material, spec. targeted industry cluster								
Form Business Retention Material								
Project Landlord								
Form Business Retention Summary								
Examine formulation of Equity & Equivalent Use of Credit EO-2								
Form Relationships with CDPTs								
Form relationship Opportunities with Puget Sound area's Angel Networks								
Examine use of Crowdfunding Sources for FW Businesses & Developments								
Entrepreneurs Fest								
Formulation of FW Entrepreneurs Network								
Federal Way Showcase								
Development of Town Center								
RFQ for TC-3								
Women in Business Associations								
Continued Collection & Presentation of Market Intelligence								
Formulate & Implement Annual Business Retention Survey								

KEY:

Activity during period/event

Activity will continue onto following year

- References:
- ED - Economic Development
 - MO - Mayor's Office
 - Law - Law
 - PW - Public Works
 - PAR - Parks & Recreations
 - IT - Information Technology
 - PD - Police Department
 - FIN - Finance
 - CD - Community Development
 - CP - Community Planner
 - RP - Regional Planner
 - SP - State Partner

Goal 3: Alignment of Reuse of Weyerhaeuser Corporate Campus to Next Generation of Jobs

Policy: The City actively provides the continued diversification and sustainability of the economy and help develop employment opportunities for its residents

Objectives:

G3-A Provide leadership in reuse of the campus

G3-A1 Participate with Weyerhaeuser and its consultants – Heartland in finding opportunities for reuse.

G3-A2 Communicate opportunities to the regions political and community leaders.

G3-A3 Examine and publish Conditions and Considerations report Reuse of Weyerhaeuser Campus; Public services to and through the campus

G3-A4 Formulate Multi-Discipline Response Team:

Mayor's City Staff; City Community Development; City Public Works; Lakehaven Utility District; Puget Sound Energy; South King Fire & Rescue; Century Link; Comcast; Sound Transit & King County Metro Transit

G3-B Retention of Pacific Bonsai Museum

G3-C Retention of Rhododendron Species Foundation & Botanical Garden

- Outcome – Creation of permanent jobs to exceed previous impacts

G3-E Formulation of Business Incentives for Reuse

Justification: The continuing growth, sustainability and diversification of Federal Way's economy is a significant issue. Continued growth of the City's economic and job base relies on fostering new opportunities. This can be achieved through reuse and redevelopment along with alignment with skills and education of labor force.

Goal #3:
 Alignment of Reuse of Weyerhaeuser Corporate
 Campus to Next Generation of Jobs

Objectives:	2015				2016			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Leadership								
- Identify funding opportunities to regions political & community leaders								
- Examine & Publish Reports								
- Formulate Multi-Discipline Response Team								
- Mayor's City Staff								
- City Community Development								
- City Public Works								
- Lakehaven Utility District								
- Puget Sound Energy								
- South King Fire & Rescue								
- Century Link								
- Comcast								
- Sound Transit								
- King County Transit								
Retention of Pacific Bonsai Museum								
Retention of Rhododendron Species Garden								
Work to find End-User								
Creation of permanent jobs								
Formulation of Business Incentives								

KSR:  Activity during period event
 Activity will continue onto following year

- References:
- ED - Economic Development
 - MO - Mayor's Office
 - Law - Law
 - PW - Public Works
 - P-R - Parks & Recreations
 - IT - Informative Technology
 - PD - Police Department
 - FIN - Finance
 - CD - Community Development
 - CP - Community Partner
 - RP - Regional Partner
 - SP - State Partner

Goal 4: Build a Brand to Promote & Enhance the Image of Federal Way

Policy: The City will provide and work with its partners to ensure effective and efficient services to its residents, businesses and visitors in the effort to become the “Premier City in the Puget Sound”.

Objectives:

G4-A Discuss with Mayor/Council the following issues and how to acquire it and how to use it to present it as a brand.

G4-B Work with Council to ascertain directions of scope of work for hiring consultant(s).

