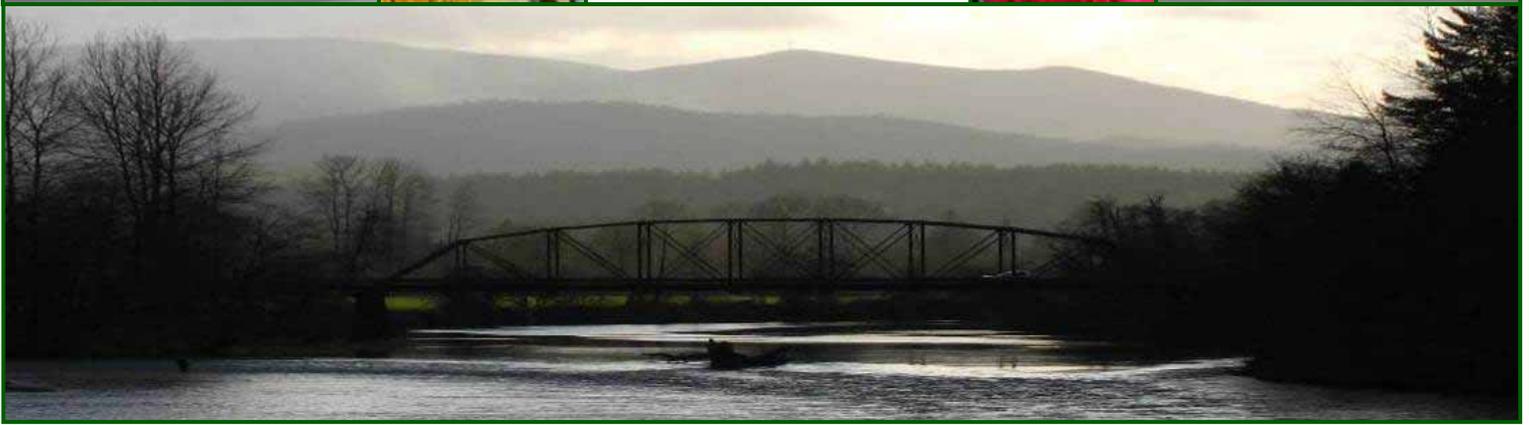
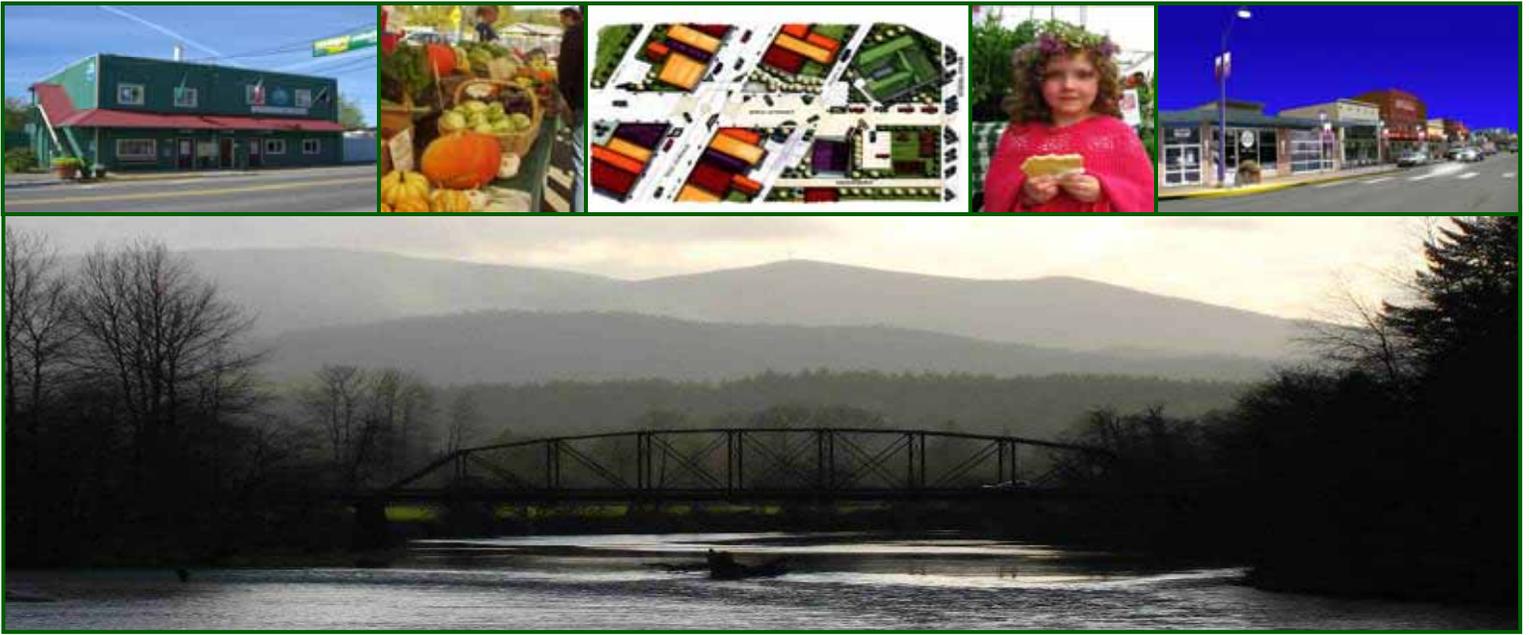


Adopted
December 4, 2007



City Of Carnation
Economic Development
Strategic Action Plan: 2008-2012
Making Carnation A Great Place

PLANNING TEAM

Councilmembers

Bill Paulsen, Mayor

Laurie Clinton, Deputy Mayor

Mike Flowers

Yvonne Funderburg

Stuart Lisk

City Staff

Candice Bock, City Manager

Linda Scott, City Planner

Special Thanks to

Lee Grumman, President, Carnation Chamber of Commerce



120 Lakeside Avenue
Suite 200
Seattle, Washington 98122
P (206) 324-8760

www.berkandassociates.com

"Helping Communities and Organizations Create Their Best Futures"

Principals: Bonnie Berk and Michael Hodgins
Project Team: Brian Murphy, Morgan Shook, Natasha Fedo, Brett Sheckler

TAKING A PROACTIVE APPROACH TO MAKING CARNATION A GREAT PLACE

We see a future of full of opportunity for Carnation, and the strategic action plan contained on the following pages establishes the vision, strategies, partnerships, and timelines needed to help us work proactively to achieve that desired future for our community.

In our vision, Carnation will retain and build upon many of its current and historic strengths. With the contributions of key partners and the community as a whole, we'll build and enhance our phenomenal small town quality of life and celebrate the natural beauty of our location. We'll create a vital and vibrant commercial center – a great small town – at the heart of the Snoqualmie River Valley's tremendous recreational and agricultural assets.

This future vision is very much in line with our community's past and the characteristics that current residents love about our community. We're enthusiastic to begin the next phase – the hard work of plan implementation – and we are confident that through this investment of time, energy, and resources, **we will make Carnation a great place** for current and future residents, employees, business owners, and visitors.



Bill Paulsen, Mayor 2006-07



Laurie Clinton, Deputy Mayor 2007



Yvonne Funderburg



Stuart Lisk



Mike Flower

City Of Carnation Economic Development Strategic Action Plan: 2008-2012

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Volume II – Technical Annex

Carnation Demographic, Economic, and Market Comparative Profile

Fiscal Implications of Land Use Alternatives Memorandum

OVERVIEW OF THE PLANNING PROCESS

The Carnation City Council began its formal economic development planning process with a visioning retreat in March, 2007. This retreat and subsequent discussion culminated in the April adoption of the City Vision Statement shown on page 2.

Building upon the foundation provided by this vision, a series of additional inputs informed the creation this plan, including an overview of the community's demographic and economic makeup. This **Demographic, Economic, and Market Comparative Profile** also establishes a quantitative understanding of Carnation's employment base and retail market position.

The land use portion of the Profile contrasts 1) the availability of commercially and industrially zoned land under the City's current zoning; with 2) projected market demand for these uses. As established on the following pages, the conclusions of this analysis will be used to adjust the City's land use designations and inform related decision making.

In a separate analysis, **the Fiscal Implications of Land Use Alternatives Memorandum** describes the projected net fiscal impact to the City of a range of land uses, from residential to commercial or industrial development.

These analytic inputs are presented in **Volume II** of this plan.

In addition to these analytic contributions, Council sought the broad involvement of the community as a whole through a public open house held on September 26. A preliminary outline of the plan was presented at the meeting and participants' perspective and comments were used in shaping future iterations of the plan.

Given the important role the Carnation Chamber of Commerce will play in strengthening the City's image and economy, input by members of this organization was solicited through staff outreach and a City Council meeting largely devoted to dialogue between these two primary drivers of the plan.

The plan was unanimously adopted by City Council on December 4, 2007.

AN IMAGE OF CARNATION'S FUTURE

City Vision Statement

Carnation is a friendly and safe family-oriented community where a vibrant small town benefits from the natural beauty, heritage and recreational opportunities of the Snoqualmie Valley.

This plan establishes an agenda to support and grow Carnation's key areas of strength. Building on Carnation's core identity as a quality small town located in a beautiful and agriculturally productive natural setting, themes and priorities related to the outdoors, quality of life, agriculture, and family run through this plan.

In supporting and growing what we have – in retail and employment sectors, residential population, the regional tourism market, and downtown's sense of place – this plan hopes to support the following outcomes, the sum of which add up to a vision for the desired future of the community:

- A friendly, safe, and family-oriented community – **a small town with a strong sense of community**
- A variety of **active recreation and agriculture** attractions that make Carnation a hub for these activities
- A flexible and efficient **development climate** that facilitates desired investment in the community, guiding developers and business owners to expand and build in ways that support our desired future
- A **vibrant and potentially larger downtown retail district** providing a variety of shopping and service options and serving as a vibrant center – **a great place** with convenient connections to nearby neighborhoods and attractions
- A strong **City-community partnership** supporting existing businesses and encouraging new business and industry to locate in Carnation
- An **employment base** providing jobs and support for local retailers
- A **high quality of life**, with safe and attractive neighborhoods and quality housing options at varying price points, for rent and for purchase
- Interesting and engaging attractions and an appealing environment that **draw visitors into town**
- A variety of **cultural and active recreation opportunities** that are effectively promoted to the larger Puget Sound community
- A **strong identity** and a **visible** and **positive image** outside of the community

PLANNING THEMES

The following themes run throughout the Goals and Strategies of this plan. These themes focus efforts around key strengths and opportunities and serve to identify interconnected pieces of the plan. These themes are identified by the following icons:



Recreation. Active and passive recreation opportunities in and around Carnation are a key strength of the community that this plan capitalizes on and improves.



Agriculture and the Outdoors. Carnation's location in the Snoqualmie River Valley provides a key strength and opportunity around the natural environment. The City's role, as a commercial center within this beautiful natural setting, is a key theme of this plan.



Communication and Promotion. Many Strategies in this plan call for enhanced communication with a variety of stakeholders.



Common Identity. As Carnation develops promotional material, signage, and other communication media, a consistent design should be used to bolster the City's identity around recreational, agricultural, outdoor, and family themes (see I.A.1).



Partnering. The City of Carnation will rely on many partners in advancing this plan, including the Chamber of Commerce, which has taken responsibility for being the lead in implementing specific Strategies identified in the Implementation Matrix.

SUMMARY OF PLAN GOALS

This plan is organized in the six Goals shown below, with supporting Strategies under each Goal providing more specific direction.

I. Establish Carnation as a Regional Recreation Hub and the Commercial Center for the Valley's Agricultural Activity

This Goal capitalizes on the many recreation and agricultural activities that occur in the Snoqualmie Valley, strongly positioning Carnation as an active hub and commercial focal point.

II. Communicate Carnation's Events and Attractions to Grow the City's Capture of Regional Tourism

Building off of Goal I, these efforts proactively communicate activities and opportunities in Carnation and present a positive image of Carnation to the outside world.

III. Increase Commercial Vitality and Employment Options through Business Retention and Attraction

These Strategies focus first on retaining and strengthening Carnation's existing businesses and then on augmenting existing businesses with targeted efforts to attract new businesses in key sectors. A key strategy in strengthening Carnation's retail base is the management of the downtown business district, coordinating the City's many private business owners.

IV. Make Downtown Carnation a Great Place

This Goal focuses on strengthening the physical form of Carnation's downtown by creating a dynamic Town Square and improving the appearance of the streetscape and individual buildings. These efforts are designed to enhance downtown's stopping power, increasing the likelihood that tourists and visitors to nearby attractions will stop, shop, and eat in Carnation.

V. Enhance the Quality of Life for Existing Residents and Encourage Residential Development

These strategies seek to diversify Carnation's housing stock, ensuring that a range of attractive options exist for home buyers and renters at varying price points.

VI. Facilitate Desirable Investment by Enhancing the City's Development Climate

By strengthening and clearly communicating the City's design regulations and permitting processes, this Goal seeks to facilitate desirable development or redevelopment that is in line with the community's vision.

SUMMARY OF PRIMARY ACTION ITEMS

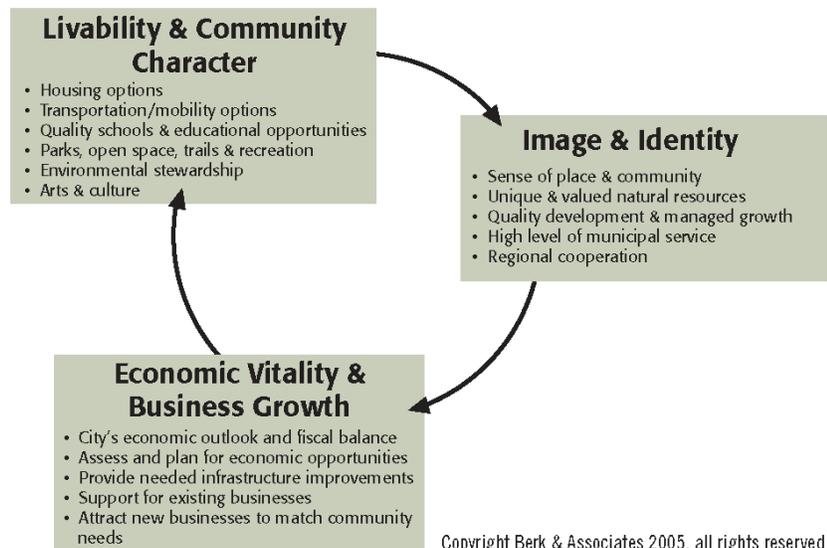
The table on the following page presents a summary of key action items over time, showing how prioritization of different strategies follows a phased approach to enhancing Carnation's economy and overall community vitality.

This phased approach draws on the economic development framework presented below which suggests that communities cycle through three stages of economic development. While a community may be addressing all three of these areas at any given time, circumstances generally suggest that one of these three components deserves greater focus than the others. As this area is strengthened, the community's focus moves on to the next stage in the cycle.

In Carnation's case, this phased approach concentrates on enhancement of the community's character and the appeal of downtown in the short-term, shifting to actively promote the community's image and identity in the mid- and long-term. Elements of economic vitality and business growth are present throughout, with a primary focus on business support and retention in the short-term.

Note that the table on the following page shows action items only, not policy shifts and ongoing efforts.

A Framework for Sustainable Economic Development



Short-Term (2008)	Mid-Term (2009-10)	Long-Term (2011-2012)
<p>I. Recreation</p> <ul style="list-style-type: none"> • Establish a parks board • Develop a parks & recreation plan • Evaluate a parks impact fee • Connect downtown, Tolt Park, Trail <p>Agriculture & the Environment</p> <ul style="list-style-type: none"> • Facilitate development of an agricultural marketplace & processing center • Support Camp Korey 	<p>Recreation</p> <ul style="list-style-type: none"> • Support development of rec facilities • Develop a pedestrian & bike plan • Encourage physical activity & walking through policy & planning • Locate bike racks in downtown <p>Agriculture & the Environment</p> <ul style="list-style-type: none"> • Create a permanent structure for the farmers market & explore weekend & year-round options • Encourage p-patches & gardening 	<p>Recreation</p> <ul style="list-style-type: none"> • Establish info kiosks at Park & on the Trail <p>Agriculture & the Environment</p> <ul style="list-style-type: none"> • Encourage a King County environmental education center • Evaluate a City environmental sustainability program
<p>II. Identity & Communication</p> <ul style="list-style-type: none"> • Promote the city through the Snoqualmie Valley Chamber tourism website • Create & maintain an events calendar • Enhance wayfinding signage on Tolt Avenue <p>Events</p> <ul style="list-style-type: none"> • Support and connect to events held at Tolt MacDonald Park • Hold a skating event at the Carnation Skatebowl 	<p>Identity & Communication</p> <ul style="list-style-type: none"> • Design a new Carnation logo & identity • Redesign the City website in line with new logo & identity • Create an attraction on the bridge over the Tolt River • Develop an attractions map of Carnation & its surroundings • Create welcome packets and host new resident welcomes <p>Events</p> <ul style="list-style-type: none"> • Consider a road bike race or long-distance run • Reach out to auto & bird enthusiasts • Establish spring & fall events 	<p>Identity & Communication</p> <ul style="list-style-type: none"> • Promote the City's recreation opportunities & special events through a team of City staff & volunteer community members
<p>III. Business Retention & Attraction</p> <ul style="list-style-type: none"> • Manage the business district & provide small business workshops • Coordinate customer surveys • Schedule annual outreach to retail & industrial businesses • Recruit businesses in target sectors • Encourage "flex-tech" space 	<p>Business Retention & Attraction</p> <ul style="list-style-type: none"> • Establish a Chamber email newsletter • Create a buy-local & ship-local campaign • Attract small-scale support industries for Valley agricultural producers 	

Short-Term (2008)	Mid-Term (2009-10)	Long-Term (2011-2012)
<p>IV. Town Square</p> <ul style="list-style-type: none"> Pursue funding options <p>Downtown Appearance & Streetscape</p> <ul style="list-style-type: none"> Become a Main Street affiliate Schedule an annual walking tour and cleanup of downtown Encourage businesses to build off of the Storefront Studio effort Explore historic preservation options Explore options to establish a façade improvement revolving fund Establish "Tuesdays in Carnation" 	<p>Town Square</p> <ul style="list-style-type: none"> Continue to advance implementation <p>Downtown Appearance & Streetscape</p> <ul style="list-style-type: none"> Manage existing parking to increase availability for customers Evaluate locations for additional public parking Use the planned study of the SR-203 corridor to enhance the streetscape & improve traffic flow Improve City Hall's appearance 	<p>Town Square</p> <ul style="list-style-type: none"> Develop a unique attraction and improve Hockert Park <p>Downtown Appearance & Streetscape</p> <ul style="list-style-type: none"> Use banners to identify downtown Develop north & south gateways Develop a long-term parking strategy
<p>V. Housing Options</p> <ul style="list-style-type: none"> Promote opportunities related to senior & affordable housing 	<p>Housing Options</p> <ul style="list-style-type: none"> Conduct outreach to employees of local businesses who currently commute to see what housing they are interested in Promote opportunities related to accessory dwelling units 	<p>Housing Options</p> <ul style="list-style-type: none"> Cultivate relationships with developers who work with cottages & townhomes Establish "proof of concept" to establish there is a market for denser housing
<p>VI. Desirable Development</p> <ul style="list-style-type: none"> Assess City development policies & regulations Communicate community expectations of redevelopment & new development <p>Development Climate & Services</p> <ul style="list-style-type: none"> Finish clean-up of City regulations Create promotional materials & promote development opportunities Reevaluate zoning & land use designations Evaluate the Table of Permissible Uses and consider amendments Create an economic development page on the City's website 	<p>Desirable Development</p> <ul style="list-style-type: none"> Evaluate incentives to encourage green buildings & sustainable design Evaluate the conversion of Light Industrial/Manufacturing uses on SR 203 	<p>Desirable Development</p> <ul style="list-style-type: none"> Consider a resource center supporting building rehab and redevelopment

GOALS, ACTION STRATEGIES, AND IMPLEMENTATION STEPS

I. Establish Carnation as a Regional Recreation Hub and the Commercial Center for the Valley's Agricultural Activity **[Priority]**

Carnation is well-positioned now to serve as a focal point for regional recreation and as a commercial center for agriculture given its setting in the Snoqualmie River Valley. This Goal focuses on specific actions the City and its partners can take to promote recreational uses and food-based commerce that are beneficial to the Carnation's individuals and families, as well as serving as a base for broader economic development, retail vitality, and tourism growth.

City Actions



A. Enhance Carnation's Active Recreation Offerings

- 1) Support community groups pursuing the development of an indoor recreation facility in Carnation
- 2) Support development of private recreation opportunities especially by the wastewater treatment plant for an indoor recreation facility **[Priority]**
- 3) Establish a Parks Board
- 4) Develop a parks and recreation plan that
 - Explores the enhancement of Valley Memorial Park and the Carnation Skatebowl
 - Explores park opportunities on the west side of town
 - Addresses other options to strengthen the City's parks and recreation offerings
- 5) Evaluate implementation of a parks impact fee





B. Encourage Active Recreation and Walking by Making Carnation Pedestrian- and Bicycle-Friendly

- 1) Encourage physical activity through City policy and planning
 - Conduct an assessment of opportunities to encourage walking
 - Implement changes in a prioritized manner
- 2) Develop a pedestrian and bike plan for the city
 - Establish bike lanes and trail connections between downtown, residential neighborhoods, and recreation sites
 - Invest in trail connections when most economical and convenient given other infrastructure projects
 - Develop this plan in concert with the long-term parking plan for downtown (IV.D.2)
- 3) Create strong connections between downtown and Tolt MacDonald Park and the Snoqualmie Valley Trail
 - Create trail connections between MacDonald Park and downtown **[Priority]**
 - Establish attractive information kiosks at the Park and on the Trail (see I.D.1)
 - Guide Park and Trail users to downtown with attractive signage and identify these connections in the City's walking map
 - Improve signage identifying downtown, trails, parks, and other sites; tie these signs to the maps created in I.B.3)
 - Locate bike racks near downtown businesses and parks
- 4) Using art, hidden treasures, and interpretative signs, make exploring downtown and nearby sites playful and fun
- 5) Encourage youth and adult sports leagues to schedule events in Carnation
- 6) Distribute the existing walking trail brochure and holders to businesses via the Chamber of Commerce





C. Support and Expand Carnation's Existing Farmers Market

- 1) Support the development of a permanent structure downtown (also referenced in IV.B.2)
- 2) Help promote the market by including it in City marketing material
- 3) Explore the possibility of a weekend and year-round market



D. Create a Marketplace and Limited Processing Center for Local Agricultural Goods [Priority]

While staying regional in nature, this center could serve many different functions, all of which should be evaluated. Some potential uses will be deemed appropriate and attractive and others likely will be determined to be feasible only in a later phase or altogether undesirable. Possible uses include:

- Space for the processing, canning, and storage of local crops
 - A retail outlet for raw and processed agricultural products
 - Agricultural and environmental education for farmers, residents, and school children
 - Demonstration gardens or community p-patches
 - Collection and distribution of agricultural products
- 1) Play a role as an active participant and bridge between various groups exploring development of such a facility, including Sno-Valley Tilth, the Cascade Harvest Coalition, the King County Food and Fitness Initiative, King County, and others
 - 2) Evaluate appropriate sites for location of such a facility, including parcels within the City's Potential Annexation Area, the City-owned lot near the water treatment plant, land that is zoned Horticulture-Commercial, and other large parcels



E. Support Regional Efforts to Bring Natural Resource Education to Carnation and the Larger Snoqualmie River Valley

- 1) Encourage King County to establish an environmental education center in Carnation
- 2) Be supportive of Camp Korey, particularly agricultural uses of the property



F. Encourage the development of community p-patches and demonstration gardens through City

- 1) Evaluate opportunities to partner with Sno Valley Tilth, King County Extension, or other organizations to develop a Carnation p-patch program
- 2) Evaluate using City-owned land for community gardens
- 3) Incorporate community gardening into City planning policies and practices
 - Evaluate the possibility of requiring denser housing developments, including apartment complexes, to provide on-site gardening space or contribute to a fund supporting community gardens close by



G. Consider establishing an environmental sustainability program addressing City policies and practices as well as promoting sustainability among residents

- 1) Evaluate what other cities have done in this regard, clearly establish the City's purpose and desired outcomes from this process, and determine whether the investment of time and resources required by this effort is appropriate



II. Communicate Carnation's Events and Attractions to Grow the City's Capture of Regional Tourism

Carnation has a great deal to offer regional tourists and active recreationalists, and as the city develops and becomes more dynamic and interesting, it is important to communicate these opportunities to those who live nearby, pass through, or visit attractions on the periphery of the town, including Remlinger Farms, Tolt MacDonald Park, and the area's many farms. In promoting Carnation's attractions and events, a consistent and attractive identity should be presented, drawing on the community's agricultural roots, beautiful natural setting, and exciting cultural and recreation opportunities.