- Brand Product(s) / City Strengths
- Brand Vision / Strategy Goals
- Brand Positioning / City Strengths
- Brand Target
- Brand Identity
- Brand Envision / City Strength and Weaknesses
- Brand Experience
- Brand Pricing
- Brand Association
- Brand Message but not tagline

G4-C **Communication and Outreach**

G4-C1 Update website on Economic Development

G4-C2 Federal Way Business Minute

G4-C3 Formulation of Quality of Life Index

Justification: The image of a community is very important. Parks and Recreational opportunities, cultural amenities, low crime rates and tax rates are all key items. The efficient and effective deliveries of public services are tantamount to a successful brand. The image a community projects is partly reflected in the quality and design of development in it.

Goal 5: Ensure Education Opportunities Align with Future Job Growth

Policy: The City actively promote the continued diversification and sustainability of the local economy and along it with education opportunities through a “University Initiative”.

Objectives:

G5-A Recruitment of a branch campus of a major research university to Federal Way

G5-B Help residents acquire bachelor degrees to improve employment opportunities

G5-B1 Work to expand job training and placement services with Seattle, King County Workforce Development Council.

G5-B2 Identify educational needs of targeted industries today and in the future as it pertains to training labor force.

G5-B3 Create a K-gray atmosphere that education never stops, specifically in a “Informative Age” economy

- Formulate opportunities with Highline Community College
- Formulate opportunities with Devry Campus
- Formulate other opportunities with Universities

Justification: In order to maintain a stable and balanced local economy, education and employment opportunities must align. Economic growth that provides jobs for non-resident workers does little to benefit the locally unemployed and under-employed.

Goal 6: Formulate Tools and Systems to Encourage and Enhance Entrepreneurship

Policy: The City will actively provide the continued diversification and sustain ability of the economy and help develop employment opportunities for its residents.

Objectives:

G6-A Encourage local Entrepreneurship by illustrating opportunities with targeted industries

G6-A1 Formulate network programs

G6-A2 Actively support the development of arts and entertainment entrepreneurship effort and events in the Town Center.

G6-B Availability of and Access to Capital

G6-B1 Biannual presentation of Lender's Forum – Work with banks, S7L'S, Credit Unions, CDFL's, Crowdsourcing, SBA

G6-B2 Examination of use of Federal Reserve based program equity and Equivalent Line of Credit Program to Enhance City Loan Program

G6-B3 Formulation of Relationships with Community Development in Financial Institutions Support of Local Entrepreneurs

G6-B4 Formulation of relationships with Angel investors in support of local entrepreneurs

G6-B5 Formulate of presentation on the use of crowd sourcing in support of entrepreneurs

G6-B6 Ascertain information on Micro Lenders serving Federal Way in support of entrepreneurs

G6-B7 Ascertain information on SBA lenders, 7A and 504 lenders serving Federal Way in support of local businesses

G6-C Examine formulation of a Community Development Corporation of the City of Federal Way

G6-D Communicate resources on platforms, such as a website, social media, Federal Way Business Minutes and identify other opportunities

Justification: Continued growth and diversification of the City's economic base relies on fostering new opportunities which include entrepreneurship.

**Goal 6:
Formulate Tools and Systems to Encourage and Enhance Entrepreneurialism**

Objectives:	2015				2016			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Encouraging local entrepreneurs w opportunities in targeted industries								
Formulate Network Programs								
Actively support development of Arts & Entertainment								
Entrepreneurship in Town Center								
Availability of & Access to Capital								
Biannual Lender's Forum								
Examination of EQ-2								
Form relationship w/ CD in financial Institutions								
Support of Local Entrepreneurs								
Formulation of relationship w/ Angel investors in support of local entrepreneurs								
Formulate presentation on the use of Crowd Sourcing								
Examine formulation of Community Development Corp. for FW								
Ascertain information on Micro Lenders serving FW								
Ascertain information on SBA Lenders, 7A & 504 lenders serving FW								
Communicate resources on platforms, such as websites, social media, FW Business Minutes & identify other opportunities								

KEY:

-  Activity during period/event
-  Activity will continue onto following year

References:

- ED - Economic Development
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- PD - Police Department
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- CD - Community Development
- CP - Community Partner
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OUTCOMES

Budget

Given the start-up nature of this economic development program and the city's corresponding budget, the ability to produce and manage many of these objectives is going to take a team effort. This effort will be amongst city staff and a variety of stakeholders to ensure success. City staff is aware of such obstacles and will work to accomplish the objects as not to impact further General Fund obligations.

City staff has identified nearly 40 objectives in the Economic Development Strategy to either directly help in the creation of jobs or bolster the efforts in helping businesses create jobs. The implementation of these objectives will rely on the input and assistance from stakeholders and partners. Many of these objectives require funding that can be supplemented by contributions or sponsorships.

Upon the approval of this Strategy, by the Mayor and City Council, the Economic Development Director will provide reports outlining the progress and status of the achievement of the goals and objectives to the City Council. These progress reports will come through staff reports, memorandums and public presentations. The identification of stakeholders and fiscal resources and policy issues for each objective will be presented as the work progresses on the various objectives. At that time, if required, the discussion of any potential increased level of budget for these activities will be addressed.

Performance Measures

City staff will formulate metrics and monitor efforts to achieve the Strategy, specifically identified outcomes. Key metrics that will be used and measured annually will include the following:

- # & % of Small Businesses Assisted
- Office Vacancy Rate
- Retail Vacancy Rate
- % increase in Tourism/Lodging Tax Revenues
- Amount of Private Sector Investment
- Net Job Growth
- # of New Jobs
- # of Jobs Retained
- # of New Businesses
- # of Businesses Retained
- # & \$'s Invested in Commercial/Office/Hotel Development
- % Increase in Sales Tax Revenue
- # of New Business Licenses

Again, these progress reports will come through staff reports, memorandums and public presentations.

Summary

Yogi Berra, a former professional baseball player and coach of the New York Yankees once said, "It is hard to forecast the future."

Economic development staff in preparing this strategy has taken this into consideration. But in the meantime, the direction has been to create a strategy for the future rather than have a future dictate a strategy.

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APPENDIX

Location of Federal Way in the Puget Sound



What Are Clusters?

For the purposes of this discussion, clusters will be defined broadly as geographic concentrations of interrelated, competitive firms and related institutions that are of sufficient scale to generate external economies that are not found in regions lacking such concentrations. External economies are the tangible (e.g., reduced costs) and intangible (e.g., faster innovation) benefits generated either by the high relative concentration of a particular kind of economic activity in a region, or through firms' deliberate decisions to work together to pursue advantages that they cannot achieve on their own (e.g., economies of scale, acquisition of common resources).

The concentrations that characterize clusters typically include competitive firms, cooperating suppliers, service providers, knowledge providers, and associated institutions that do business with each other and share needs for common talent, technology, and infrastructure. Interdependencies that define clusters include supply chains, core technologies, and proximity to natural resources or distribution channels. Because of the many elements that contribute to clusters, they are sometimes referred to as "economic ecosystems."

Clusters often, but not always, develop in a region where economic activity in a specific industry, sector, or supply chain is concentrated. Examples of such clusters in the United States are the semiconductor cluster in Northern California, the automotive cluster in and around Detroit, and the furniture cluster in northeastern Mississippi. Other clusters are based on process technologies: in the Naugatuck Valley of Connecticut, for example, the largest users of plastics technology and skills are BIC, Schick, and Lego, none of which is classified as a plastics company.

The entrepreneurial process constitutes an important component of cluster growth. The number and scope of businesses in a cluster are typically influenced by the activities of entrepreneurs, who may form new companies as spin-offs or in the wake of layoffs.

Types of Clusters

There are three fundamental reasons that economic development practitioners pay attention to clusters: Clusters generate wealth in a region, clusters give a region a competitive advantage, and clusters can provide the basis for cost-effective economic development strategies. In general, clusters may fall into any of the following categories:

- Emerging (low scale; high growth)
- Competitive (high scale; growing)
- Mature (high scale; stable or declining)
- Stabilizing (diversifying)
- Strategic (based on the plans and/or needs of public sector actors rather than on current business performance)
- Potential (pinned on hopes and dreams).