In these outreach efforts, the following specific populations should be targeted, focusing on local visitors and regional tourists:

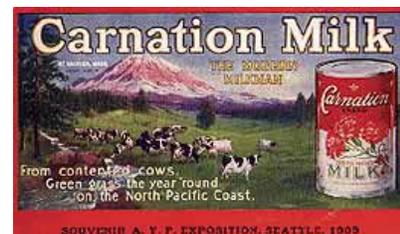
- Eastside residents and employees
- Outdoor recreationalists, including road and mountain bikers
- Shoppers and visitors to farmers markets and local farms
- Remlinger Farms visitors
- Car and motorcycle enthusiasts

City Actions



A. Refine and Promote Carnation's Identity

- 1) Design a new Carnation logo and identity focusing on recreational, agricultural, outdoor, and family themes:
Carnation is a great community, with lots to offer
 - Use this identity as a common theme in all City and Chamber promotional efforts
- 2) Redesign the City's homepage in line with its new identity
- 3) Cultivate relationships with local media and provide photos and story ideas to encourage positive coverage of Carnation
- 4) Use the name Carnation, rather than Tolt, in naming public spaces in the future





**Shelburne Falls'
Bridge of Flowers
in Western Massachusetts**



B. Grow the City's Local Tourism Sector, Focusing on Day Trippers and Active Recreationalists



- 1) Create an attraction near the bridge over the Tolt River designed to draw people across the bridge and into town
- 2) Enhance wayfinding signage on Tolt Avenue to ensure visitors can easily find parking and attractions
- 3) Develop an attractions map of Carnation and its immediate surroundings, highlighting active-recreation, artistic, and agricultural destinations, as well as bike and walking trails



- 4) Partner with other Snoqualmie River Valley cities to promote the sub-region as a whole, including participating in the newly created Snoqualmie Valley Chamber tourism website **[Priority]**

- Ensure that the City's information is kept current, including posting of current special events (see II.1)

- 5) Attract specific user groups by enhancing and promoting Carnation's appeal to their particular interests



- Draw bicyclists and runners to the area and into downtown
 - Support existing mountain bike events at Tolt MacDonald Park and work to create a connection to downtown
 - Evaluate the possibility of having a Carnation road bike race or long-distance run



- Hold skating events at the Carnation Skatebowl in Valley Memorial Park



- Identify local birds that birders may be interested in seeing and suggest itineraries for birders including bird watching sites **(Chamber lead)**

- Encourage automobile and motorcycle enthusiasts to include Carnation as a stop in their circuit

- Reach out to Giordano's Vintage Motors, Puget Sound automobile clubs, and XXX Rootbeer Drive-in in Issaquah **(Chamber lead)**

- Ensure downtown is motorcycle-friendly, with dedicated parking



- Promote the City to horse riders, boaters, and fishers

C. Support and Promote Recreation Opportunities and Special Events

-  1) Promote Carnation's recreational and cultural opportunities including performances and seasonal special events
 - Create and maintain an events calendar, using the Snoqualmie Valley Chamber tourism website if possible (see II.B.4) **[Priority]**
 - Allow local businesses and organizations to post their events
 - Promote local classes, trainings, special events, and the farmers market
 - Encourage local organizations, including the school district, Tolt MacDonald Park, Remlinger Farms, Jubilee Farm, and others, to notify the City and the Chamber of Commerce of upcoming special events; ensure this information is passed along to businesses so they can be prepared
 - Promote the City quarterly, tied to seasonal events (see II.D.3), using inserts in Eastside newspapers

Chamber of Commerce Actions

D. Support and Promote Recreation Opportunities and Special Events, Continued

-   1) Create a team of City staff and volunteer community members to promote Carnation
 - Update information boards or kiosks at key points in town, along the Snoqualmie Valley Trail, and at Tolt MacDonald Park (see I.B.3)
 - Distribute brochures to nearby residential communities and shopping centers either through volunteer network or by hiring a firm to provide this service
 - Create a network of Carnation residents who work for large employers and ask them to promote the community using company clubs, intranets, or networks of new residents and foreign nationals
-  2) Explore opportunities to market the city to users of Tolt MacDonald Park, considering an information kiosk, links to City, Chamber, and Valley Tourism websites, and outreach to County reservation staff



3) Hold one major event per season designed to attract people to town, engaging a festival promoter



to grow attendance from year to year and establishing clear lead and support roles for the City and other partners

- Establish a spring event, considering a variety of options such as a festival on the river, a youth-oriented event, a car rally, a berry festival, or a festival of outdoor sports and games
- Continue to hold the 4th of July, the Evergreen Classic, and citywide yard sale in summer
- Establish a fall event such as a harvest festival (**City lead**)
- Continue to hold Christmas in Carnation in winter



E. Welcome new Carnation residents and businesses

- 1) Create welcome packets for new residents and businesses providing contact information for City, Chamber, and other services
- 2) Host a new resident welcome twice annually on a Tuesday evening. Provide information about Carnation's history and culture and conduct a guided walking tour of downtown.



F. Seek opportunities to Celebrate and Promote Carnation's Agricultural Heritage

- 1) Encourage local growers to identify Carnation as their location when at Seattle farmers markets



COMMUNICATION STRATEGY OUTLINE

- Strategy II.A.1 calls for the development of a consistent Carnation identity around a set of mutually-reinforcing themes: a small town feel, agriculture, active recreation, and the outdoors. This identity should serve as the foundation for all other efforts to market the community on the printed page, on the Internet, and in signage and gateways.
- Carnation's communications should target the following key audiences and related key messages:
 - **Carnation Residents:** the established vision for the city's future; this economic development strategy; the importance of shopping locally; and the need for and value gained by citizen participation in community-building and community events
 - **Business and Development Community:** A multi-faceted image of the community, including:
 - The community's high quality of life, small town atmosphere, and vision for the future, including the desired character of future development
 - A business-supportive environment, with a City that welcomes desirable economic development. Promote currently underserved retail markets, the relative affordability of development, and the City's flexible, and customer service-driven approach to providing development services.
 - **Visitors:** promote Carnation as a dynamic commercial hub for the Valley's recreation and outdoor activities. Carnation is located in a beautiful natural setting, with many recreational and cultural attractions and a connection to locally grown food. As options become available, promote overnight stays, suggesting specific packages or itineraries including special events. The plan suggests specific strategies for targeting key user groups in II.B.5.

As indicated in the plan's Implementation Matrix, Carnation should for the most part focus first on building infrastructure and attractions for visitors. Once this foundation is established, creating more compelling reasons for visitors to stop and spend time in Carnation, more active promotion can begin. This phasing is important: premature promotion of the city will lead to disappointed visitors and greater challenge in establishing a positive vision of the community over the long-term.

In promoting the community to visitors, Carnation should partner with and present itself in connection to other Snoqualmie Valley cities. Visitors require a "critical mass" of attractions before committing to spending an afternoon or a day in the area. While none of the Valley cities may possess enough attractions individually, taken as a whole, the Valley offers many days' worth of activities, attractions, and events to explore and experience.

Continued on next page

Communication Strategy Outline, continued

The plan suggests specific media, both “passive” (websites) and “active” (newspaper inserts, brochures, and informational kiosks), with a short-term focus on enhancing the availability of on-line information. The following three web-sites should each have a particular focus and should easily link to one another:

City Website

- A clear reflection of the community and its vision and aspirations
- Representation of the City’s focus on and approach to economic development, including links to relevant City plans and policies, as well as a succinct statement about expectations of future development and redevelopment per design standards and other policies
- A promise of personalized, high quality service, with names and images of staff
- Key demographic information (see below)

Chamber of Commerce Website

- Local business directory
- Information about Carnation’s history

Snoqualmie Valley Chamber Tourism Website

- Attractions in and around Carnation
- Current event listings
- Downloadable walking, biking, and attraction maps

continued on next page

Communication Strategy Outline, continued

- In promoting Carnation to the business and development communities, the following findings and related exhibits from the Demographic, Economic, and Market Profile done as a part of this planning process will provide a positive impression of the City.
 - Carnation is a family-based community, with a high persons-per-household figure (Exhibit 4). This is reflected in the relatively younger makeup of the City's population (Ex. 5).
 - The community is well-educated, with some 30% of Carnation residents holding at least a Bachelor's degree. This compares well with the Central Puget Sound as a whole (Ex. 7).
 - The community is relatively wealthy, with a high average household income in 1999 of nearly \$67,000 – higher than that of the Central Puget Sound as a whole (Ex. 9). The City has a relatively high percentage of very wealthy households, and a relatively low percentage of low-income households.
 - Carnation is predominantly a community of single family homes, with a high level of home ownership (Exhibits 13 and 14). The community's multi-family housing market presents an opportunity, as it will likely mature with time in keeping with neighboring communities in the Snoqualmie River Valley.
 - Carnation is an employment center, with a jobs-housing ratio of 1.33 (Ex. 23). This represents an opportunity to provide housing for workers who currently commute to Carnation from the surrounding area (Ex. 27).
 - Carnation serves as a retail center for the surrounding area, with considerably stronger grocery and liquor sales than the City's population would suggest. This regional commercial draw represents an opportunity to capture sales in other retail categories that are currently underserved (Ex. 38). Examination of retail sales leakage for Duvall and Snoqualmie point to particular opportunities in the sports/books/music and apparel/accessories categories in particular.

III. Increase Commercial Vitality and Employment Options through Business Retention and Attraction



Carnation has in the past had more retail vitality and variety than it does today. As commute and shopping patterns have shifted and large regional retail centers have been development nearby, the community's retail sector has shrunk. The retail sector is an important component of a vibrant city for many reasons, providing the convenience of local jobs and shops, tax revenues to the city, and creating opportunities for residents to walk the streets downtown and interact with one another. By first focusing on retaining and supporting existing businesses, then augmenting these establishments with other desirable shops, this plan seeks to regain some of Carnation's past economic vitality. By focusing on the provision of daily services, this can be accomplished while staying true to Carnation's small town character.

In addition to retail establishments, the City's industrial businesses play an important role in the local economy by providing a variety of jobs for local residents and maintaining a daytime population that helps support the City's retail sector.

Many of the Strategies in this Goal will be implemented by the Carnation Chamber of Commerce.

City and Chamber Actions



A. Formalize the City and Chamber of Commerce Partnership

- 1) Define roles and assign responsibilities around implementation of this plan and other areas of overlap
 - Coordinate implementation of this plan with an initial Chamber and City meeting
 - Establish annual coordinating, goal-setting meetings focusing on ongoing plan implementation and responding to feedback from the business community (see III.C.5)
- 2) Ensure City involvement in ongoing Chamber meetings and Chamber input into relevant City actions





B. Conduct Targeted Business Attraction

- 1) Launch a City/Chamber initiative to actively recruit businesses in the following niches:
 - Restaurants, with a focus on destination restaurants and unique regional chains
 - Specialty food stores selling wines, cheeses, breads, meats, and vegetables
 - A “country store” selling local handicrafts and agricultural products
 - Outdoor recreation, sports, book, music, or apparel stores
 - Garden stores
 - Overnight accommodations such as a country inn or bed and breakfast

Business Attraction

In encouraging businesses to locate in Carnation, the following strategies should be employed:

- Create a small business recruitment team with City and Chamber representation
- Reach out to business owners with prior successful experience opening businesses in similar markets
- Present a compelling case for why Carnation is an attractive market, drawing on quantitative descriptions from the City's Comparative Profile and written testimonials of community members' interest
- Be persistent and cultivate relationships and interest over the long-term

Beyond such direct recruitment efforts, business attraction is largely about raising Carnation's profile in the business and development communities, communicating Carnation's opportunities and positive business climate, and building long-term personal relationships.

Specific strategies include:

- Telling the Carnation story and why investing in the community is an attractive business opportunity
- Utilizing marketing materials, and making them easily available on the web and in print
- Being open and available to help new and existing businesses
- Advancing efforts to retain existing businesses, enhance Carnation's downtown, promote Carnation's image, and other strategies in this Plan – all of which make Carnation a more attractive place for new businesses

“Managing” Downtown

It is useful to compare the district, with its many tenants and property owners, to a shopping mall which is managed by a single organization. In a mall, it is relatively easy to establish a desired shopping environment, including common characteristics in the appearance of individual shops. Likewise, mall management can enforce cleanliness, safety, and common opening hours.

For a business district to function well, all of these characteristics are desirable as well, with the added challenge that there is no single management firm overseeing the district. In the case of a business district or downtown, it falls to individual business owners, as well as a chamber of commerce or business association if one exists, to create an attractive shopping environment.

When done well, such a business district can be considerably more attractive to many shoppers who prefer the character and authenticity not found in most generic mall environments.

Chamber of Commerce Actions**C. Support Existing Businesses**

- 1) “Manage” the downtown business district to create an attractive environment and high quality shopping experience
 - Establish a common approach to customer service, including a uniform way of greeting customers, and a downtown business identity, including consistent business hours and a high standard of personable, “small town” customer service
 - Identify empty lots and storefronts and encourage property owners to use this space for outdoor dining; merchandizing by neighboring businesses; presentation of Storefront Studio results or other inspiring visualizations of how the property might be redeveloped; or exhibits by local artists, non-profits, historic organizations, or school classes
 - Communicate the benefits this provides to the property owner, neighboring businesses, and the City’s fiscal health
 - Prepare window displays in advance so they can be quickly deployed when opportunities arise
 - Encourage businesses to use spaces on the alley side of buildings and empty lots for outdoor dining or displays
 - Coordinate business hours around special events and “Tuesdays in Carnation”
- 2) Use Chamber discussions and regular reminders to promote a “visitor friendly” approach among local businesses
 - Communicate the importance of out-of-town visitors to supporting local businesses
 - Encourage business owners and their staff to be prepared to refer visitors to other local businesses, restaurants, lodging, and attractions
 - Distribute visitor brochures and maps to local stores
- 3) Provide information or facilitate discussions and workshops on business planning, marketing, customer service, and other topics of interest to small businesses

- Develop a Chamber listserv and email newsletter with different distribution lists to enhance communication and coordination among Carnation businesses and to promote community events
 - Utilize the Green River College circuit rider for small business assistance
 - Encourage businesses and property owners to beautify the appearance of buildings and window displays (see IV.C.2)
 - Hold a joint discussion session focused on small business issues with participation by City Council, Planning Commission, and business owners
 - Use the Chamber website and other publications to promote businesses that implement potentially inspiring improvements in customer service, merchandising, window displays, or other areas
- 4) Coordinate customer surveys in local businesses to better understand and provide the range of products desired by local residents
- 5) Schedule annual events to hear from and address the concerns of local retail businesses
- 6) Establish a campaign to encourage residents to shop and ship locally
- Consider the introduction of a discount card (the [Interra Project](#) is an example) or a community currency such as [TimeBucks](#))



Shopping & Shipping Local

Dollars spent in Carnation businesses support the community in many ways, providing income to business owners, employment and wage-earning opportunities for local residents, and tax revenues enabling the provision of City services to all members of the community. A buy-Carnation campaign would communicate and promote these benefits through educational materials, stickers for shop windows, and incentives to shop locally. This effort should be tied to the enhancements to local shopping options proposed in this plan, with the promise that local residents will receive high quality service and have access to attractive goods in Carnation's retail establishments.

With a recently passed change in sales tax sourcing laws, sale tax revenues associated with shipped goods will accrue to the municipality that the item is shipped to. In the past, these sales tax dollars accrued to the home city of the store that shipped the good. While Washington State has promised mitigation to municipalities like Carnation that are projected to lose tax revenues under this new arrangement, it is wise to establish strategies that recoup these losses. A "ship local" campaign would encourage residents to have goods shipped to their Carnation address whenever possible, ensuring that associated tax revenues are available to support the City's provision of services to all residents.

City Actions



D. Retain Existing Industrial Businesses

- 1) Conduct annual outreach to understand and address business concerns
- 2) Support the expansion of existing businesses

E. Support the Development of “Flex-Tech” Spaces Appropriate for Office, Light Industrial, and Some Retail Uses

- 1) Consider “flex-tech” development on the City-owned lot near the wastewater treatment plant



- 2) Attract small-scale support industries for Snoqualmie Valley agricultural producers, including livestock and agricultural supply stores, canners and processors, producers of bottles, boxes, and other packaging, and specialty construction firms

F. Encourage the enhancement and/or expansion of the Tolt Town Center (the QFC-anchored shopping center)

Flex-tech space allows for a wide variety of uses, including light industrial assembly or processing, back office space, exercise or medical studios, and even simple retail space. These various uses may be present at once or over time, as the market matures. Flex tech buildings may be designed to allow easy upgrades if retail or office markets become more feasible in the future.

IV. Make Downtown Carnation a Great Place

With its beautiful natural setting, historic buildings, and small town feel, Carnation's downtown has the potential to be a truly special place, with opportunities for walking, casual interaction with neighbors, and friendly exchanges. This plan calls for an enhanced and possibly expanded downtown business district, with a vibrant small town center – a town square – playing an important role in achieving this vision. This public space will provide opportunities to relax, walk, talk, and eat. Green space, public restrooms, and a weekly farmers market will add to downtown's warmth and interest, creating a community gathering place for Carnation residents and adding to downtown's "stopping power," attracting tourists and others who might otherwise travel through town without stopping

City Actions

A. Adopt the Main Street Approach to Downtown

- 1) Become a Main Street Affiliate and use Main Street tools and approach in downtown placemaking and business support

B. Create a dynamic and well-used Town Square, bounded by East Commercial Street, East Entwistle Street, and Stossel Avenue **[Priority]**

- 1) Concentrate public investment, public events, public open space, and beautification efforts around this center

- Provide benches, a gazebo, lighting, a public restroom, and other amenities to make the space inviting and functional. Ensure facilities are well-signed so they are obvious from the road and that a sustainable funding source exists so they stay well-maintained.



- 2) Construct a permanent facility to serve the farmer's market and other community events (also referenced in I.C.1)
- 3) Develop a unique attraction that can be used to enliven this public space and attract tourists to downtown
- 4) Look at opportunities to improve Hockert Park to enhance it as an attractive destination for families





C. Enhance the Visual Appeal of Downtown

- 1) Schedule an annual walking tour of downtown designed to identify challenges and opportunities, as well as recognizing improvements and investments. Follow this walking tour with a downtown clean-up day. **(Chamber lead)**
- 2) Enhance the appearance of existing buildings and undeveloped lots
 - Enforce existing City codes related to property appearance and maintenance
 - Support Chamber efforts to activate empty lots, store windows, and alley spaces (see III.C.1)
 - Encourage businesses to build off of the designs that were produced in the Storefront Studio effort
 - Seek private sector partners to establish and administer a façade improvement revolving fund, considering coverage of other communities in the Snoqualmie River Valley in addition to Carnation
 - Provide non-monetary resources to aid in renovations: consider a resource center with printed or electronic materials and a directory of businesses that provide related goods or services
 - Explore using historic preservation efforts to preserve older buildings and provide support to property owners
 - Improve City Hall's appearance
 - Show-case and celebrate building improvements in City and Chamber publications
- 3) Improve the downtown streetscape
 - Invest in public art, benches, and wayfinding signs
 - Use the planned study of the SR 203 corridor to enhance the streetscape as well as improve traffic flow
- 4) Implement traffic calming devices along Tolt Avenue as allowable by the state





- 5) Develop north and south gateways to welcome visitors into downtown
 - These gateways will serve as many visitors' introduction to Carnation, and so their appearance and the identity of the community that they convey is provides a critical first impression. They should be located in a place that provides an attractive and significant entry into town.



- 6) Use light post banners to identify downtown and mark the seasons **(Chamber lead)**

D. Develop a Short-and Long-Term Parking Strategy



- 1) Manage existing parking to increase availability for customers
 - Encourage business owners and employees to park elsewhere, reserving spots along Tolt for shoppers and visitors **(Chamber lead)**
 - Consider establishing and enforcing a time limit on parking, evaluating options between two and four hours
- 2) Develop a longer-term parking strategy
 - Determine a location for additional parking that is easily walkable to downtown
 - Use plantings, trees, and other design factors to make the parking site as attractive as possible
 - Develop this plan in concert with the pedestrian and bike plan (see I.B.2)

Chamber of Commerce Actions



E. Establish "Tuesdays in Carnation," Creating Weekly Opportunities to Eat, Shop, and Attend Events in Downtown

- 1) Plan evening events such as art walks, musical performances, and sidewalk sales in downtown following Tuesday Farmers Markets
 - Coordinate Carnation events with other regional draws, including mountain bike races at Tolt MacDonald Park, the Evergreen Classic, pumpkin picking and Christmas tree cutting, and events at Remlinger Farms
 - Pilot Tuesdays in Carnation during the summer months and extend throughout the year as possible
- 2) Encourage restaurants and retail establishments to maintain evening hours on Tuesdays during the summer, with sales, hors d'oeuvres, and other special features



V. Enhance the Quality of Life for Existing Residents and Encourage Residential Development

Carnation will benefit from residential growth for a number of reasons including greater support for existing and new businesses, an ability to share water and sewer infrastructure costs over a larger population, and the creation of a larger, more diverse pool of people to draw upon for civic participation and contributions to the community. A residential population located within walking distance of the downtown is particularly desirable to support local businesses and create foot traffic and a sense of vibrancy.

While Carnation's strength is and will remain in single family housing, encouraging a greater variety of housing products, including some well-designed townhomes and apartments as well as housing for seniors and those of lesser means, will add to the community's diversity and vitality.

Quality of life investments serve a dual purpose as they not only help to attract new residents, but also enhance the quality of life for existing residents. Improvement of the City's parks and recreation offerings as described in Goal I are also important quality of life enhancements.

City Actions



A. Continue to Better Understand Carnation's Housing Market

- 1) Conduct outreach to employees of local businesses who currently commute to see what types of housing they are interested in
- 2) Continue to talk with residential developers about the range of housing options appropriate for Carnation



B. Encourage Residential Development and Redevelopment

- 1) Increase the residential population within walking distance of downtown
- 2) Encourage residential infill development
- 3) Encourage somewhat denser housing products such as cottages or townhomes
 - Cultivate relationships with developers who focus on this product and establish proof-of-concept, showing there is a market for this type of development in Carnation
 - Promote opportunities provided by recent changes to the City's regulations allowing accessory dwelling units
- 4) Support housing for seniors and low- and moderate-income households



- Promote opportunities provided by recent changes to the City's regulations creating density credits for senior and low-income housing

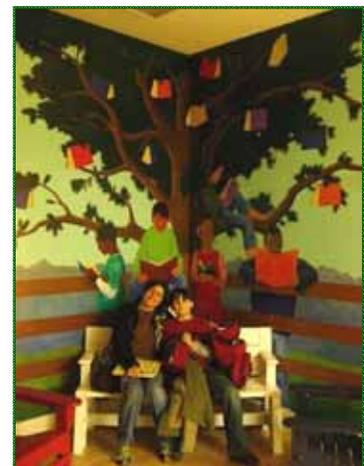


- Partner with the King County Housing Authority and related non-profit organizations
- Encourage A Regional Coalition for Housing (ARCH) to allow Valley cities to become members



C. Partner with the School District

- 1) Explore innovative partnerships to encourage the efficient use of school and city facilities
- 2) When appropriate, support school levies



VI. Facilitate Desirable Investment by Enhancing the City's Development Climate

As a key component of its economic development strategy, the City of Carnation should create a favorable development climate that makes it easy for developers and entrepreneurs to invest in the community. This involves cleaning up the City's development processes, land use code, and zoning regulations, as well as making sure that developers are well-informed about what is expected of them if they work in Carnation. Given the development limitations that were in place prior to investment in the city's waste water treatment infrastructure, it is also important and timely to promote the development opportunities presented by the community.

In working to encourage development in Carnation, it is important to stay true to the community's desired vision by enforcing regulations that require development to be appropriately designed and located.

A. Encourage Future Development and Redevelopment that Supports Carnation's Vision for the Future

- 1) As part of the City's annual Comprehensive Plan amendment process, evaluate the City's design standards, design guidelines, and related policies and regulations, ensuring they reflect the community's desires for development and redevelopment, including buildings that retain and enhance the community's existing small town character
- 2) Continue to enforce the City's design standards and codes related to the appearance and repair of existing buildings
- 3) Clearly communicate expectations of developers
 - Add a page to the City's website and create a concise stand-alone publication describing the community's desires for future development and redevelopment, also highlighting that City staff will work collaboratively with developers to ensure successful projects that are in line with community desires
- 4) Concentrate development in downtown, encouraging density in residential and commercial development in this concentrated area
- 5) Evaluate potential incentives to encourage green development and sustainable design



B. Provide High Quality Development Services and Information [Priority]

- 1) Finish cleanup of the City land use code
 - Ensure the language is Carnation-specific and easily understood
 - Modernize the code to reflect current issues and preferences
 - Provide greater cohesion and internal consistency throughout
- 2) Provide excellent customer service to the development community
 - Evaluate options for permitting, including MyBuildingPermit.com



- 3) Support residential redevelopment by continuing to provide on-line information and free pre-application consultations



C. Establish an Outreach Strategy Creating Stronger Connections with the Development Community

- 1) Create materials to promote a multi-faceted view of the city to developers:
 - Highlight the City's attractive demographics
 - Describe Carnation's beautiful natural environment; good schools and recreation opportunities; proximity to larger population centers; family friendly, small town atmosphere; and other attributes that contribute to the community's high quality of life
 - Promote the City's friendly development climate, describing the future vision for the community; clear and expeditious development processes; and excellent customer service and flexibility
 - Identify underserved retail market areas and specific sites for residential and commercial development or redevelopment

- 2) Following completion of the sewer project, use these materials to promote Carnation's new development capacity
 - Identify and cultivate relationships with developers capable and interested in development that is in line with the community's Vision
- 3) Help developers and business owners understand the Carnation market and find appropriate sites for expansion of new businesses or new development
- 4) Hold a developers forum to highlight particular opportunities, receive feedback from development professionals, deepen relationships, and build interest in working in Carnation

D. Adjust Land Use Policies and Zoning Relative to Projected Market Demand and City Vision [Priority]

- 1) Evaluate current zoning for the Potential Annexation Area (PAA) given market information produced in developing this plan. Consider the following options, as well as others:
 - Explore options for commercial development along SR 203, with residential uses further off of the highway
 - Consider reserving some land in the PAA as Employment Office or Light Industrial/Manufacturing for long-term capacity of light industrial, manufacturing, or "flex-tech" uses
- 2) Maintain flexibility for commercial and residential uses within the Mixed Use Zone and encourage residential uses in the Central Business District in conjunction with retail use
- 3) Evaluate the long term conversion of Light Industrial/Manufacturing uses along SR 203 to zoning that supports retail uses to take advantage of the proximity to the city's south-end retail node, street frontage, and pass-through traffic
- 4) Take a flexible approach to industrial zoning to accommodate the type of niche light industrial or manufacturing users Carnation is likely to attract
- 5) Evaluate the City's Table of Permissible Uses from an economic development perspective and consider amendments when appropriate



E. Communicate the Importance of Economic Development to Carnation

- 1) Create a page on the City's website that is devoted to economic development, describing implementation of this plan and the City's flexible and assistive approach to working with the development community. Use this page to post promotional materials and updates.



IMPLEMENTATION MATRIX

An accompanying matrix establishes a workplan to guide the implementation of the Goals and Strategies described in this plan. This matrix identifies timelines, leads, partners, and potential resources for each activity listed above.

Goal	Strategy	Objectives	Tasks	Priority (blue text)	Start Date		Lead	Partner(s)	Potential Resources
					S-T = yr. 1 (2008)	M-T = yrs. 2-3 (2009-10)			
					L-T = yrs. 4-5 (2011-12)				
<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Note: Text is abbreviated from full text in plan body.</div>									
I. Establish Carnation as a Regional Recreation Hub and the Commercial Center for the Valley's Agricultural Activity									
I.	A. Enhance Active & Passive Recreation Offerings	1) Support community groups pursuing the development of an indoor recreation facility in Carnation			Mid-term		City	Community groups	CTED planning grant, already received; grants for parks capital improvements; potential parks fee revenues
I.		2) Support development of private recreation opportunities			Mid-term		City	Community groups	
I.		3) Establish a Parks Board			Short-term		City		
I.		4) Develop a parks and recreation plan			Short-term		Parks Board		
I.		5) Evaluate implementation of a parks impact fee			Short-term		Parks Board		
I.	B. Encourage Active Recreation & Walking	1) Encourage physical activity through City policy and planning	Conduct an assessment of opportunities to encourage walking		Mid-term		City		CTED planning grant, already received; grants for parks capital improvements; potential parks fee revenues
I.			Implement changes in a prioritized manner		Mid-term		City		
I.		2) Develop a pedestrian and bike plan for the city	Establish bike lanes and trail connections between downtown, residential neighborhoods, and recreation sites		Mid-term		City		
I.		3) Create strong connections between downtown and Tolt MacDonald Park and the Snoqualmie Valley Trail	Create trail connections between Tolt MacDonald Park and downtown	Priority	Short-term		City		TBD
I.			Establish attractive information kiosks at the Park and on the Trail		Long-term		City		TBD
I.			Guide Park and Trail users to downtown with attractive signage and identify these connections in the City's walking map		Mid-term		City		TBD
I.			Improve signage identifying downtown, trails, parks, and other sites		Short-term		City		2008 General Fund
I.			Locate bike racks near downtown businesses and parks		Mid-term		City	Chamber	Public/private partnership
I.		4) Using art, hidden treasures, and interpretative signs, make exploring downtown and nearby sites playful and fun			Mid-term		City	Chamber	Public/private partnership
I.		5) Encourage youth and adult sports leagues to schedule events in Carnation			Ongoing		City	Chamber	

		Note: Text is abbreviated from full text in plan body.				Start Date			
Goal	Strategy	Objectives	Tasks	Priority (blue text)	M-T = yrs. 2-3 (2009-10) L-T = yrs. 4-5 (2011-12)	Lead	Partner(s)	Potential Resources	
I.	C. Support & Expand Existing Farmer's Market	1) Support the development of a permanent structure downtown		Priority	Mid-term	City	Community	Economic Development Administration grant (now applying); USDA Farmers' Market Grant; other grants	
I.		2) Help promote the market by including it in City marketing			Ongoing	City			
I.		3) Explore the possibility of a weekend and year-round market			Mid-term	City	Chamber, Sno-Valley Tilth		
I.	D. Create a Marketplace & Limited Processing Center for Local Agricultural Goods	1) Play a role as an active participant and bridge between various groups exploring development of such a facility		Priority	Short-term	City	King County, Sno-Valley Tilth	Grants for supporting City infrastructure	
I.		2) Evaluate appropriate sites for location of such a facility			Short-term	City			
I.	E. Support Efforts to Bring Natural Resource Education	1) Encourage King County to establish an environmental education center in Carnation			Long-term	City	King County		
I.		2) Be supportive of Camp Korey, particularly agricultural uses of the property			Short-term	City	King County, other Valley cities		
I.	F. Encourage the development of community p-patches & demonstration gardens	1) Evaluate opportunities to partner to develop a Carnation p-patch program			Mid-term	City	Sno-Valley Tilth, WSU Cooperative Extension, Master Gardeners and other gardening groups, including the Hmong community	Possible grants	
I.		2) Evaluate using City-owned land for community gardens			Mid-term	City			
I.		3) Incorporate community gardening into City planning policies and practices			Mid-term	City			
I.	G. Consider establishing an environmental sustainability program	1) Evaluate the goals and desirability of implementing such a program			Long-term	City Council	Community, King County, Puget Sound Partnership		
II. Communicate Carnation's Events and Attractions to Grow the City's Capture of Regional Tourism									
II.	A. Refine & Promote Carnation's Identity	1) Design a new Carnation logo and identity	Use this identity as a common theme in all City and Chamber promotional efforts		Mid-term	City		General Fund	
II.		2) Redesign the City's homepage in line with its new identity			Mid-term	City		General Fund	
II.		3) Cultivate relationships with local media and provide photos and story ideas to encourage positive coverage of Carnation			Ongoing	City			
II.		4.) Use the name Carnation, rather than Tolt, in naming spaces in the future			Ongoing	City	Chamber		

		Note: Text is abbreviated from full text in plan body.				Start Date			
Goal	Strategy	Objectives	Tasks	Priority (blue text)	M-T = yrs. 2-3 (2009-10) L-T = yrs. 4-5 (2011-12)	Lead	Partner(s)	Potential Resources	
II.	B. Grow the City's Local Tourism Sector	1) Create an attraction near the bridge over the Tolt River			Mid-term	Chamber	City		
II.		2) Enhance wayfinding signage on Tolt Avenue			Short-term	City		2008 General Fund	
II.		3) Develop an attractions map			Mid-term	Chamber			
II.		4) Partner with other Snoqualmie River Valley cities to promote the sub-region as a whole, including participating in the newly created Snoqualmie Valley Chamber tourism website	Ensure that the City's information is kept current, including posting of current special events	Priority	Short-term	City		General Fund for annual fee	
II.		5) Attract specific user groups	Support existing mountain bike events at Tolt MacDonald Park and work to create a connection to downtown		Short-term	City	Chamber, athletic organizations		
II.			Evaluate the possibility of having a Carnation road bike race or long-distance run		Mid-term	City	Chamber, athletic organizations		
II.			Hold skating events at the Carnation Skatebowl in Valley Memorial Park		Short-term	City	Regional skating companies and organizations	General Fund	
II.			Identify local birds that birders may be interested in seeing and suggest itineraries for birders including bird watching sites		Mid-term	Chamber	Audubon Society		
II.			Reach out to Giordano's Vintage Motors, Puget Sound automobile clubs, and XXX Rootbeer Drive-in in Issaquah.		Mid-term	Chamber			
II.			Ensure downtown is motorcycle-friendly, with dedicated parking		Short-term	City			
II.			Promote the City to horse riders, boaters, and fishers		Mid-term	Chamber			
II.	C. Support & Promote Recreation Opportunities & Special Events	1) Promote Carnation's recreational and cultural opportunities including performances and seasonal special events	Create and maintain an events calendar	Priority	Short-term	City			
II.			Encourage local organizations, to notify the City and the Chamber of Commerce of upcoming special events		Short-term	City			
II.			Promote the City quarterly, tied to seasonal events		Short-term	City	Chamber	General Fund for advertising costs	
II.	D. Support & Promote Recreation Opportunities & Special Events, Continued	1) Create a team of City staff and volunteer community members to promote Carnation	Update information boards or kiosks at key points in town, along the Snoqualmie Valley Trail, and at Tolt MacDonald Park		Long-term	Chamber	City	General Fund for materials	
II.			Distribute brochures to nearby residential communities and shopping centers		Long-term	Chamber		General Fund for materials	

Goal	Strategy	Objectives	Tasks	Priority (blue text)	Start Date		Lead	Partner(s)	Potential Resources
					S-T = yr. 1 (2008)	M-T = yrs. 2-3 (2009-10) L-T = yrs. 4-5 (2011-12)			
II.			Create a network of Carnation residents to promote the community		Long-term		Chamber		
II.		2) Explore opportunities to market the city to users of Tolt MacDonald Park			Mid-term		Chamber	City, Parks Board, King County	
II.		3) Hold one major event per season designed to attract people to town	Establish a spring event		Long-term		City, Chamber	Community	
II.			Continue to hold the 4th of July, the Evergreen Classic, and citywide yard sale in summer		Ongoing		City, Chamber	Community	General Fund
II.			Establish a fall event such as a harvest festival		Ongoing		City, Chamber	Community	General Fund
II.			Continue to hold Christmas in Carnation in winter		Mid-term		City, Chamber	Community, Sno-Valley Tilth	General Fund
II.	E. Welcome new Carnation residents and businesses	1) Create welcome packets for new residents and businesses			Mid-term		Chamber		
II.		2) Host a new resident welcome twice annually on a Tuesday evening			Mid-term		Chamber		
II.	F. Seek opportunities to Celebrate & Promote Carnation's Agricultural Heritage	1) Encourage local growers to identify Carnation as their location			Short-term		Chamber		
III. Increase Commercial Vitality and Employment Options through Business Retention and Attraction									
III.	A. Formalize the City/Chamber of Commerce Partnership	1) Define roles, assign responsibilities around implementation of this Plan and other areas of overlap	Coordinate implementation of this plan with an initial Chamber and City meeting		Short-term		City	Chamber	
III.			Establish annual coordinating, goal-setting meetings		Ongoing		City	Chamber	
III.		2) Ensure City involvement in ongoing Chamber meetings and Chamber input into relevant City actions			Ongoing		City, Chamber		
III.	B. Conduct Targeted Business Attraction	1) Launch a City/Chamber initiative to actively recruit businesses in specific niches			Short-term		City Council	Chamber	
III.	C. Support Existing Businesses	1) "Manage" the downtown business district	Establish a common approach to high standard customer service and a downtown business identity		Short-term		Chamber		
III.			Identify empty lots and storefronts and encourage property owners to use this space for visual displays		Short-term		Chamber	City	
III.			Encourage businesses to use empty lots and spaces in the alley for outdoor dining and displays		Short-term		Chamber	City	
III.			Coordinate business hours around special events and "Tuesdays in Carnation"		Short-term		Chamber		

Goal	Strategy	Objectives	Tasks	Priority (blue text)	Start Date		Lead	Partner(s)	Potential Resources
					S-T = yr. 1 (2008)	M-T = yrs. 2-3 (2009-10) L-T = yrs. 4-5 (2011-12)			
III.		2) Use Chamber discussions and regular reminders to promote a "visitor friendly" approach among local businesses			Mid-term		Chamber		
III.		3) Provide information or facilitate trainings on topics of interest to small businesses	Develop a Chamber listserv and email newsletter with different distribution lists		Mid-term		Chamber		
III.			Utilize the Green River College circuit rider for small business assistance		Ongoing		Chamber	Green River College	
III.			Encourage businesses and property owners to beautify the appearance of buildings and window displays		Ongoing		Chamber	City	
III.			Hold a joint discussion session focused on small business issues with City Council, Planning Commission, and business owners		Short-term		Chamber	City	
III.			Use the Chamber website and other publications to promote businesses with inspiring practices		Short-term		Chamber		
III.		4) Coordinate customer surveys in local businesses			Short-term		Chamber		
III.		5) Schedule annual events to hear from and address the concerns of local retail businesses			Short-term		Chamber	City	
III.		6) Establish a shop and ship locally campaign	Consider introduction of a discount card or a community currency		Mid-term		Chamber	City	
III.	D. Retain Existing Industrial Businesses	1) Conduct annual outreach to understand and address business concerns			Short-term		City		
III.		2) Support the expansion of existing businesses			Ongoing		City		

		Note: Text is abbreviated from full text in plan body.				Start Date			
Goal	Strategy	Objectives	Tasks	Priority (blue text)	S-T = yr. 1 (2008) M-T = yrs. 2-3 (2009-10) L-T = yrs. 4-5 (2011-12)	Lead	Partner(s)	Potential Resources	
III.	E. Support the Development of "Flex-Tech" Spaces	1) Consider "flex-tech" development on the City-owned lot near the wastewater treatment plant			Short-term	City			
III.		2) Attract small-scale support industries for Snoqualmie Valley agricultural producers			Mid-term	City			
III.	F. Encourage the enhancements and/or expansion of the Tolt Town Center				Ongoing	City			
IV. Make Downtown Carnation a Great Place									
IV.	A. Adopt the Main Street Approach to Downtown	1) Become a Main Street Affiliate and use Main Street tools and approach			Short-term	City	Chamber	General Fund for annual fee	
IV.	B. Create a dynamic & well-used Town Square	1) Concentrate public investment, public events, public open space, and beautification efforts around this center	Provide benches, a gazebo, lighting, a public restroom, and other amenities	Priority	Mid-term	City		Economic Development Administration grant (now applying); USDA Farmers' Market Grant; other grants	
IV.		2) Construct a permanent facility to serve the farmer's market and other community events		Priority	Mid-term	City			
IV.		3) Develop a unique attraction that can be used to enliven this public space and attract tourists to downtown			Long-term	City	Community		
IV.		4) Look at opportunities to improve Hockert Park			Long-term	City			
IV.	C. Enhance the Visual Appeal of Downtown	1) Schedule an annual walking tour of downtown			Short-term	Chamber	City		
IV.		2) Enhance the appearance of existing buildings and undeveloped lots	Enforce existing City codes related to property appearance and maintenance		Ongoing	City			
IV.			Support Chamber efforts to activate empty lots, store windows, and alley spaces		Ongoing	City			
IV.			Encourage businesses to build off of the Storefront Studio effort		Short-term	City		TBD	
IV.			Seek private sector partners to establish and administer a façade improvement revolving fund		Short-term	City			
IV.			Provide non-monetary resources to aid in renovations		Long-term	City		Public/private partnership	
IV.			Explore using historic preservation efforts to preserve older buildings and provide support to property owners		Short-term	City			
IV.			Improve City Hall's appearance		Mid-term	City		Possible grants	
IV.			Show-case and celebrate building improvements in City and Chamber publications		Ongoing	City, Chamber			

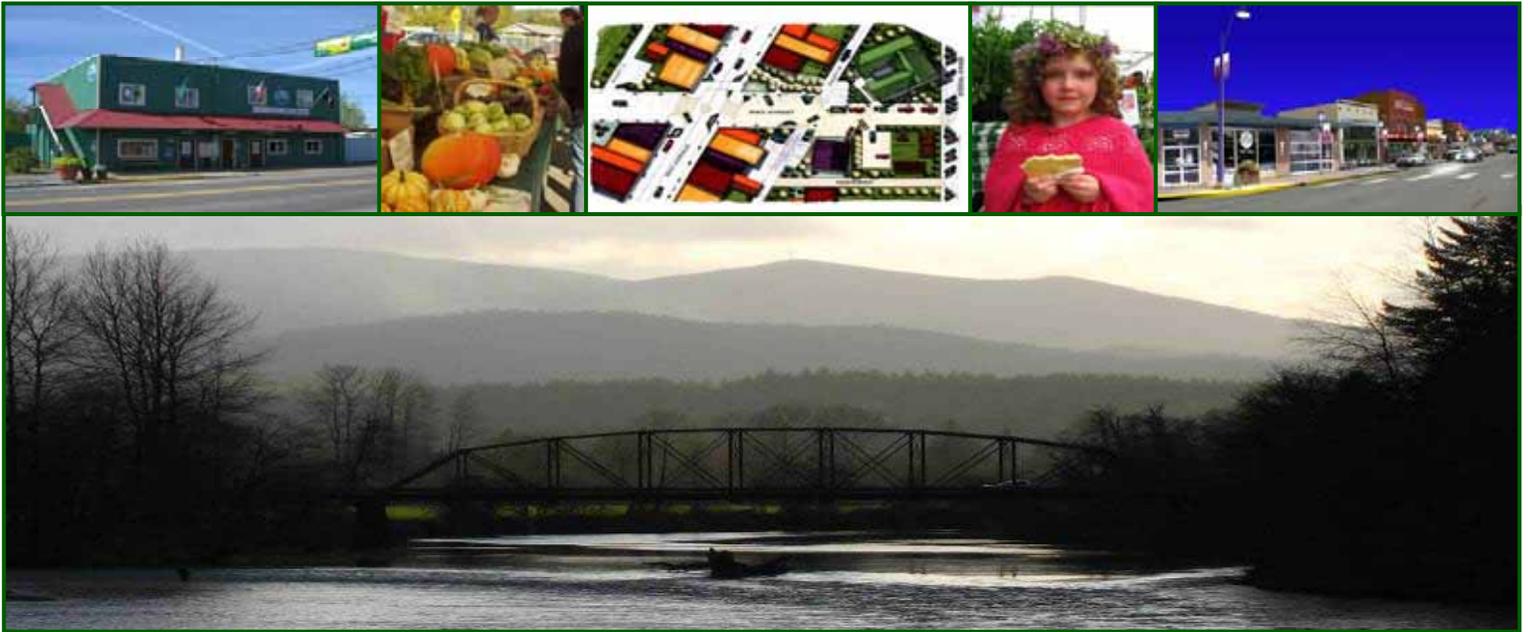
		Note: Text is abbreviated from full text in plan body.				Start Date			
Goal	Strategy	Objectives	Tasks	Priority (blue text)	S-T = yr. 1 (2008) M-T = yrs. 2-3 (2009-10) L-T = yrs. 4-5 (2011-12)	Lead	Partner(s)	Potential Resources	
IV.		3) Improve the downtown streetscape	Invest in public art, benches, and wayfinding signs		Mid-term	City		TBD	
IV.			Use the planned study of the SR-203 corridor to enhance the streetscape as well as improve traffic flow		Mid-term	City		Funded	
IV.		4) Implement traffic calming devices along Tolt Avenue as allowable by the state			Mid-term	City		Transportation Improvement Board grants (ongoing)	
IV.		5) Develop north and south gateways to welcome visitors into downtown	Locate gateways in a place that provides an attractive and significant entry into town		Long-term	City	Chamber, community		
IV.		6) Use light post banners to identify downtown and mark the seasons			Long-term	Chamber	City	TBD	
IV.	D. Develop a Short- & Long-Term Parking Strategy	1) Manage existing parking to increase availability for customers	Encourage business owners and employees to park off Tolt		Short-term	Chamber			
IV.			Consider establishing and enforcing a time limit on parking		Mid-term	City			
IV.		2) Develop a longer-term parking strategy	Determine location for additional public parking, easily walkable to downtown		Mid-term	City			
IV.			Use planting, trees, and other design factors to make attractive parking sites		Long-term	City			
IV.	E. Establish "Tuesdays in Carnation"	1) Plan evening events following Tuesday Farmer's Markets	Coordinate Carnation events with other regional draws		Short-term	City, Chamber		4culture grant for concert series	
IV.		2) Encourage restaurants and retail establishments to maintain evening hours on Tuesdays during the summer			Short-term	Chamber			
V. Enhance the Quality of Life for Existing Residents and Encourage Residential Development									
V.	A. Continue to Better Understand Carnation's Housing Market	1) Conduct outreach to employees of local businesses who currently commute to see what types of housing they are interested in			Mid-term	City			
V.		2) Continue to talk with residential developers about the range of housing options appropriate for Carnation			Ongoing	City			
V.	B. Encourage Residential Development/Redevelopment	1) Increase the residential population within walking distance of downtown			Ongoing	City			
V.		2) Encourage residential infill development			Ongoing	City			

		Note: Text is abbreviated from full text in plan body.		Start Date				
Goal	Strategy	Objectives	Tasks	Priority (blue text)	S-T = yr. 1 (2008) M-T = yrs. 2-3 (2009-10) L-T = yrs. 4-5 (2011-12)	Lead	Partner(s)	Potential Resources
V.		3) Encourage somewhat denser housing products such as cottages or townhomes	Cultivate relationships with developers who focus on this product and establish proof-of-concept		Long-term	City		
V.			Promote opportunities provided by recent changes to the City's regulations allowing accessory dwelling units		Mid-term	City		
V.		4) Support housing for seniors and low- and moderate-income households	Promote opportunities provided recent changes to the City's regulations creating density credits for senior and low-income housing		Short-term	City		
V.			Partner with the King County Housing Authority and related non-profit organizations		Ongoing	City		
V.			Encourage A Regional Coalition for Housing (ARCH) to allow Valley cities to become members		Ongoing	City		Sliding scale fee based on population
V.	C. Partner with the School District	1) Explore innovative partnerships to encourage the efficient use of school and city facilities			Ongoing	City	School district	
V.		2) When appropriate, support school levies			Ongoing	City	Chamber	
VI. Facilitate Desirable Investment by Enhancing the City's Development Climate								
VI.	A. Encourage Future Development/Redevelopment that Supports Carnation's Vision	1) Annually reevaluate the City's design standards, design guidelines, and related policies and regulations			Ongoing	City		
VI.		2) Continue to enforce the City's design standards and codes related to the appearance and repair of existing buildings			Ongoing	City		
VI.		3) Clearly communicate expectations of developers	Add a page to the City's website and create a concise stand-alone publication describing the community's desires for future development and redevelopment		Short-term	City		
VI.		4) Concentrate development in downtown			Ongoing	City		
VI.		5) Evaluate potential incentives to encourage green development and sustainable design			Mid-term	City		King County GreenTools program
VI.	B. Provide High Quality Development Services	1) Finish cleanup of City regulations and codes		Priority	Short-Term	City		
VI.		2) Provide excellent customer service to the development community	Evaluate options for permitting, including MyBuildingPermit.com	Priority	Ongoing	City		

		Note: Text is abbreviated from full text in plan body.				Start Date			
Goal	Strategy	Objectives	Tasks	Priority (blue text)	M-T = yrs. 2-3 (2009-10) L-T = yrs. 4-5 (2011-12)	Lead	Partner(s)	Potential Resources	
VI.		3) Support residential redevelopment by continuing to provide on-line information and free pre-application consultations		Priority	Ongoing		City		
VI.	C. Establish an Outreach Strategy with the Development Community	1) Create materials to promote a multi-faceted view of the city to developers			Short-term		City		
VI.		2) Following completion of the sewer project, use these materials to promote Carnation's new development capacity	Identify and cultivate relationships with developers capable and interested in development that is in line with the community's vision		Short-term		City		
VI.		3) Help developers and business owners understand the Carnation market and find appropriate sites			Ongoing		City		
VI.		4) Hold a developers forum to highlight particular opportunities, and deepen relationships			Short-term		City		
VI.		2) Maintain flexibility for commercial and residential uses within the Mixed Use Zone			Ongoing		Planning Board	City Council	
VI.		3) Evaluate the long term conversion of Light Industrial/Manufacturing uses along SR 203			Mid-term		Planning Board	City Council	
VI.		4) Take a flexible approach to industrial zoning			Ongoing		Planning Board	City Council	
VI.		5) Evaluate the City's Table of Permissible Uses from an economic development perspective and consider amendments when appropriate			Short-term		Planning Board	City Council	
VI.	E. Communicate the Importance of Economic Development	1) Create a page on the City's website that is devoted to economic development			Short-term		City		

**Adopted
December 4, 2007**

Volume II – Technical Annex



**City Of Carnation
Economic Development
Strategic Action Plan: 2008-2012**
Making Carnation A Great Place



120 Lakeside Avenue
Suite 200
Seattle, Washington 98122
P (206) 324-8760

www.berkandassociates.com

"Helping Communities and Organizations Create Their Best Futures"

Principals: Bonnie Berk and Michael Hodgins
Project Team: Brian Murphy, Morgan Shook, Natasha Fedo, Brett Sheckler

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Fiscal Implications of Land Use Alternatives Memorandum..... II

CARNATION DEMOGRAPHIC, ECONOMIC, AND MARKET COMPARATIVE PROFILE

August 29, 2007

INTRODUCTION

The Carnation Demographic, Economic, and Market Comparative Profile presents a summary of analyses describing the character of the City. The Profile includes a selection of other communities to establish a context for the measures. The communities chosen for comparison fall into three categories:

- **Neighbors**

- Duvall
- Snoqualmie

- **Peers**

- Kittitas County
 - Cle Elum
 - Roslyn
- Pierce County
 - Buckley
 - Eatonville
 - Orting
- Snohomish County
 - Gold Bar
 - Granite Falls
 - Sultan
- Skagit County
 - La Conner

- **Benchmarks**

- Incorporated Snoqualmie Valley
- Central Puget Sound

Incorporated Snoqualmie Valley consists of the combination of North Bend, Snoqualmie, Carnation, and Duvall.