The origins of a cluster and its stage of development will shape the interests and needs of the businesses within it, and will likely determine both public sector priorities and the actions that may be appropriate to support these priorities. This does not mean that economic development practitioners should "pick winners"; rather, it means that they should know as much as possible about an industry's position before choosing whether or how to intervene.

Cluster-Based Economic Development Strategies

When public or semipublic entities attempt to improve a region's economic situation by influencing how companies within a cluster use public resources, work together, or do business, they are using cluster-based economic development strategies ("cluster strategies"). Clusters do not need public sector strategies in order to exist; they will exist regardless. But the right public strategies can help the businesses within a cluster become more successful and competitive. And such strategies are always more successful when they are formulated to address companies' real competitive needs.

The following five types of cluster strategies are commonly used throughout the United States and the world: defensive, offensive, prospective, cluster-based recruitment, and pre-cluster consolidation. (It is

important to note that what follows is a typology describing general types of interventions, not a list of actual interventions.)

Defensive Cluster Strategies. Defensive cluster strategies are designed to fix the defects of a region's economic infrastructure that can affect the performance of a group of existing firms. Such strategies may include

- Legal or regulatory reforms that make the business environment more friendly to a particular sector
- The development of new infrastructure (such as intermodal freight facilities or agricultural-goods markets) that will give firms more efficient access to customers or suppliers
- Changes in the licensing policies at universities that will provide easier access to new technologies or research
- Programs to provide certain types of capital.

Such strategies typically do not require cooperation between the companies that are part of the cluster, although they are more likely to be used when companies come together to articulate their needs to public officials.

Offensive Cluster Strategies. Offensive cluster strategies are designed to enhance competitiveness by delivering value-adding services to the firms in a cluster—either directly or through investments in new regional institutions or capabilities. An example of an offensive cluster strategy is the establishment of training programs designed to provide workers for specific occupations or industries. For such strategies to work, it is usually necessary for businesses in the cluster to clearly articulate their needs. And because offensive strategies often require the consent and participation of businesses, they tend to be more successful when some type of collective organization—such as a network—is present.

Prospective Cluster Strategies. Prospective cluster strategies, sometimes referred to as “cluster engineering,” are efforts to convert important assets in the regional economic infrastructure into competitive businesses. An example might be establishing a university department or a research institute to spur the growth of technology businesses in related fields. Such efforts often evoke Dr. Frankenstein's attempt to create a walking, talking monster: while not uniformly dangerous, these strategies are likely, like the monster, to be expensive, unruly, and, in the long term, somewhat risky.

Highly visible commitment from the business community and public sector support usually accompany such initiatives, at least at the beginning. In the longer term, private sector commitment may wither—for example, when it isn't really in businesses' economic interest to create competition for workers in their backyard. In other instances, however, businesses will recognize that their competitiveness will be enhanced by the presence of a new or leading-edge industry. In addition, providers of specialized services (accounting firms, real estate developers, lawyers, etc.) may be instrumental in supporting prospective cluster strategies because they recognize the need to bring in new local industries to service.

In some cases, the desire to build a new industry from scratch may facilitate other types of cooperation between the public and private sectors. This was the case in Michigan and in the Kansas City metropolitan area, where efforts have been undertaken to develop life sciences clusters. However, in both of these cases, a single wealthy patron's philanthropic largesse was a key ingredient and catalyst.

Cluster-Based Business Recruitment Strategies. Cluster-based business recruitment strategies, which are usually led by an economic development agency, are typically marketing efforts aimed at recruiting specific firms, particularly firms with competencies that could enhance the competitive advantage of other businesses in the cluster. These strategies often involve building the local supply chain of an industry in order to keep more of the cluster's activities within the region and expand the breadth of the cluster.

It is important to understand the distinction between cluster-based business recruitment and a targeted-industry approach to business recruitment. A cluster-based approach starts with the industries and assets that are already present in the region and asks how they can be made better; in the traditional parlance of economic development, this is a “product-improvement strategy.” A targeted-industry approach, in contrast, considers what could be done in the region and identifies strategies for inducing companies to come to the region; this is a “product-marketing strategy.”