Central Puget Sound comprises everything under the jurisdiction of the Puget Sound Regional Council (PSRC): Pierce, King, Kitsap, and Snohomish Counties.



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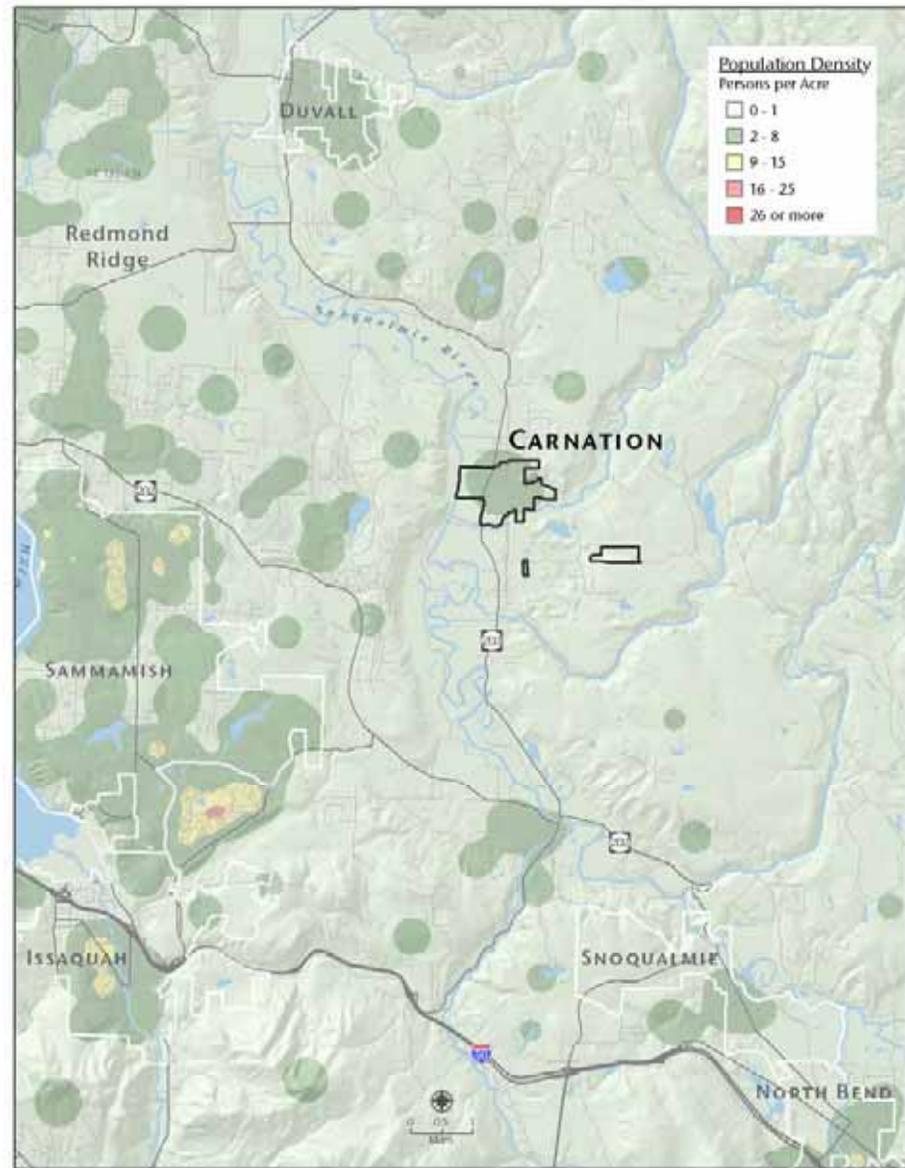
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Exhibit 1 – Locator Map

LOCATION

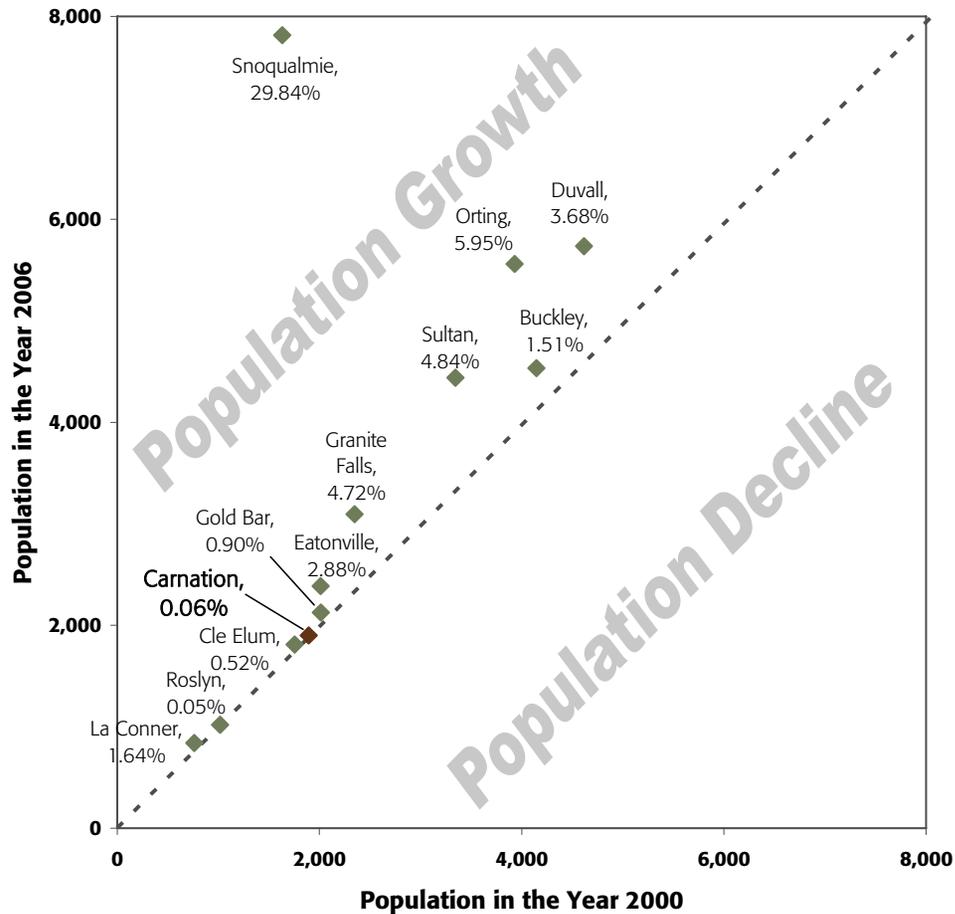
Carnation is located mid-way along the Snoqualmie River valley, between Snoqualmie and Duvall (see Exhibit 1). Primary road access is via State Highway 203.



POPULATION

Exhibit 2

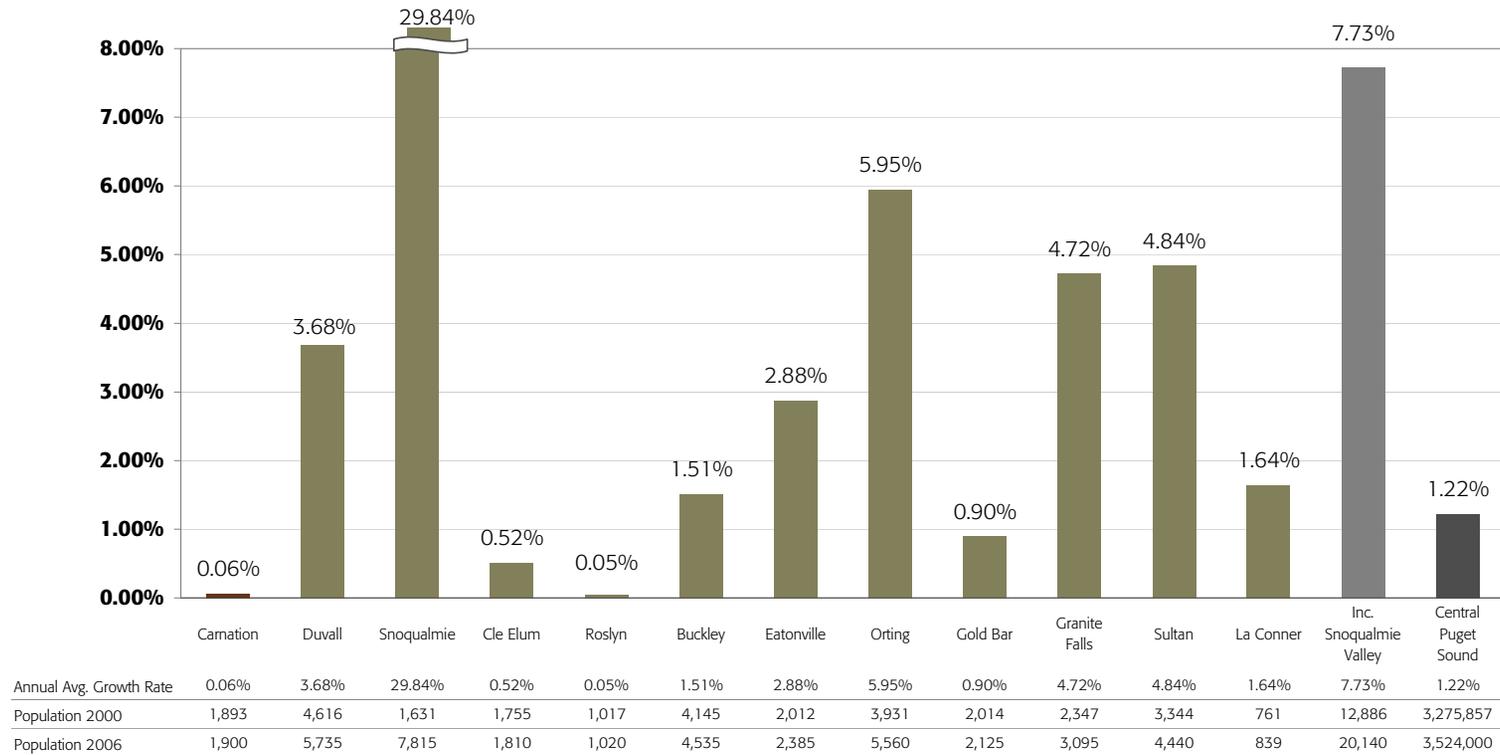
Population in 2000 and 2006, and Average Annual Growth Rate



- Carnation is one of the smaller cities in the collection of places charted in Exhibit 2.
- It also has had one of the lowest rates of growth this decade, calculated to be an Annual Average Growth Rate (AAGR) of 0.06% (see Exhibit 2 and Exhibit 3). Only Roslyn has had a smaller AAGR over the time period 2000 to 2006, with 0.05%. Both of these are within the margin of error and reflect essentially zero growth.
- Cle Elum and Gold Bar also have AAGRs of less than 1% over this time period.
- Snoqualmie has seen extraordinary growth, averaging nearly 30% per year. It is off the chart in Exhibit 3. (pg. I-6)

Source: Washington Office of Financial Management 2006, and Berk & Associates 2007

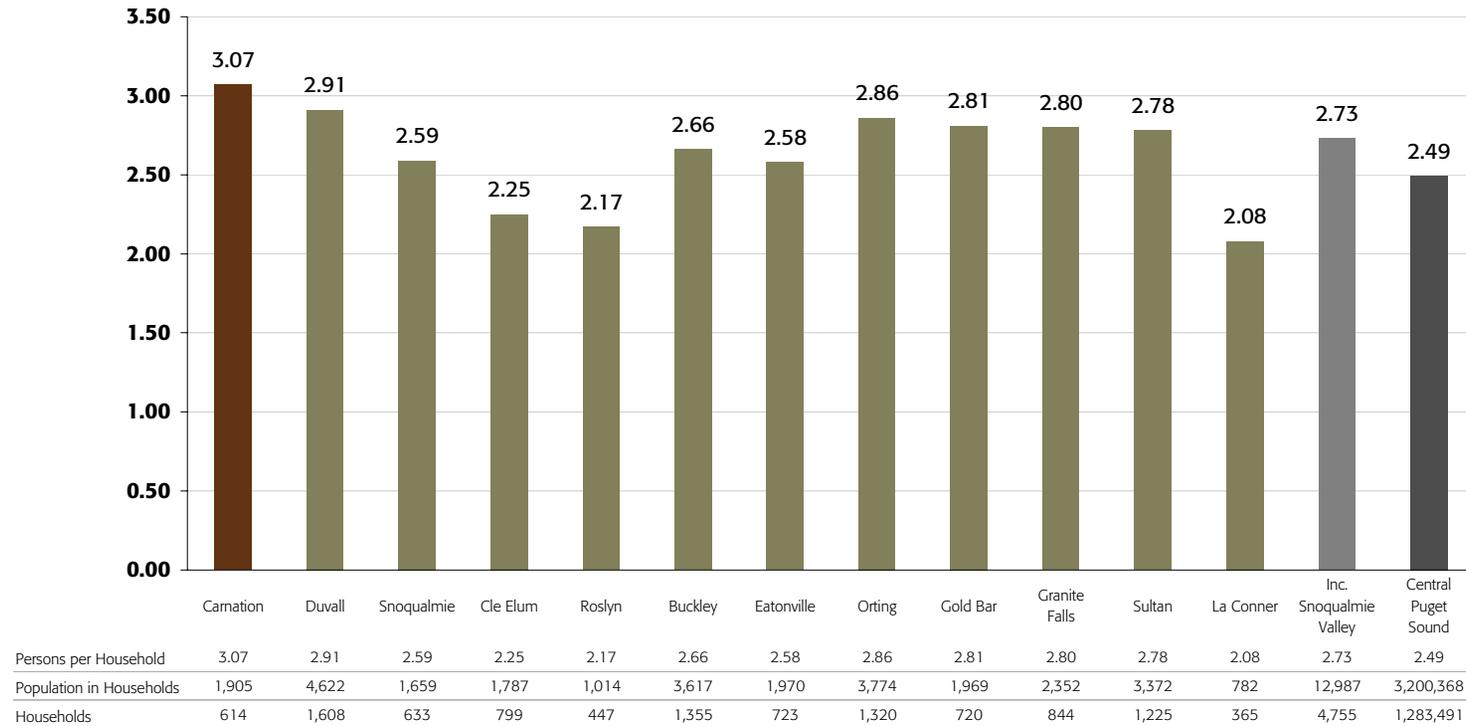
Exhibit 3 Population Change from 2000 to 2006



Source: Office of Financial Management 2006, and Berk & Associates 2007

- Exhibit 3 shows that the benchmark of Incorporated Snoqualmie Valley is dramatically skewed by the inclusion of the City of Snoqualmie. Carnation and Duvall have had much less population change than Snoqualmie (and North Bend is included in the benchmark as well).
- Many of these small towns have seen much higher growth rates than the four-county Central Puget Sound as a whole. Carnation is one of four cities with an AAGR smaller than Central Puget Sound for 2000 through 2006.

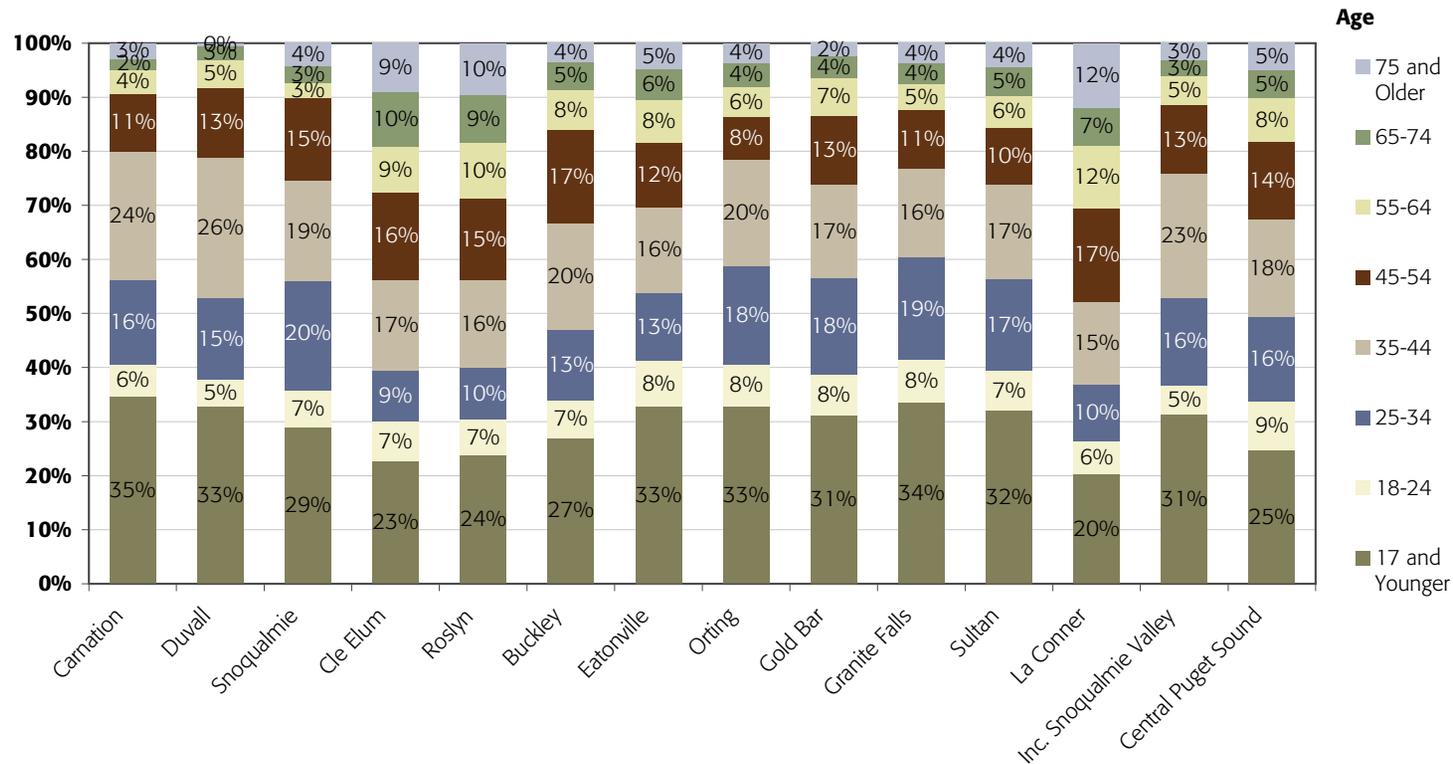
Exhibit 4 Persons per Household, 2000



Source: Census 2000, and Berk & Associates 2007

- Carnation had the highest number of Persons per Household among this group of places, according to the 2000 U.S. Census. This suggests that Carnation had a larger percentage of households with children than the other places, including both of the benchmarks.
- The cities that have a strong recreation and retirement component to their economies (Cle Elum, Roslyn, and La Conner) have the smallest households.
- Given the dramatic change in the number of households in Snoqualmie since the 2000 Census was taken, the Persons per Household value should be viewed as outdated for this city.

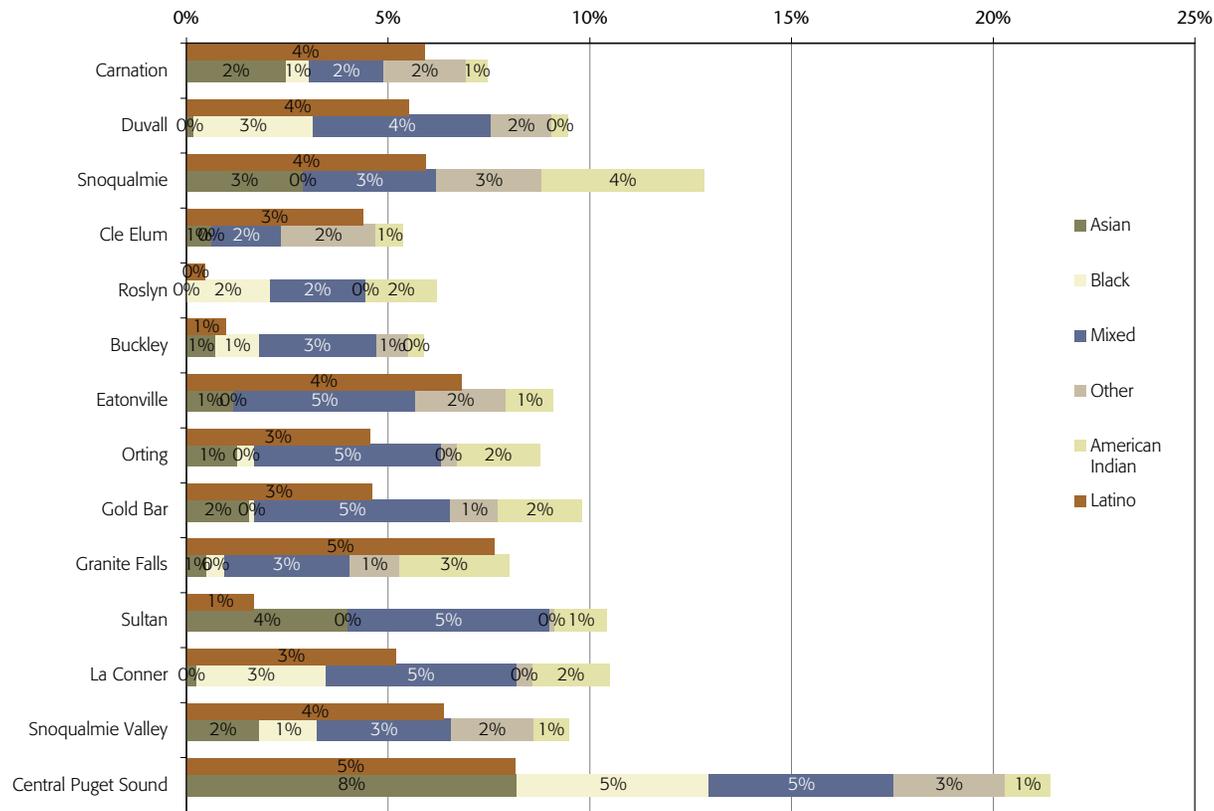
Exhibit 5 Age Distribution, 2000



Source: Census 2000, and Berk & Associates 2007

- The Snoqualmie Valley communities have a larger percentage of school-age residents than the Central Puget Sound as a whole (see Exhibit 5). This is consistent with the Valley’s higher value for Persons per Household (Exhibit 4).
- These cities also have larger percentages in the 35-44 age range than the other places shown here.
- The retirement/recreation cities (Cle Elum, Roslyn, and La Conner) are skewed more toward older persons than are the other places.