It is often hard to tell whether cluster-based recruiting strategies originate in a real understanding of business needs or in wishful thinking and a desire to rely on traditional business recruitment as a means

of economic development. However, a cluster-based approach and a targeted-industry approach can be complementary: a cluster-based approach (1) can help improve the product (the regional economic infrastructure) that will be marketed to target industries, and (2) can be used to identify target industries that will support the existing economic base.

Pre-Cluster Consolidation Strategies. Pre-cluster consolidation strategies attempt to gain the advantages associated with offensive cluster strategies by organizing cooperation among groups of firms that might not initially have the scale or prominence of a cluster. Even though there is sufficient geographic concentration in a particular industrial sector or competency, the essential linkages, institutions, or suppliers may be weak or absent.

Consolidation strategies are often deployed in cases where firms are not very aware of other related businesses in the region or of the interdependencies and possibilities for collective action. Sometimes it is more appropriate to think of these as network strategies, since they tend to bring firms together and to require their active participation.

Conclusion

Clusters and cluster strategies cannot be seen as the answer to every economic challenge faced by a community or region. However, they do represent a valuable tool that economic development stakeholders should have at their disposal. A cluster approach may be most useful in helping officials and practitioners to see a community's economy in a new way—not as a collection of individual firms, but as a system in which interventions can assist companies, industries, and the entire community.

Types of Clusters

There are three fundamental reasons that economic development practitioners pay attention to clusters: clusters generate wealth in a region, clusters give a region a competitive advantage, and clusters can provide the basis for cost-effective economic development strategies. In general, clusters may fall into any of the following categories:

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The origins of a cluster and its stage of development will shape the interests and needs of the businesses within it, and will likely determine both public sector priorities and the actions that may be appropriate to support these priorities. This does not mean that economic development practitioners should “pick winners”; rather, it means that they should know as much as possible about an industry's position before choosing whether or how to intervene.

Age of Population of Federal Way Residents

Age	Number of People	%
	2010	2010
< 5	6,325	7.1
5 - 19	19,051	21.3
20 - 24	6,594	7.4
25 - 34	12,789	14.3
35 - 54	25,347	28.4
55 - 64	9,963	11.1
65 - 74	5,178	5.8
75 - 84	2,763	3.1
> 85	<u>1,296</u>	<u>1.5</u>
TOTAL	7,621	100%

Source: 2010 U.S. Census

Ethnicity of the Residents of Federal Way

Ethnicity	Number of People	%
White	51,346	57%
Black or African	8,703	10%
American Indian & Alaska Native	836	1%
Asian	12,642	14%
Native Hawaiian & Other Pacific Islander	2,399	3%
Other Race	7,452	8%
Two or More Races	5,928	7%
TOTAL	89,306	100%