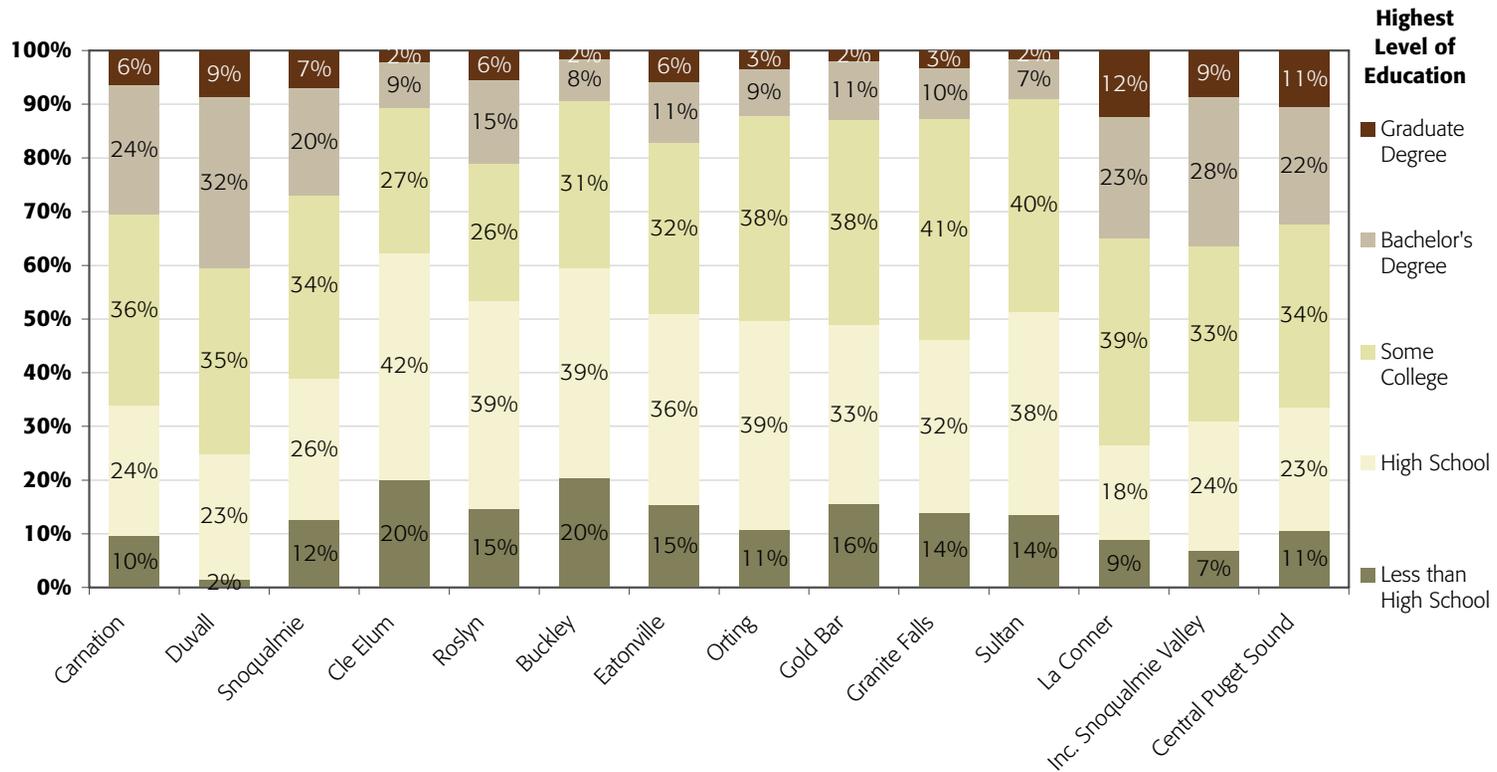
Exhibit 6 – Minority Race and Latino Population Distribution, 2000



Source: Census 2000, and Berk & Associates 2007

- Carnation (7%) and Duvall (9%) had a substantially smaller minority population in 2000 than the Central Puget Sound as a whole (21%), as Exhibit 6 shows. However, their percentage of population with a Latino heritage (4%) is very similar to that of Central Puget Sound (5%).
- The mix of non-white races is different between Carnation and Duvall. Duvall had a larger percentage claiming more than one race (Mixed) and also a larger percentage of African-Americans, while Carnation had a larger proportion who selected Asian.
- Snoqualmie had the largest non-white percentage of these cities, 13%.
- Of the cities compared here, Roslyn, Cle Elum, and Buckley have the smallest proportion of their population who selected a non-white race on the 2000 Census.

Exhibit 7 Educational Attainment, 2000

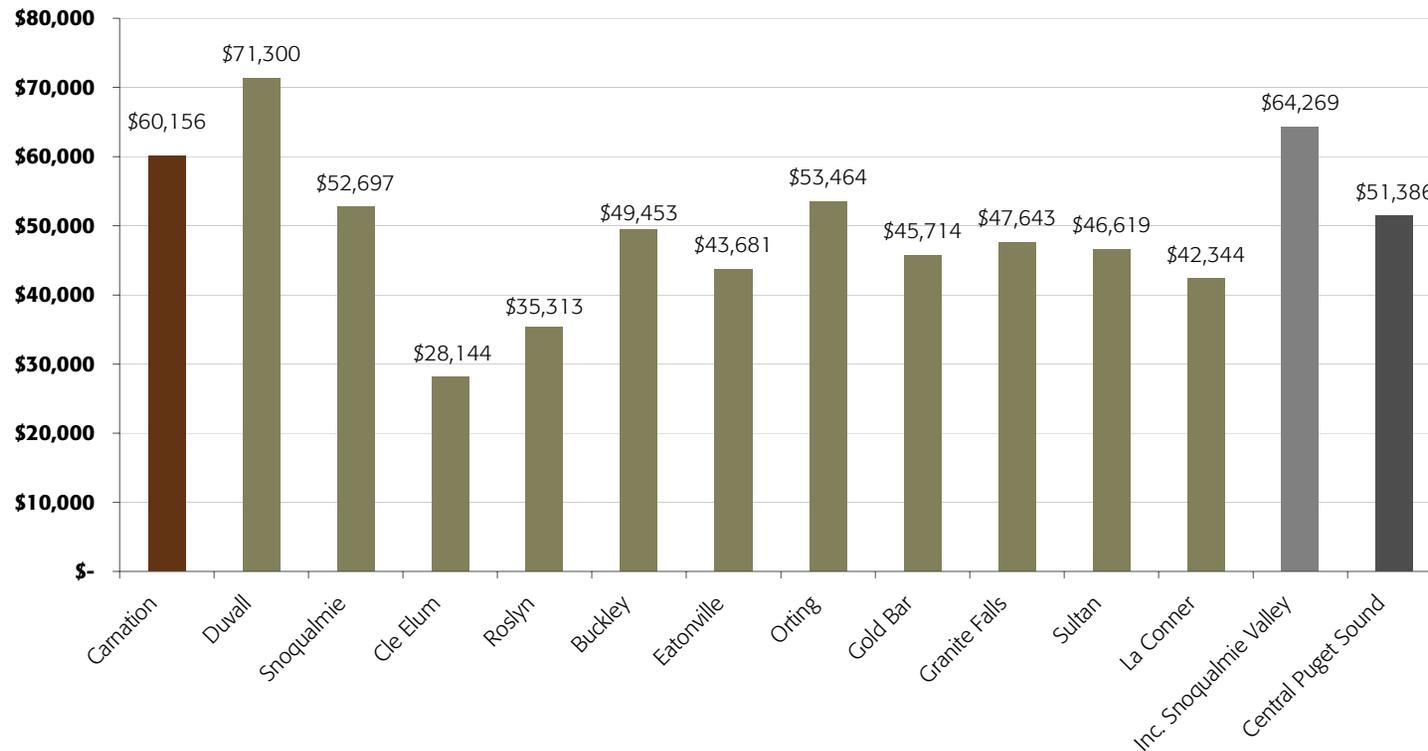


Source: Census 2000, and Berk & Associates 2007

- Carnation is well-educated compared to most of the peer cities shown in Exhibit 7. Some 30% of Carnation residents had at least a college degree in 2000, compared to less than 20% for all but La Conner, Carnation’s neighbors, and the benchmark summaries.
- The Snoqualmie Valley cities are more similar to Central Puget Sound than the peer cities on this measure.

INCOME

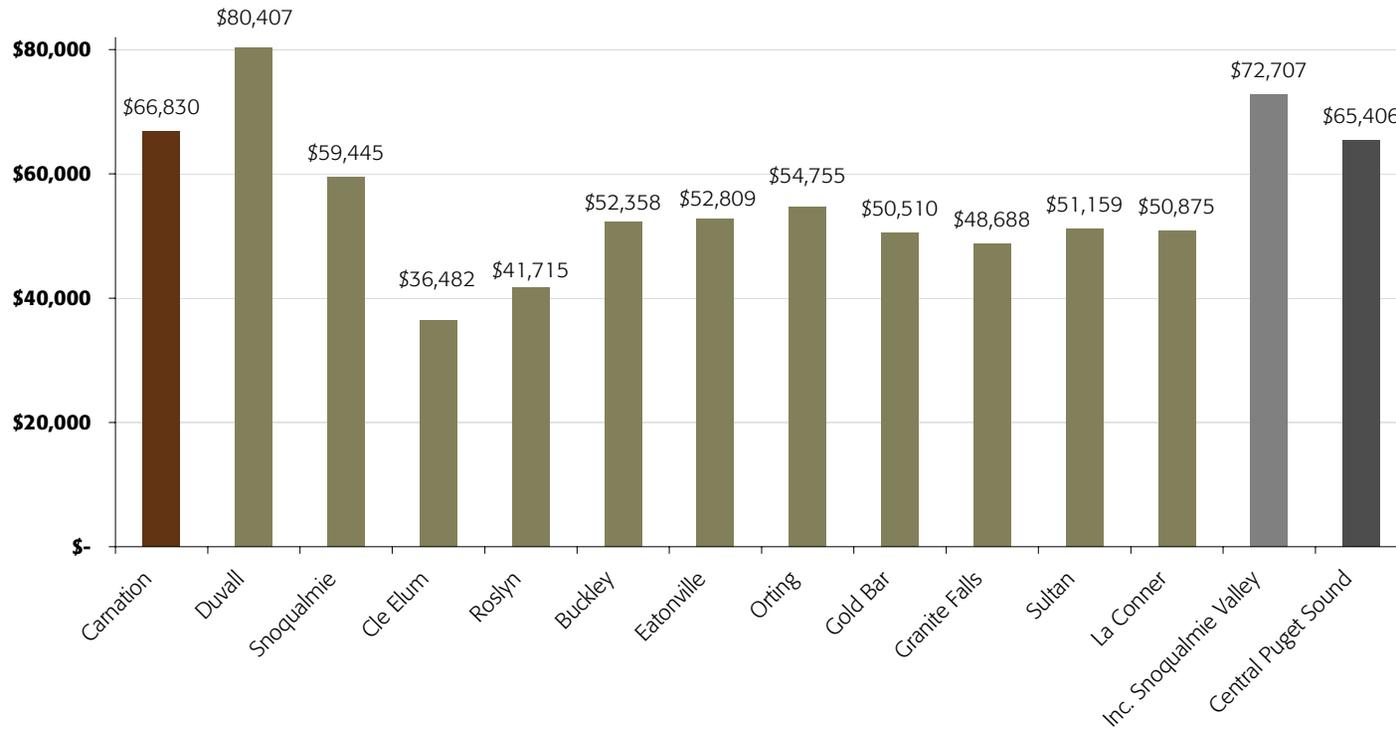
Exhibit 8
Median Household Income, 1999



Source: Census 2000, and Berk & Associates 2007

- Carnation’s Median Household Income for 1999 (\$60,156) was in between that of neighbors Duvall and Snoqualmie (see Exhibit 8). All three of these, plus the benchmark of Incorporated Snoqualmie Valley, were well above the value for Central Puget Sound (\$51,386).
- Once again, the recent growth in Snoqualmie has probably changed its relative ranking on this measure.
- Only one other city included here had a Median Household Income over \$50,000: Orting, at \$53,464.

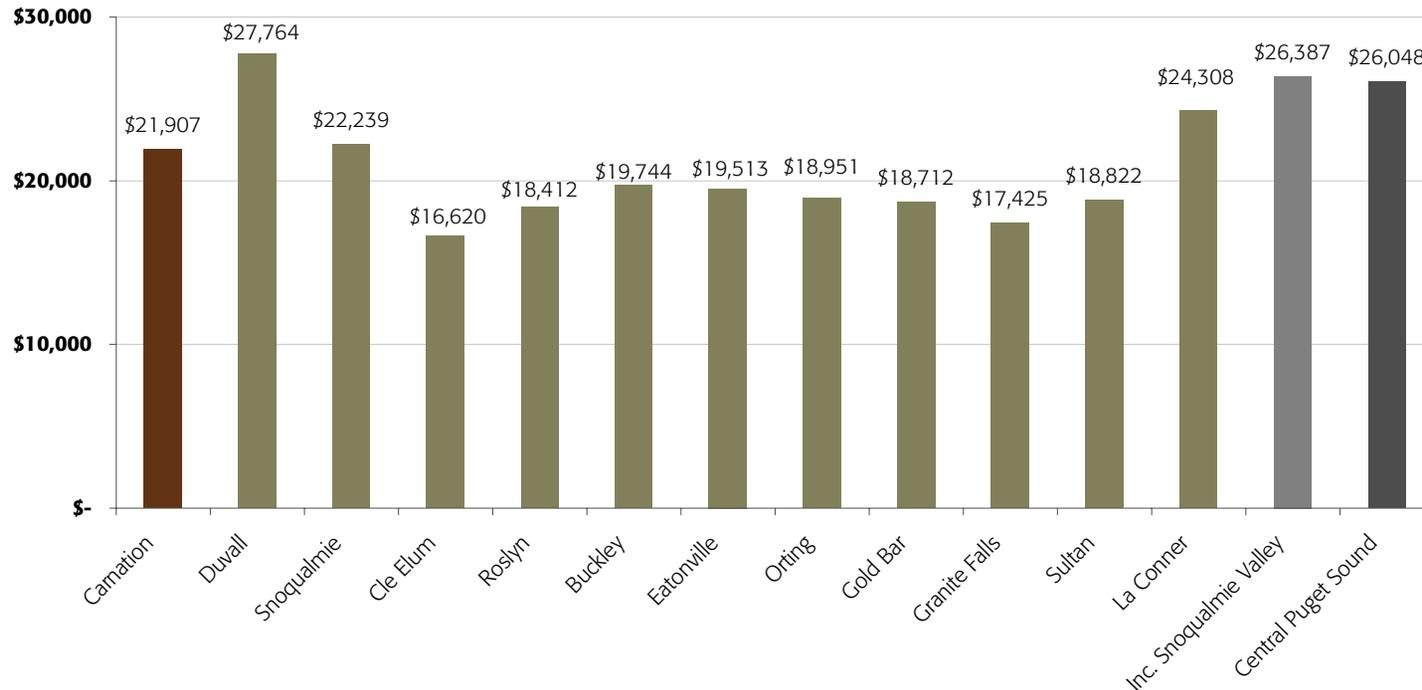
Exhibit 9 Average Household Income, 1999



Source: Census 2000, and Berk & Associates 2007

- Median and Average are two different ways of finding the middle of a group of data. Median treats each entry in the group as having equal weight, while Average considers each entry according to its weight relative to the whole. In cases where some entries are very different from the rest of values in the group, the Average will be skewed away from Median.
- In this example (Exhibit 9), Eatonville’s Average is more different from its Median than is Buckley’s. This indicates that a greater proportion of Eatonville’s total income rests with households that have above-average incomes than in Buckley.
- Carnation and its neighbors all have Average Household Incomes with similar amounts of skew away from their Median Household Incomes, indicating they have a similar income profile.

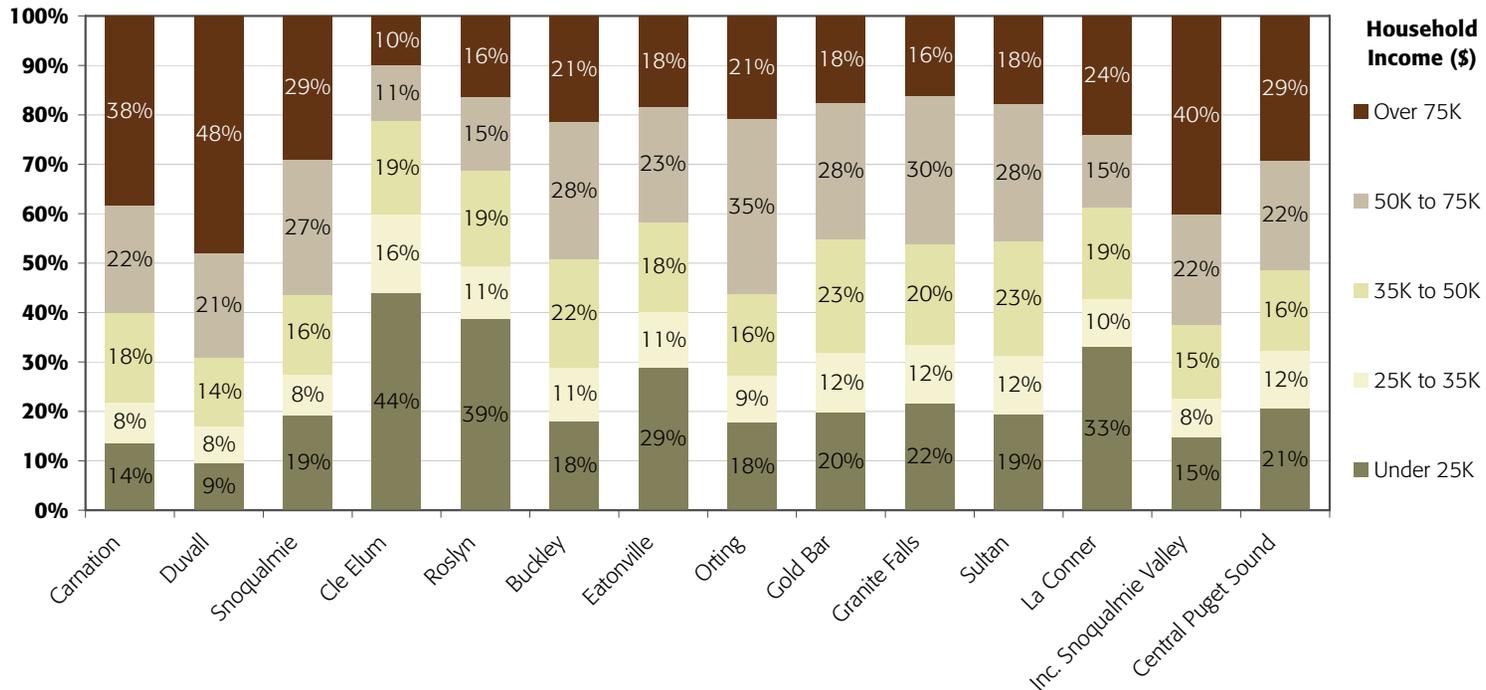
Exhibit 10 Per Capita Income, 1999



Source: Census 2000, and Berk & Associates 2007

- Rankings on Per Capita Income (Exhibit 10) can vary from rankings on Average Household Income (Exhibit 9) based on differences in the average number of Persons per Household (Exhibit 4). In this instance, Carnation’s large household size (3.07) pulls down its value for Per Capita Income (\$21,907), placing it closer to the large number of middle-income places than it was on the other income measures.
- The small household sizes in Cle Elum, Roslyn, and La Conner all bring up their Per Capita Income values relative to the rest of the cities.
- The only city included here that is above the Central Puget Sound’s value (\$26,048) is Duvall, averaging \$27,764 per person.

Exhibit 11
Income Distribution, 1999



Source: Census 2000, and Berk & Associates 2007

- Exhibit 11 shows that the income distributions of the Snoqualmie Valley cities are skewed heavily to higher incomes. Carnation (38%) and Duvall (48%) have a much larger percentage of households with incomes above \$75,000 than does the Central Puget Sound region (29%). Snoqualmie had a distribution nearly identical to the four-county region in 1999, but again, these data do not reflect recent development in Snoqualmie.
- The Snoqualmie Valley cities not only have smaller percentages of low-income households than most of the other cities, but also smaller percentages of middle-income households.
- None of the other cities here had values in the “Over \$75K” category larger than 24%.

HOUSING

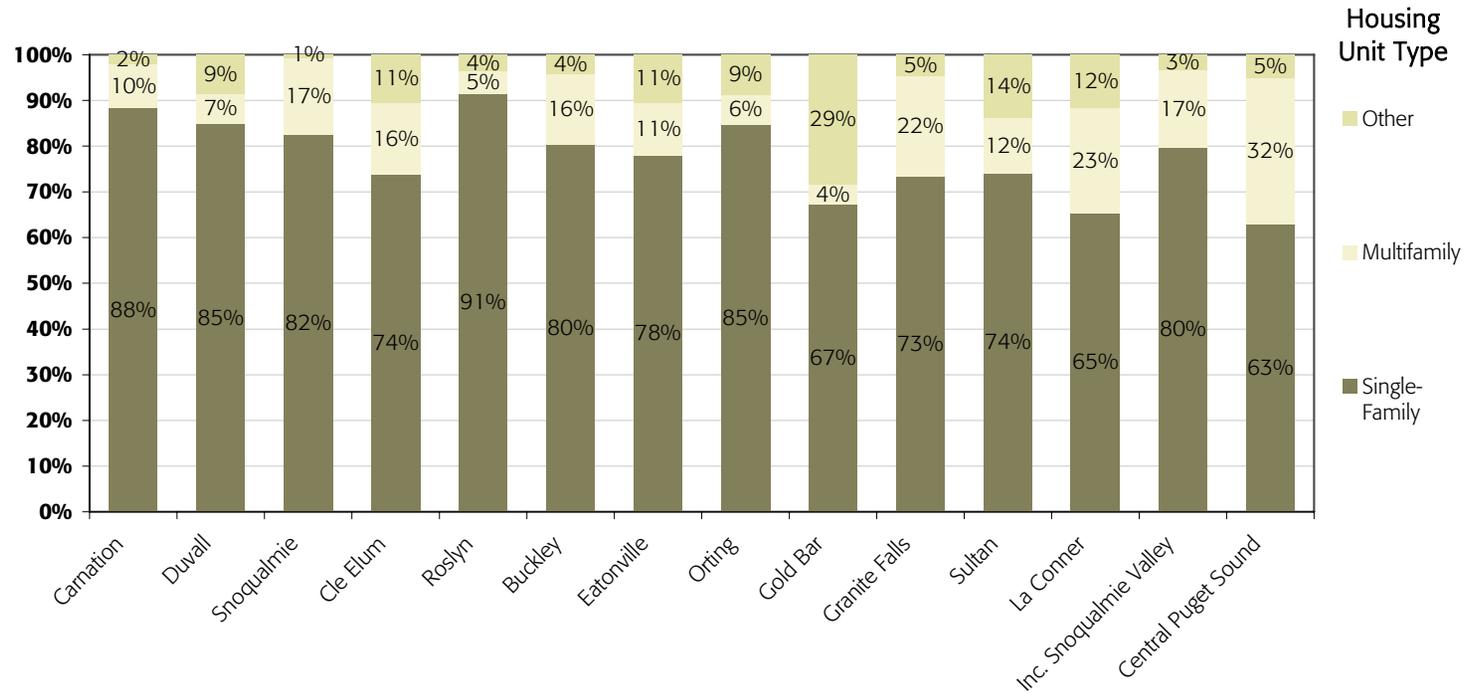
Exhibit 12
Housing Units, 2000 and 2006

	Total Housing Units		Housing Units Change (2000-2006)				Percent Change (2000-2006)
	2000	2006	Total	Single-Family	Multifamily	Other	
Carnation	650	658	8	3	0	5	1%
Duvall	1,646	2,116	470	403	70	-3	29%
Snoqualmie	656	2,897	2,241	1,907	337	-3	342%
Cle Elum	956	992	36	30	3	3	4%
Roslyn	623	630	7	8	0	-1	1%
Buckley	1,472	1,675	203	150	53	0	14%
Eatonville	805	958	153	143	2	8	19%
Orting	1,382	1,998	616	526	41	49	45%
Gold Bar	769	821	52	35	4	13	7%
Granite Falls	873	1,157	284	215	69	0	33%
Sultan	1,291	1,713	422	360	60	2	33%
La Conner	434	427	-7	30	-69	32	-2%
Snoqualmie Valley	4,841	7,577	2,736	2,330	409	-3	57%
Central Puget Sound	1,348,148	1,483,840	135,692	80,908	48,737	6,047	10%

Source: Washington Office of Financial Management 2006, and Berk & Associates 2007

- Carnation gained 8 housing units between 2000 and 2006, equal to a 1% increase (see Exhibit 12).
- In 2000, Snoqualmie had 6 housing units more than Carnation, 656. Snoqualmie gained 2,241 units by the end of 2006, an increase of 342%. The residential sector of Snoqualmie has been completely transformed by the Snoqualmie Ridge development.
- The next largest growth percentage was in Orting, with a 45% increase, while the four-county region grew 10%.

Exhibit 13
Distribution of Housing Units by Type, 2006

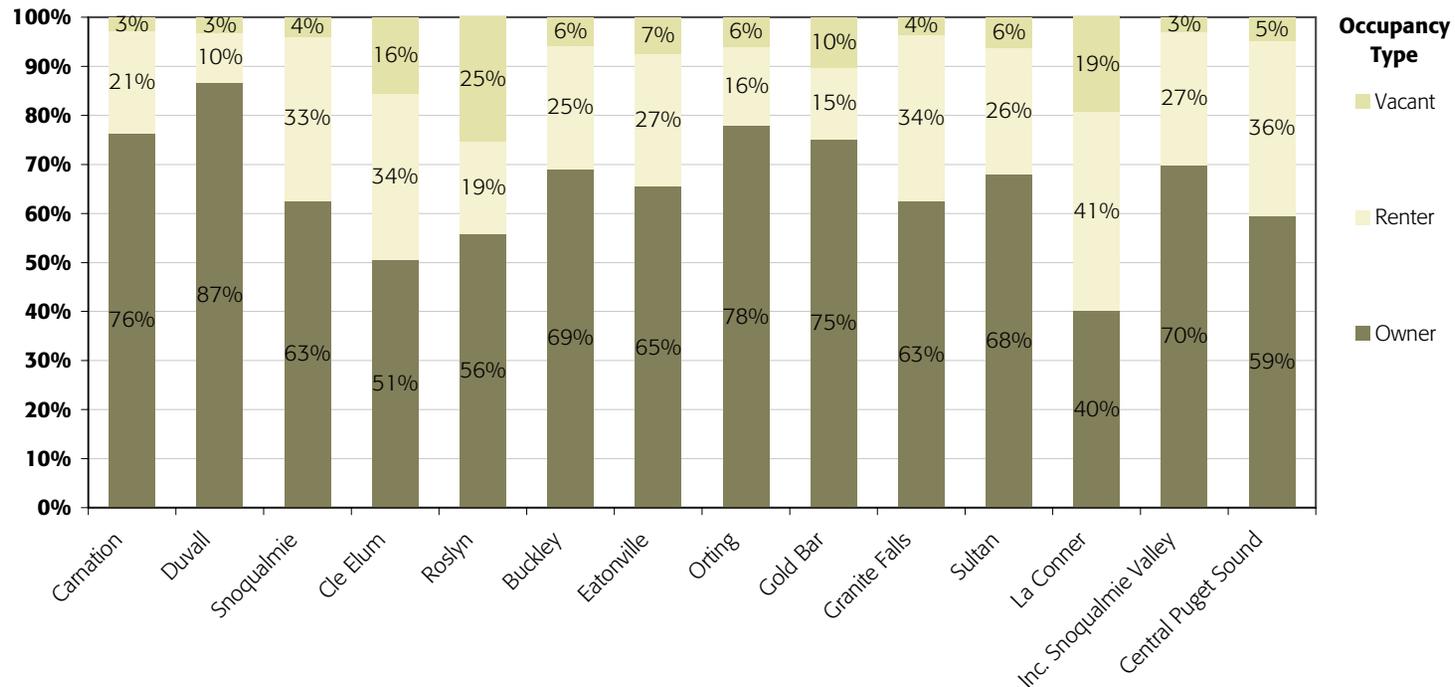


Source: Washington Office of Financial Management 2006, and Berk & Associates 2007

Exhibit 13 shows the breakdown of housing by type. The Other category includes mobile homes, RVs, boats, and other non-traditional housing.

- Carnation (10%) and Duvall (7%) have a smaller percentage of multi-family housing than Snoqualmie (17%).
- The Snoqualmie Valley (17%) has a much smaller percentage of multi-family housing than Central Puget Sound (32%). Reciprocally, Snoqualmie Valley (80%) has a much higher percentage of Single-Family housing units than the four-county region (63%).

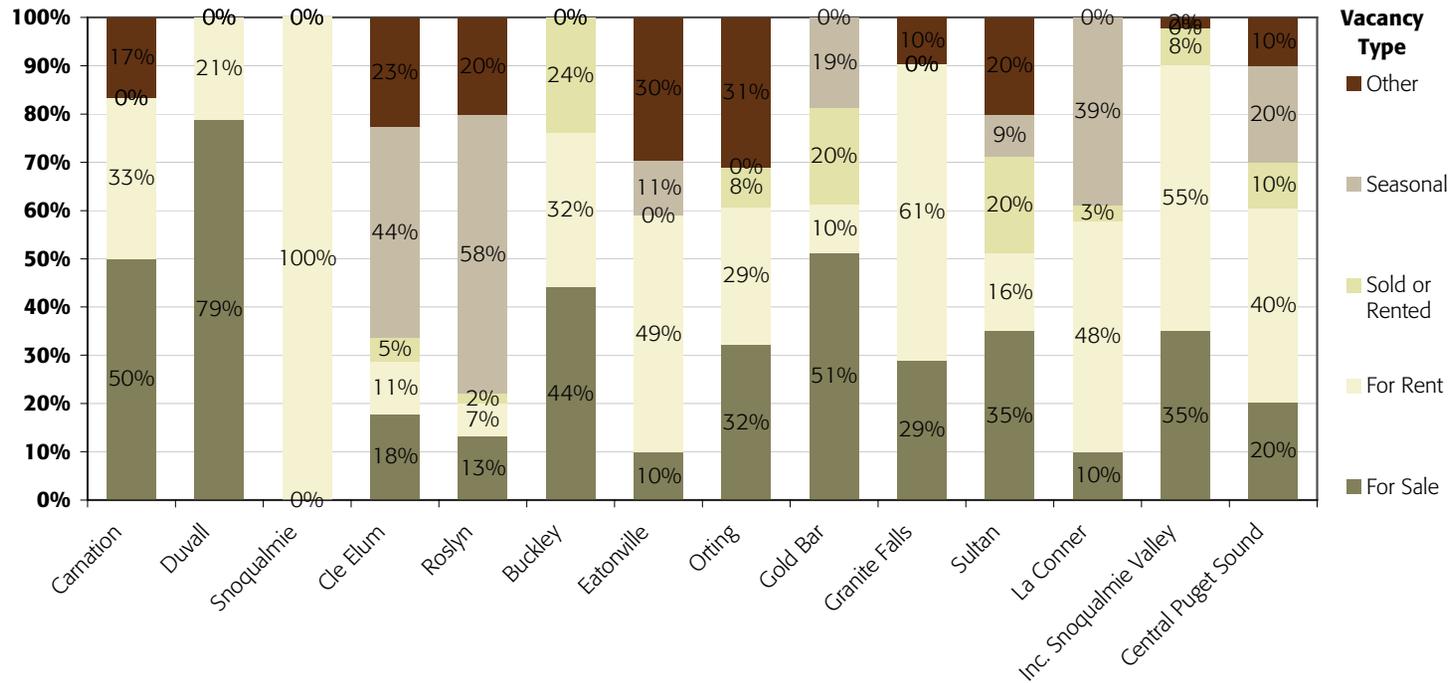
Exhibit 14 Occupancy of Housing Units, 2000



Source: Census 2000, and Berk & Associates 2007

- Carnation’s housing stock is primarily occupied by its owners, according to the 2000 Census. 76% of housing units were owner-occupied in Carnation, compared to 87% for Duvall, 70% for the Snoqualmie Valley, and 59% for Central Puget Sound. On this measure the Snoqualmie Valley communities have some significant differences from the larger PSRC area.
- The retirement/recreation communities (Cle Elum, Roslyn, and La Conner) have much higher rates of rentals and vacancies than other places.
- The rate of vacancy for Carnation, Duvall, and the Snoqualmie Valley was a very low 3% at the time of the last Census.

Exhibit 15
Vacant Housing Units by Status, 2000

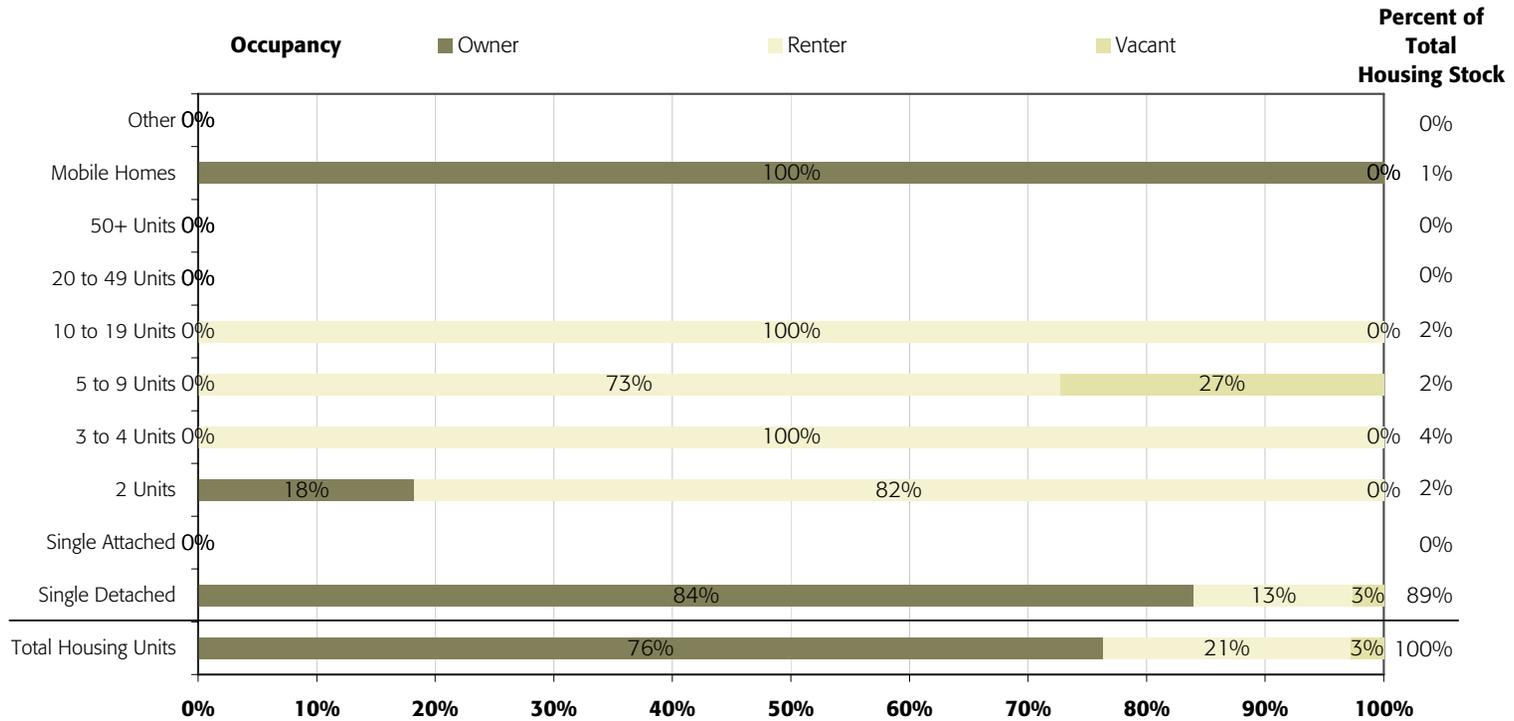


Source: Census 2000, Berk & Associates 2007

Exhibit 15 details the breakdown of housing unit vacancies in 2000.

- Half of Carnation’s vacancies, and almost 80% of Duvall’s vacancies, were for units up for sale. Much smaller percentages were units for rent. This is a very different distribution than for the four-county region.
- The retirement/vacation cities had significant proportions of seasonal rentals available.

Exhibit 16 Carnation Housing Units and Occupancy, by Type, 2000

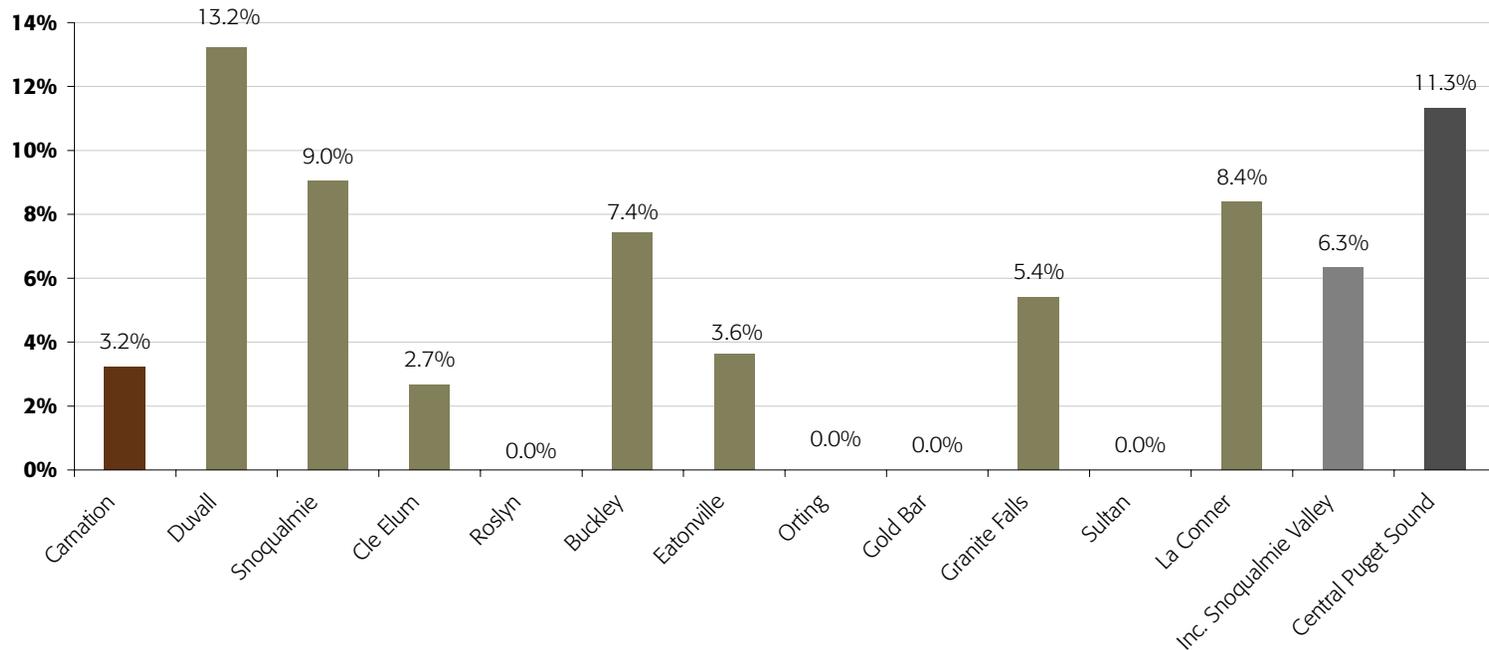


Source: Census 2000, and Berk & Associates 2007

Exhibit 16 provides a detailed breakdown of Carnation’s housing units.

- Almost 90% of Carnation’s housing units are single-family, detached houses. Of those houses, nearly 85% are occupied by the owner.
- Of the very few housing units in multi-family structures, nearly all were rented out.

Exhibit 17 Owner-Occupied Multi-family Housing Units, 2000



Source: Census 2000, and Berk & Associates 2007

Exhibit 17 shows the percentage of multi-family housing units that were occupied by the owner in 2000. This attempts to distinguish condominiums from apartments.

- Carnation’s small number of housing units in multi-family buildings was almost entirely occupied by renters at the time of the last Census.
- Duvall had a higher rate of owner-occupancy of multi-family units than the Central Puget Sound benchmark.

EMPLOYMENT

The data in this section refers to Covered Employment, which includes jobs where the employees are eligible for unemployment insurance. The Washington Employment Security Division reports that historically between 85-90% of jobs fall under this classification.

Exhibit 18 – Employment Summary by Sector, 2006

	Carnation	Duvall	Snoqualmie	Buckley	Eatonville	Orting	Gold Bar	Granite Falls	Sultan	Snoqualmie Valley	Central Puget Sound
Construction and Resources	86	109	459	200	28	*	33	*	68	908	113,105
Finance, Insurance, Real Estate	*	100	74	25	26	24	*	*	16	174	105,804
Manufacturing	*	45	41	54	0	*	*	51	232	86	177,827
Retail	53	118	83	84	140	43	33	122	77	879	178,833
Services	158	382	926	286	350	385	71	203	228	2,420	712,751
Wholesale Trade, Transport, Utilities	21	25	99	20	12	12	0	35	42	246	139,079
Education	287	164	434	371	257	286	49	324	243	1,021	115,749
Government	40	73	181	1,043	53	220	10	48	49	412	155,786
Total Covered Jobs	873	1,016	2,298	2,099	867	1,020	228	926	955	6,611	1,698,934

Exhibit 19 – Employment Summary by Sector, 2005

	Carnation	Duvall	Snoqualmie	Buckley	Eatonville	Orting	Gold Bar	Granite Falls	Sultan	Snoqualmie Valley	Central Puget Sound
Construction and Resources	54	121	328	213	17	*	8	*	48	707	101,907
Finance, Insurance, Real Estate	11	95	70	21	23	11	*	16	13	254	103,472
Manufacturing	176	*	*	44	0	*	*	39	218	193	168,312
Retail	46	119	*	83	120	33	32	*	81	1,062	175,853
Services	154	368	880	290	371	339	72	213	251	2,241	687,507
Wholesale Trade, Transport, Utilities	17	*	145	23	5	11	*	37	26	259	135,242
Education	213	173	415	384	245	297	55	334	264	937	115,567
Government	40	35	156	1,101	49	229	4	41	62	336	155,171
Total Covered Jobs	712	973	2,052	2,159	830	959	182	935	964	6,112	1,643,031

Source: Puget Sound Regional Council 2007, Washington Employment Security Division 2007, and Berk & Associates 2007

Exhibit 18 and Exhibit 19 show the number of jobs, by sector, for 2005 and 2006. Both years are shown because the most current set of data has two of Carnation's sectors suppressed. The 2005 numbers may provide meaningful context for the 2006 set.

- Carnation's largest employment sector in both 2005 and 2006 was Education. In response to a query, the Riverview School District reported in June 2007 that it has 237 employees in Carnation.
- The Manufacturing and Services sectors are also important for Carnation.
- Construction and Resources saw an increase of 32 jobs between 2005 and 2006. Some of this may be contractors who do the majority of their work outside the City.

Exhibit 20 – Covered Employment Change, 2001 – 2005 (Jobs)

	Carnation	Duvall	Snoqualmie	Buckley	Eatonville	Orting	Gold Bar	Granite Falls	Sultan	Snoqualmie Valley	Central Puget Sound
Construction and Resources	-6	-35	248	161	-23	*	*	*	27	261	297
Finance, Insurance, Real Estate	3	34	41	-5	-6	-3	*	*	3	107	1,947
Manufacturing	89	*	*	-10	*	*	*	*	90	-46	-38,587
Retail	5	-177	*	33	-56	-75	-4	*	3	-7	-7,965
Services	57	36	179	-96	109	128	17	-26	91	296	7,181
Wholesale Trade, Transport, Utilities	-5	*	46	-3	*	*	*	5	-1	88	-7,177
Education	27	19	97	26	1	46	-2	69	9	163	8,334
Government	-2	6	89	-9	38	187	-7	2	-30	99	2,972
Total Covered Jobs	169	-145	682	97	41	301	6	93	191	1,084	-32,998

Exhibit 21 – Percentage Covered Employment Change, 2001 – 2005

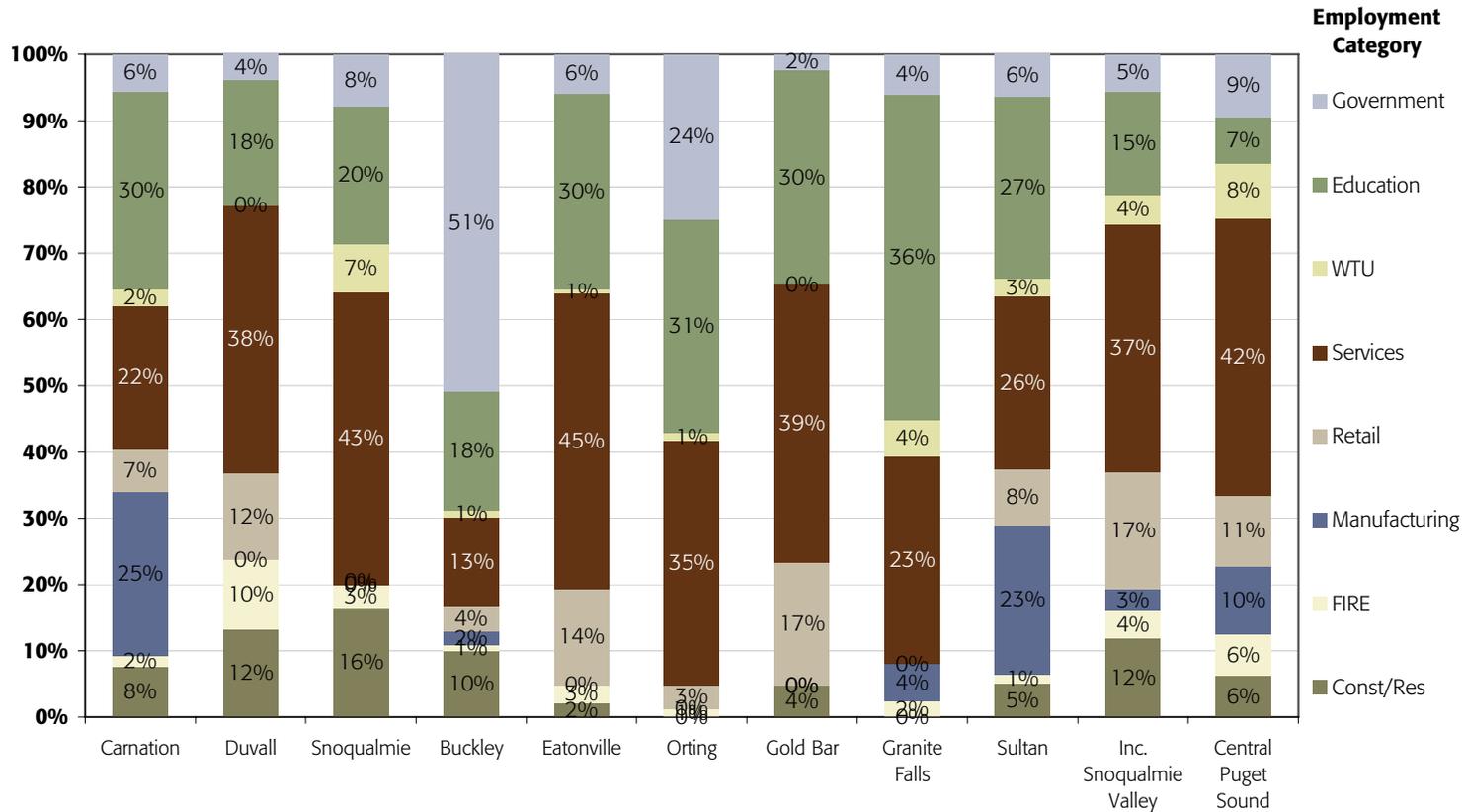
	Carnation	Duvall	Snoqualmie	Buckley	Eatonville	Orting	Gold Bar	Granite Falls	Sultan	Snoqualmie Valley	Central Puget Sound
Construction and Resources	-9%	-23%	310%	312%	-56%	*	*	*	124%	58%	0%
Finance, Insurance, Real Estate	43%	57%	140%	-19%	-20%	-20%	*	*	28%	73%	2%
Manufacturing	103%	*	*	-19%	*	*	*	*	70%	-19%	-19%
Retail	11%	-60%	*	65%	-32%	-69%	-10%	*	4%	-1%	-4%
Services	59%	11%	25%	-25%	41%	61%	30%	-11%	57%	15%	1%
Wholesale Trade, Transport, Utilities	-23%	*	46%	-12%	*	*	*	15%	-5%	52%	-5%
Education	15%	12%	30%	7%	0%	18%	-3%	26%	3%	21%	8%
Government	-5%	20%	133%	-1%	340%	438%	-65%	6%	-33%	42%	2%
Total	31%	-13%	50%	5%	5%	46%	3%	11%	25%	22%	-2%

Source: Puget Sound Regional Council 2007, Washington Employment Security Division 2007, and Berk & Associates 2007

Exhibit 20 and Exhibit 21 show the change in Carnation's employment base between 2001 and 2005. The year 2005 was chosen because Carnation had data suppressed in the 2006 numbers, leaving 2005 the most recent complete set of employment numbers available for the City.