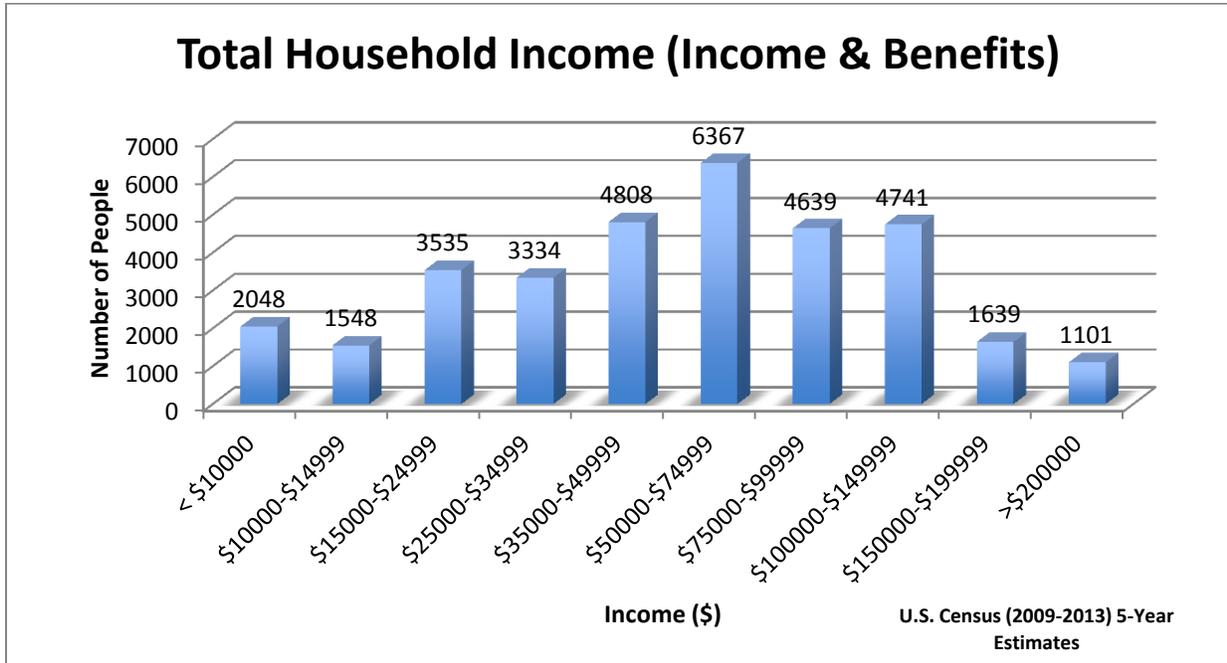
Source: 2010 U.S. Census

Income

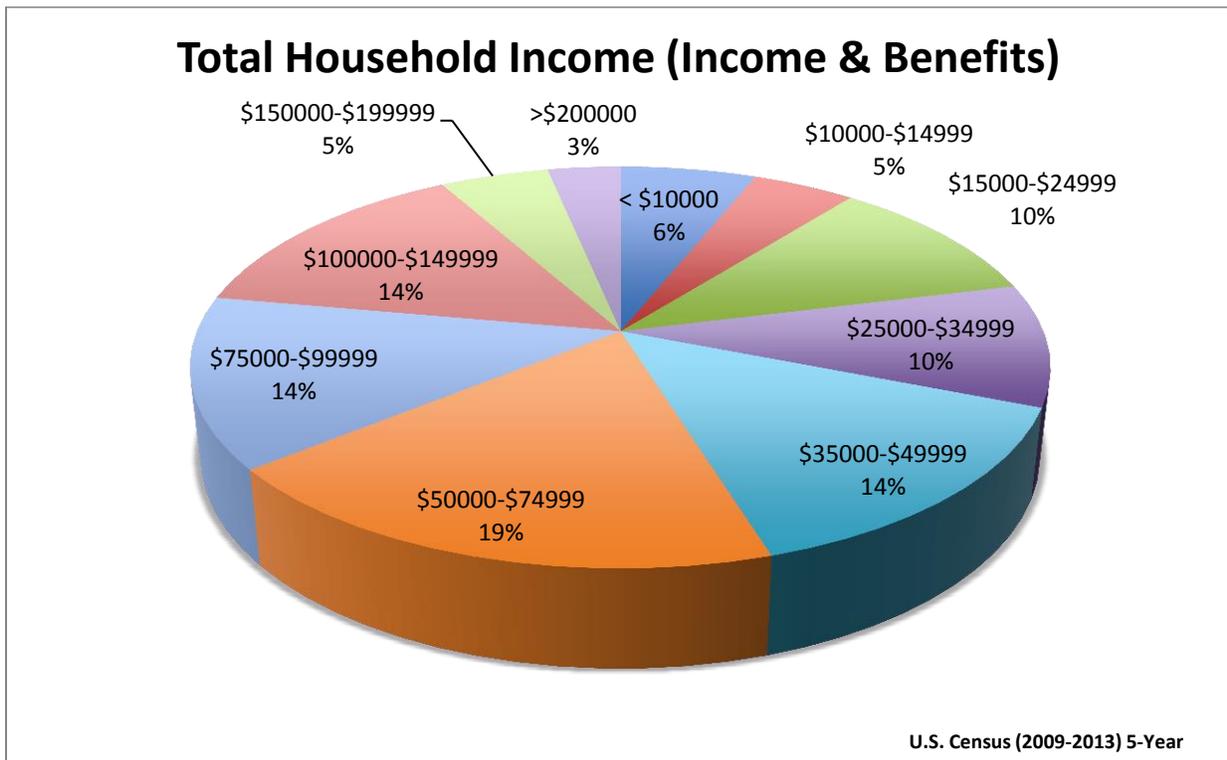
Total Household Income	Population	Percentage
< \$10,000	2,048	6%
\$10,000 - \$14,999	1,548	5%
\$15,000 - \$24,999	3,535	10%
\$25,000 - 34,999	3,334	10%
\$35,000 - \$49,999	4,808	14%
\$50,000 - \$74,999	6,367	19%
\$75,000 - \$99,999	4,639	14%
\$100,000 - \$149,999	4,741	14%
\$150,000 - \$199,999	1,639	5%
> \$200,000	1,101	3%
TOTAL	33,760	100%