- Between 2001 and 2005 Carnation saw an increase of 31% in covered employment.
- The largest gains in both actual jobs and percentages were in Manufacturing (+89 jobs, 103%) and Services (+57 jobs, 59%).
- The Construction and Resources sector and the Government sector both saw small declines in Carnation.
- The biggest percentage increase total for a city was in Snoqualmie, which had a 50% increase in jobs. Orting was a close second with a 46% increase. Meanwhile, the Central Puget Sound as a whole saw a 2% decrease in covered employment.

Exhibit 22 Employment Distribution, 2005

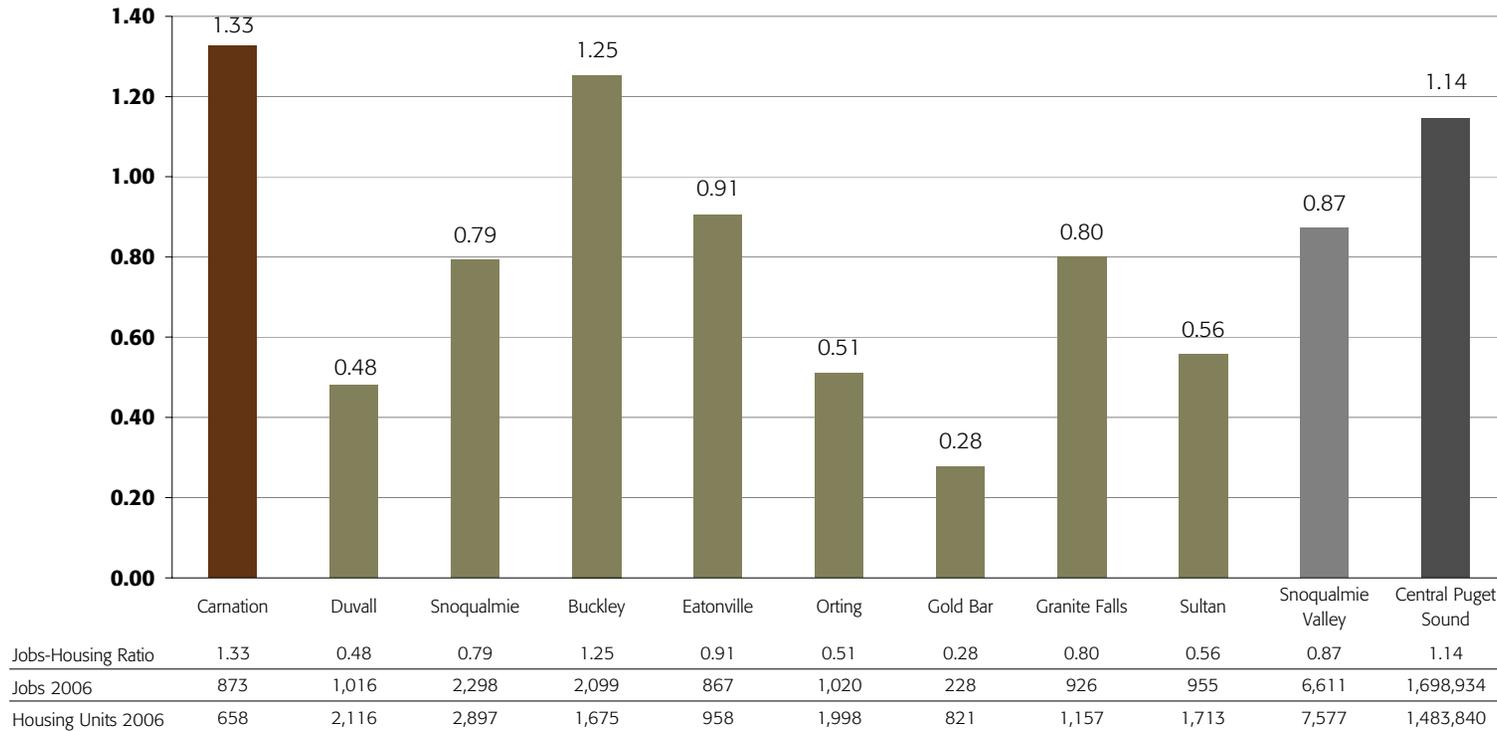


Source: Puget Sound Regional Council 2006, Washington Employment Security Division 2006, and Berk & Associates 2007

Once again, for Exhibit 22 the year 2005 was chosen because Carnation had data suppressed in the 2006 numbers, leaving 2005 the most recent complete set of numbers available.

- Carnation’s largest employment sectors are Education (30%), Manufacturing (25%), and Services (22%).
- This is a very different distribution than is seen for Duvall, Snoqualmie, and Incorporated Snoqualmie Valley. In these other places, Services are as much as twice as large a percentage of total employment (43% in Snoqualmie), Education is as little as half as large (15% for Incorporated Snoqualmie Valley), and Manufacturing is negligible.

Exhibit 23 Ratio of Employees to Housing Units, 2006



Source: Puget Sound Regional Council 2007, Washington Employment Security Division 2007, and Berk & Associates 2007

Up-to-date employment data for non-PSRC places (Cle Elum, Roslyn, and La Conner) is not available.

- Carnation’s Employees to Housing ratio is the highest among the places compared here. The high values indicate it is a net importer of workers.

JOURNEY TO WORK

A journey to work analysis attempts to discern where a town’s residents work, and where those who work in a town reside. Census 2000 is the most recent source of complete data for this analysis.

Census 2000 placed Carnation within Census Tract 53033032500. This Tract had a population of 4,903 in 2000. Carnation had a population of 1,893 in 2000, which is about 39% of the population in the Tract. Separate employment data is available for Places with more than 2,500 in population. Unfortunately Carnation did not meet this threshold, leaving only Tract-level data to work with.

Exhibit 24
2000 Commuters

	2000 Population	2000 Employed Residents	2000 Workers in Town/Tract	2000 Residents Commuting OUT OF TOWN	% of Employed Residents Commuting OUT OF TOWN	2000 Workers Commuting INTO TOWN	% of Workers Commuting INTO TOWN
Carnation	1,893	595 ⁽¹⁾					
Tract 53033032500	4,903	2,487	1,546	2,010	81%	1,101	71%

1. PSRC Estimate

Source: Census 2000; PSRC 2004; Berk & Associates 2007

- Exhibit 24 shows that more than 4 out of 5 residents of Carnation’s Census Tract commuted out of the Tract to work in 2000.
- Nearly 3 of every 4 people who worked in Carnation’s Census Tract in 2000 commuted in from another Tract.

Exhibit 25 Top Worker Origins and Destinations

Live in Carnation's Census Tract, Commute To ...			Work in Carnation's Census Tract, Commute From ...		
Place	Amt.	% ¹	Place	Amt.	% ²
1 Carnation	445	18%	1 Carnation	445	29%
2 Redmond	410	16%	2 Seattle	105	7%
3 Seattle	353	14%	3 Duvall	95	6%
4 Bellevue	339	14%	4 Sammamish	60	4%
5 Issaquah	155	6%	5 Woodinville	54	3%
6 Woodinville	89	4%	6 Monroe	50	3%
7 North Bend	65	3%	7 North Bend	45	3%
8 Duvall	54	2%	8 Redmond Ridge	45	3%
9 Kirkland	44	2%	9 Bellevue	42	3%
10 Tukwila	40	2%	10 Burien	40	3%
11 Fall City	35	1%	11 Renton	40	3%
2,029 82%			1021 66%		

1. % of Carnation's Census Tract's Residents in the laborforce
2. % of people who work in the Carnation Census Tract

Source: Census 2000 and Berk & Associates 2007

The columns in Exhibit 25 do not sum to 100% because not all origins and destinations are included in the table. The remaining places are scattered throughout the Puget Sound region as far north as Skagit County, as far west at Kitsap County, and as far south as Thurston County.

- The largest single destination for workers who live in Carnation’s Tract is Carnation, as Exhibit 25 details. Some 18% of employed persons who live in the Carnation Census Tract also have their job in this Tract. Redmond (16%) is the second biggest destination for Carnation’s residents, with Seattle and Bellevue in 3rd and 4th place at 14% each.
- The largest single point of origin for workers who work in Carnation’s Tract is Carnation, with 29% of its total workforce coming from the Tract in the year 2000. Seattle is a distant second with 7% of Carnation’s workers. Duvall is the only other place that contributes more than 5% of the City’s workers.

Exhibit 26 **Destinations of Workers** **in Carnation's Tract**

Source: Census 2000 and Berk & Associates 2007

Exhibit 26 illustrates where residents of Carnation's Census Tract commute to work.

- In the immediate vicinity, top destinations are Carnation itself Redmond, Bellevue, and Issaquah. Not shown is Seattle, with concentrations of Carnation residents working downtown, in the SoDo area, at the UW, and on First Hill.

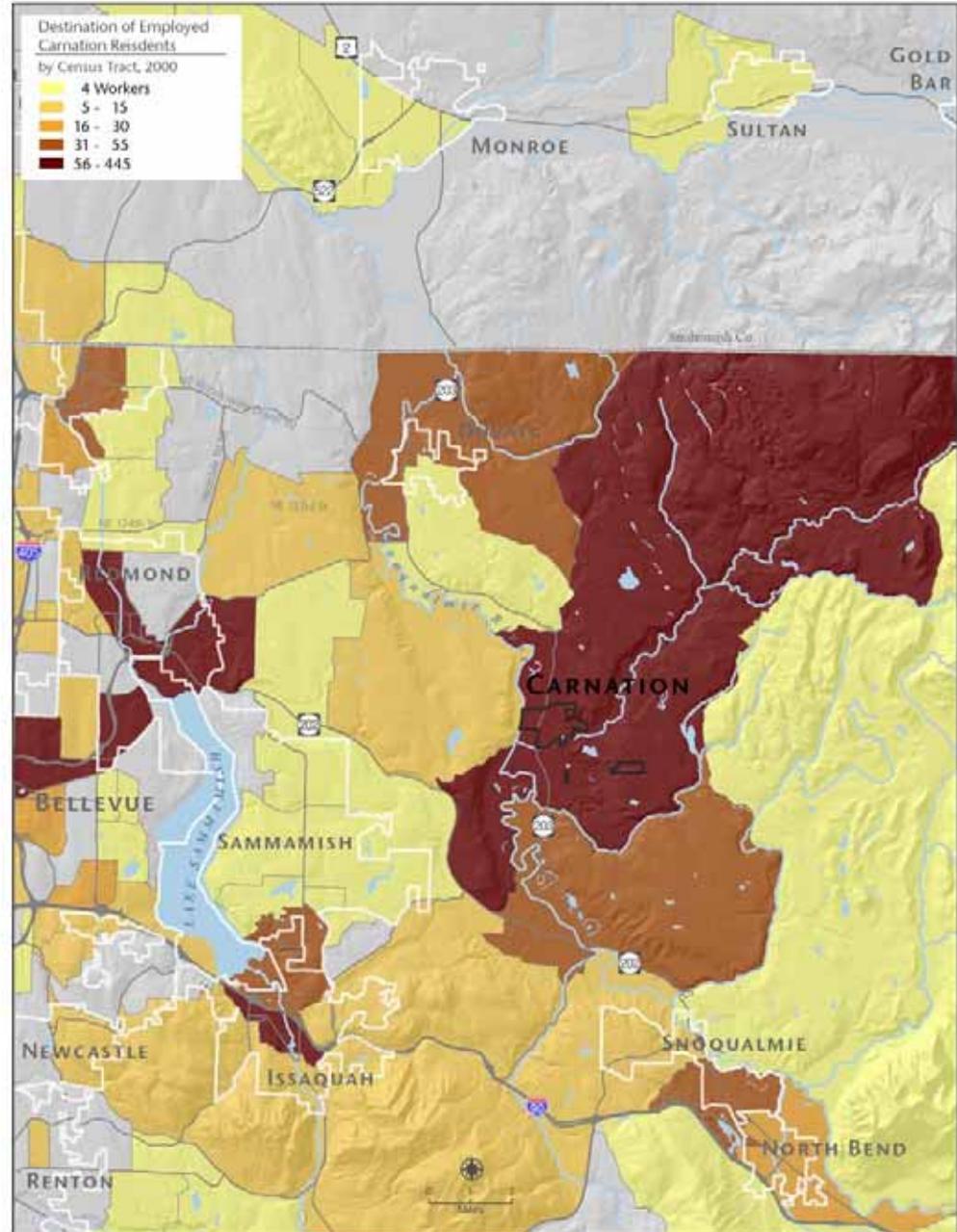
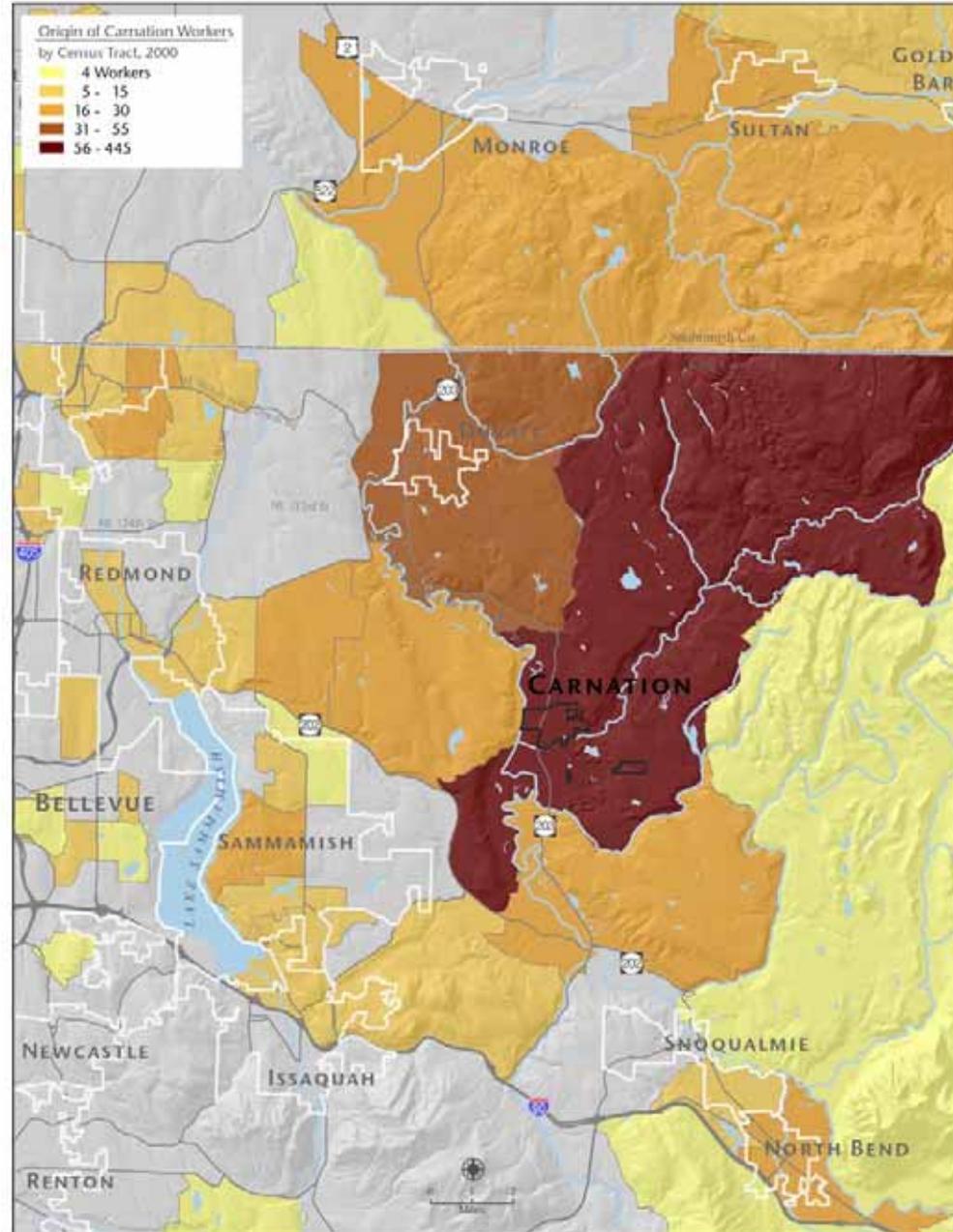


Exhibit 27 **Origins of Workers** **in Carnation's Tract**

Source: Census 2000, and Berk & Associates 2007

Exhibit 27 shows where people who work in Carnation's Census Tract commute from.

- The largest single source is Carnation.
- Duvall is the third largest source, after Seattle.
- Carnation's remaining workers come from diffuse origins, with small numbers coming from all over the Puget Sound region.



MARKET ANALYSIS

Approach

This section presents a market analysis framework and a presentation of findings. The analysis provides a market context for the following categories of development:

1. Multi-family residential
2. Retail
3. Office and industrial

For each use, market demand is forecast based on population growth or historic trends, and then compared to the total available land that is appropriately zoned for development or redevelopment. This analysis illuminates uses for which the City may have excess land capacity or deficits and can be used to inform rezoning decisions.

In a market of Carnation’s size, forecasting future demand can be very difficult. For some uses, there is very little history to base trends on. The location of a single “trend-busting” use, such as El Dorado Stone, can result in a significant departure from an estimated forecast. In other words, a small market like Carnation, is subject to idiosyncratic investments by individual investors that are impossible to forecast.

That said, the analysis that follows provides important market context for establishing effective zoning and land use strategies. The Market Factors Discussion (starting on page 56) provides additional context by drawing on the expert opinion of the future of the Carnation market among developer and real estate professionals.

Market Area Overview

- **Projected population growth.** According to OFM estimates, Carnation has grown little since the 2000 Census (0.06%) and much slower than the whole County (0.92%) (Exhibit 28).
- PSRC forecasts a faster rate (1.3%) during the next 24 years (FAZ 6606).

Exhibit 28
Population Estimates and Forecasts

OFM Estimates	2000	2006	Rate
Carnation	1,893	1,900	0.06%
King County	1,737,046	1,835,300	0.92%

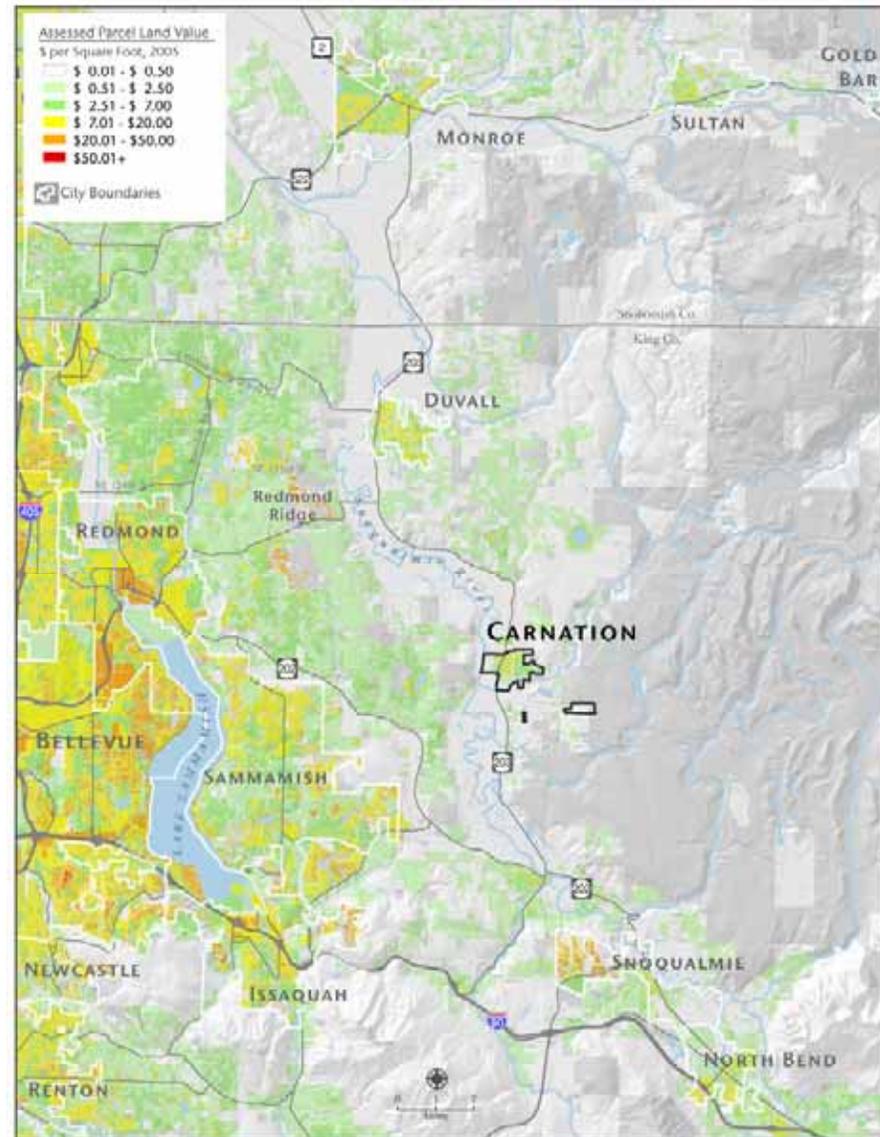
PSRC Forecasts	2000	2030	Rate
FAZ 6606 (Carnation)	4,903	7,228	1.30%
FAZ 6505 (Fall City/Preston)	5,277	15,063	3.56%
FAZ 6506 (North Bend/Snoqualm)	13,851	17,806	0.84%
FAX 6605 (Duvall)	9,671	16,903	1.88%
FAZ 6910 (East King County)	3,191	5,573	1.88%
Snoqualmie River Valley	36,893	62,573	1.78%
King County	1,737,034	2,401,521	1.09%

Source: Office of Financial Management and PSRC, 2006

Underlying land value.

- Exhibit 29 presents the underlying land value (per square foot) of areas surrounding Carnation. The City displays a relatively similar distribution of underlying land values as other cities in the Snoqualmie Valley. These values are significantly lower than in the adjacent centers of Bellevue and Redmond.

Exhibit 29 Assessed Land Value per Parcel, 2005



1) Multi-family Market Analysis

Current Conditions

- Data presented in Exhibit 13 show that approximately 10% of Carnation housing stock is multi-family. This is much lower than the Puget Sound average of 32%. With the exception of a few owner-occupied duplexes, all multi-family housing units are occupied by renters.
- Exhibit 31 shows both population density in 2000 and level and type of housing development between 2000 and 2004. The Snoqualmie Valley shows a population density typical of low-density, detached single family development.
- Carnation had no multi-family housing developments between 2000 and 2004. The City also had little residential building development since 2000, because of development restrictions related to the City's limited sewer capacity.