Source: U.S. Census (2009-2013) 5-Year Estimates

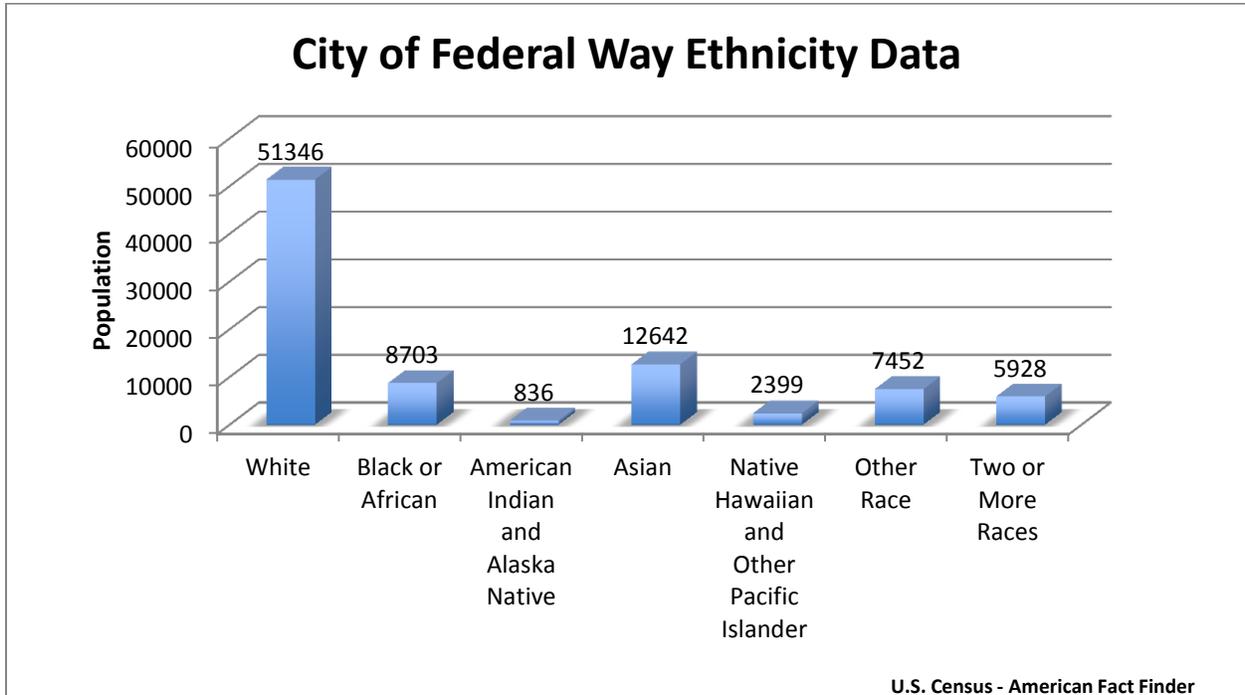
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