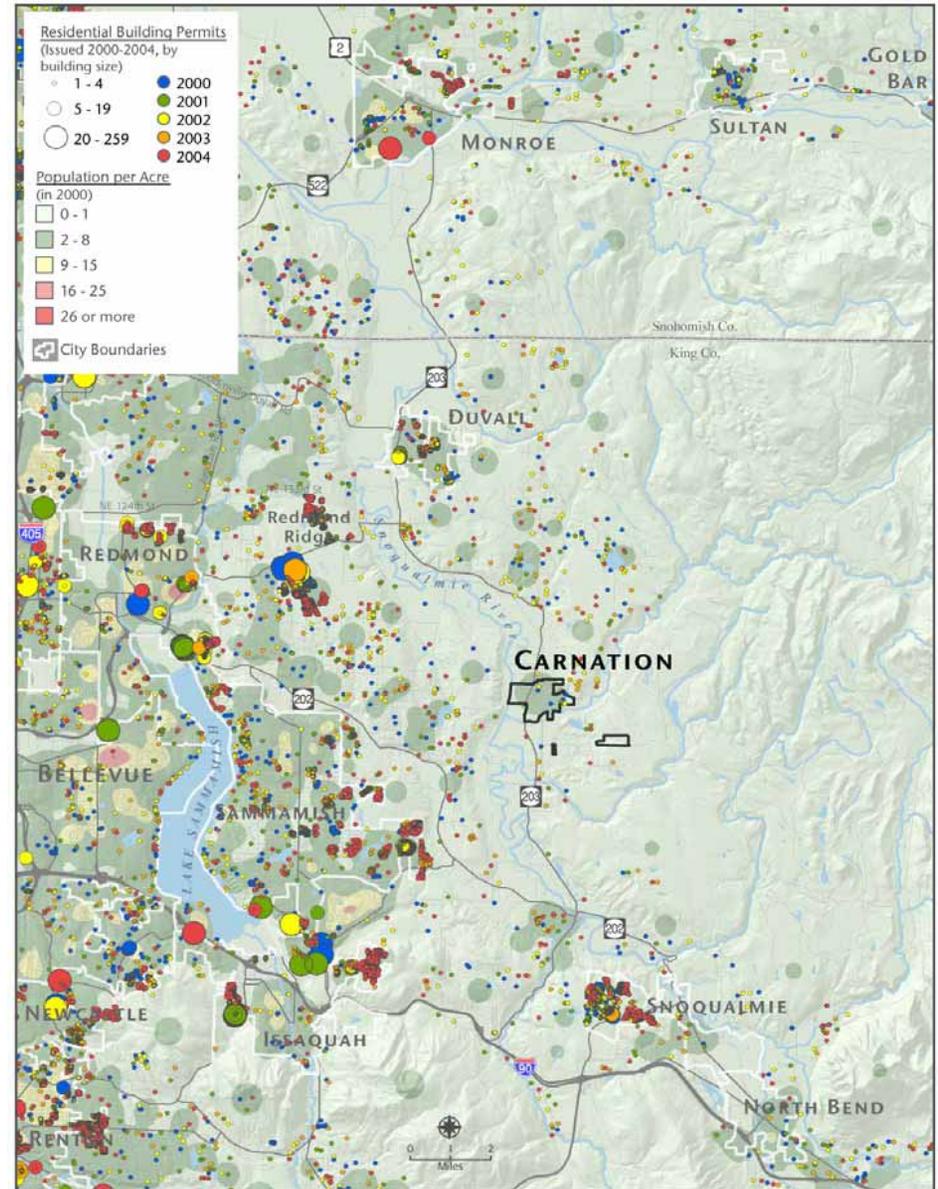
Exhibit 30 Historical Rates of Multi-Family Units

	1980-1989	1990-1999	2000-2005	1980-2000
Condo	0	0	0	0
Apartments	12	12	0	24
Total Units	12	12	0	24
Units per year	1.2	1.2	0.0	1.2

Source: King County Assessor, 2005

- Exhibit 30 shows that over the twenty-year period from 1980 to 2000 (excluding more recent years because of restrictions on development), Carnation averaged 1.2 multi-family units a year.

Exhibit 31 – Population Density 2000 and Residential Building Permits 2000-2004



Projected Demand for Multi-Family Housing

The potential for multi-family housing demand in Carnation will depend on market forces as well as policy considerations. The PSRC small area population forecasts suggest the Carnation FAZ 6606 will grow from 4,903 in 2000 to 7,228 in 2030, at an average annual growth rate of 1.30%. This equates to 1,078 new households, with the increase in multi-family units estimated to be 178 units.

Given the past performance of multi-family housing in Carnation, it seems unlikely that the City will reach this target. In order to do so, the City would need to add nearly 6 multi-family units a year – far exceeding the 1.2 it has historically seen.

Exhibit 32
2030 Projected Multi-Family Housing Units

	Units/Yr	MF Units
Historical Rates	1.2	36
Forecast Rates	5.9	178

Source: Berk & Associates, 2007

Using the PSRC forecast as a high end and a continuation of market behavior exhibited from 1980 to 2000 as the low end, the estimated range in demand for multi-family housing is between 36 and 178 units (Exhibit 32). This range provides conservative and optimistic brackets of multi-family development in Carnation. These rates assume that Carnation maintains a competitive position in the region,

however, unique projects or policies could shift the competitive balance and result in more demand in multi-family housing.

A recent City assessment of buildable lands (summarized in Exhibit 33) shows that land exists to support as many as 271 additional multi-family units. Assuming maximum build out, even without annexation, the City should have the ability to absorb as many as 254 additional units.

Exhibit 33
Estimated Multi-Family Capacity

Zoning - Multi-Family (Units)	City Potential	PAA Potential	Total
MFR	82	0	82
MU	172	17	189
Total	254	17	271

Source: Buildable Lands Analysis, City of Carnation, 2007 and Berk & Associates, 2007.

Exhibit 34 compares the City's available land with forecast market demand. The City has a significant excess capacity for multi-family development under both conservative forecasts (based on historical trends) and PSRC forecasts.

Exhibit 34
Net Capacity (Deficit) in Multi-Family Units

	Current City Limits	Total With PAA
Historical (1.2/yr)	218	235
Forecast (5.9/yr)	76	93

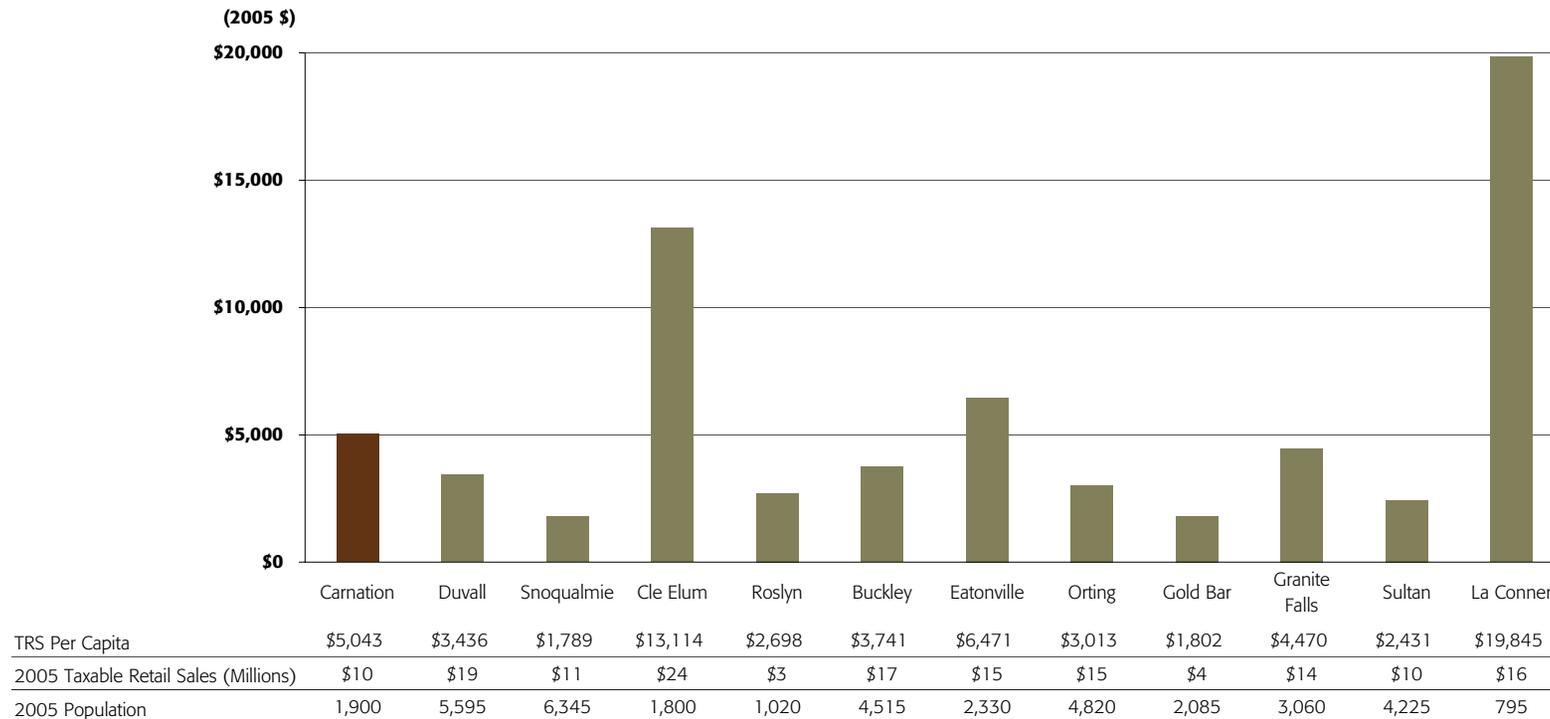
Source: Berk & Associates, 2007

2) Retail Market Analysis

Current Conditions

Carnation currently has limited retail, however it is performing well in a limited set of trade sectors.

Exhibit 35
Taxable Retail Sales Per Capita, 2005



Source: Washington Department of Revenue 2006, Washington Office of Financial Management 2006, and Berk & Associates 2007

- Carnation is among a second tier of cities, with Taxable Retail Sales Per Capita for 2005 between \$3,500 and \$6,500 (Exhibit 35), along with Eatonville, Granite Falls, and Buckley.
- Duvall and Snoqualmie were both in a third tier with less than \$3,500.

Person-Expenditures

One way to assess the relative strength of a city’s retail sector is in terms of “person-expenditures.” For example, if a typical person in Washington spends \$1,000 annually on grocery store purchases, and if grocery stores in a town take in \$1 million in grocery sales per year, then the town’s stores are taking in the equivalent of 1,000 people’s expenditures (\$1 million of expenditures divided by \$1,000 per person = 1,000 person-expenditures). High-performing retail sectors will typically draw in more person-expenditures than the surrounding population because they capture retail sales from persons outside the immediate community. Exhibit 36, Exhibit 37, and Exhibit 38 all deal with Person-expenditures in Carnation.

Exhibit 36 – Person-Expenditures Captured by Carnation Retailers, 1996-2006

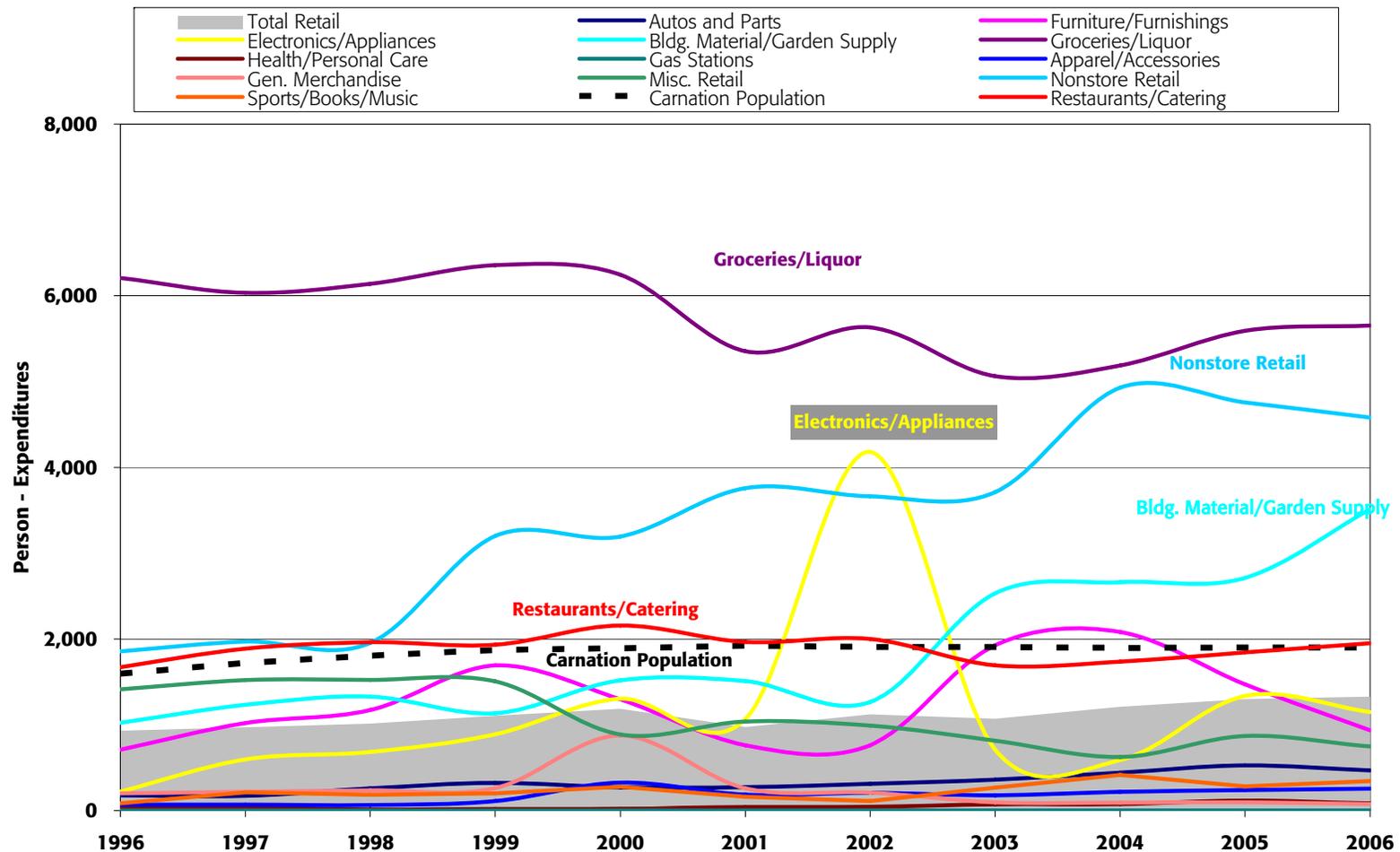
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Carnation Population	1,594	1,721	1,806	1,871	1,893	1,920	1,905	1,905	1,895	1,900	1,900
Groceries/Liquor	6,206	6,033	6,137	6,354	6,246	5,353	5,632	5,062	5,187	5,591	5,653
Nonstore Retail	1,855	1,971	1,954	3,201	3,195	3,759	3,662	3,710	4,929	4,756	4,580
Bldg. Material/Garden Supply	1,024	1,234	1,328	1,134	1,515	1,509	1,265	2,530	2,662	2,711	3,511
Restaurants/Catering	1,670	1,886	1,963	1,932	2,156	1,964	2,001	1,691	1,735	1,843	1,951
Electronics/Appliances	221	595	682	888	1,303	1,067	4,178	708	591	1,337	1,149
Furniture/Furnishings	710	1,020	1,172	1,692	1,296	761	763	1,928	2,080	1,469	937
Misc. Retail	1,413	1,518	1,523	1,506	887	1,037	990	813	626	868	747
Autos and Parts	177	172	257	322	271	272	310	361	440	526	467
Sports/Books/Music	85	213	182	200	275	161	110	268	415	281	342
Apparel/Accessories	69	71	64	111	324	185	206	178	217	238	257
Health/Personal Care	22	32	13	18	20	41	44	72	77	115	86
Gen. Merchandise	200	219	234	261	874	259	209	95	92	96	76
Gas Stations	*	*	*	*	*	*	*	*	*	*	*
Total Retail	930	971	1,015	1,105	1,187	974	1,121	1,069	1,210	1,298	1,329

Source: Washington Department of Revenue 2007, Washington Office of Financial Management 2007, and Berk & Associates 2007

Data for Gas Stations is suppressed in every year. Suppression is done to protect the confidentiality of the businesses that report the data to the Washington Department of Revenue. The threshold for suppression is if there are 3 or fewer businesses in a sector, or if one business has more than 80% of the total sales in the sector.

- Exhibit 36 shows the Groceries/Liquor category is Carnation’s strongest retail sector, with person-expenditures well above the City’s population. There was a moderate decrease between the high of 6,354 in 1999 and 2003 when it was 5,062, but it has since increased to 5,653 for 2006. It appears that Carnation is a grocery-shopping destination for many people outside the city limits.
- Non-store Retail has increased substantially. It went from 1,855 in 1996 to 4,929 in 2004 before falling back slightly. This category includes mail-order businesses, vending machine operators, home delivery sales, door-to-door sales, party plan sales, and internet-based sales. Exhibit 38 indicates this growth was due to the mail-order and internet sector.

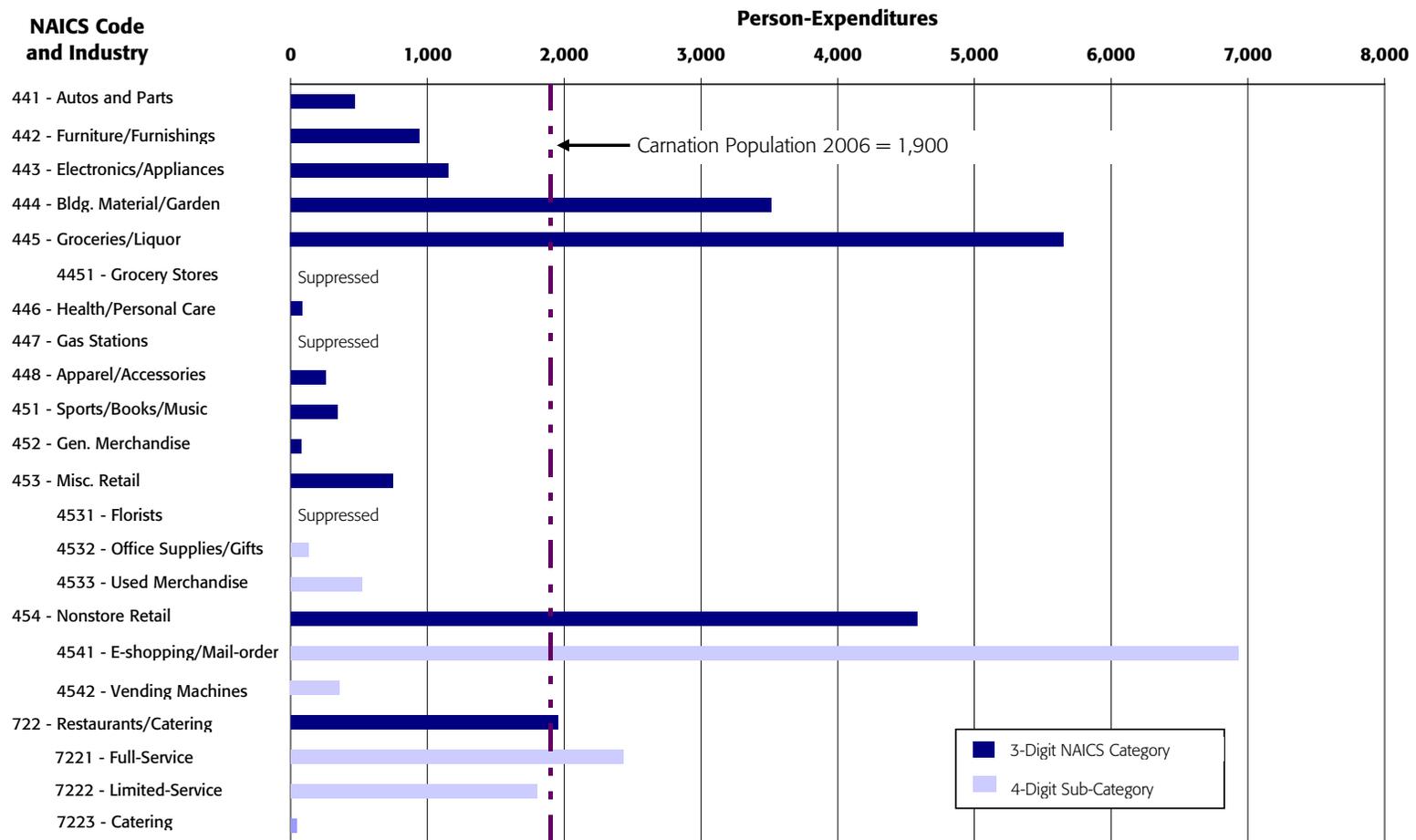
Exhibit 37 – Carnation Person-Expenditures, 1996-2006



Source: Washington Department of Revenue 2007, Washington Office of Financial Management 2007, and Berk & Associates 2007

- Exhibit 37 illustrates the slight decrease in the Grocery/Liquor category from 2000 to 2003. It appears that the opening of other retail opportunities outside the City drew away some shoppers from the local stores.
- The Restaurants/Catering sector has been consistent, with person-expenditures either just over or under the City's population.
- Non-store Retail made substantial gains. This category includes the delivery of internet/mail order items to residents in the City.
- The 2002 spike in Electronics/Appliances likely comes from a large purchase of computer equipment by a single entity such as a school.
- Total retail sales are well below what the City's population is expected to spend. This indicates the City faces retail leakage.

Exhibit 38 – Carnation Person-Expenditures 2006, by Industry



Source: Washington Department of Revenue 2007, Washington Office of Financial Management 2007, and Berk & Associates 2007

Exhibit 38 details the person-expenditures in Carnation for the major retail sectors in the year 2006.

- In 2006, Carnation’s retail strengths were Groceries/Liquor, Building Materials and Garden Supplies, and Non-store Retail.
- Full-service restaurants did business equal to slightly more than the City’s population.
- All other retail sectors in Carnation did less business than the state-wide average for its population. These represent potential opportunities for the City’s retailers to increase their capture of local spending. The opportunities are mitigated by established shopping patterns, and many retail opportunities in nearby communities and employment centers.

Exhibit 39 – Carnation Retail Sales Leakage, 2006

	(A)	(B)	(C)	(D)	(A)-(C)	(B)-(D)	(D)/(B)
Category	Total Sales Potential	Total Sales Tax Potential	Total Sales Made	Total Sales Tax Received	Difference Sales Potential-Sales Made	Difference Tax Potential-Tax Received	Tax Received as Percentage of Total Possible
Groceries/Liquor	\$874,894	\$7,349	\$2,729,829	\$22,931	-\$1,854,935	-\$15,581	312%
Nonstore Retail	\$424,680	\$3,567	\$1,073,523	\$9,018	-\$648,843	-\$5,450	253%
Bldg. Material/Garden Supply	\$1,528,600	\$12,840	\$2,961,858	\$24,880	-\$1,433,258	-\$12,039	194%
Restaurants/Catering	\$2,378,297	\$19,978	\$2,560,839	\$21,511	-\$182,542	-\$1,533	108%
Electronics/Appliances	\$796,581	\$6,691	\$505,174	\$4,243	\$291,407	\$2,448	63%
Furniture/Furnishings	\$639,239	\$5,370	\$330,626	\$2,777	\$308,613	\$2,592	52%
Misc. Retail	\$1,340,479	\$11,260	\$553,015	\$4,645	\$787,464	\$6,615	41%
Autos and Parts	\$3,541,137	\$29,746	\$913,006	\$7,669	\$2,628,131	\$22,076	26%
Sports/Books/Music	\$531,653	\$4,466	\$100,274	\$842	\$431,379	\$3,624	19%
Apparel/Accessories	\$978,052	\$8,216	\$138,642	\$1,165	\$839,410	\$7,051	14%
Health/Personal Care	\$365,563	\$3,071	\$17,270	\$145	\$348,293	\$2,926	5%
Gen. Merchandise	\$2,710,637	\$22,769	\$113,691	\$955	\$2,596,946	\$21,814	4%
Total	\$16,109,813	\$135,322	\$11,997,747	\$100,781	\$4,112,066	\$34,541	73%

Source: Washington Department of Revenue 2007, Washington Office of Financial Management 2007, and Berk & Associates 2007

Exhibit 39 quantifies the amount of potential retail sales being lost to retailers located outside Carnation. The sales potential is based on Carnation’s population and the spending one would expect from a community its size. Sales Potential is adjusted for the per capita income of Carnation relative to the State (in 1999, the most recent data available), which makes the numbers slightly different than the person-expenditure data, which are not adjusted.

The yellow sections show three different ways retail leakage can be expressed:

- 1) the amount of potential sales lost [(A)-(C)]
- 2) the amount of potential sales tax revenue lost [(B)-(D)]
- 3) the percentage of sales potential being received in each retail category [(D)/(B)]

- As shown previously, Groceries/Liquor, Non-store Retail, and Building Material/Garden Supply are Carnation’s strongest retail sectors.
- Restaurants/Catering are shown as being right at capturing local potential. However, we know that some tourist traffic is captured by the eating establishments along the highway through town. This suggests that some resident demand is being filled outside the City, which is an opportunity to be addressed with the lifting of restrictions on the opening of new restaurants.
- The remaining categories show some degree of retail leakage.
- The Gas Station sector is suppressed, and is not shown in the table. This means that the Totals all under-represent the City’s actuals to an unknown extent. With this in mind, this table shows that the City’s loss in potential retail sales tax receipts is a bit over \$100,000 annually. It receives a bit over 74% of what the City could expect to receive, based on its population.

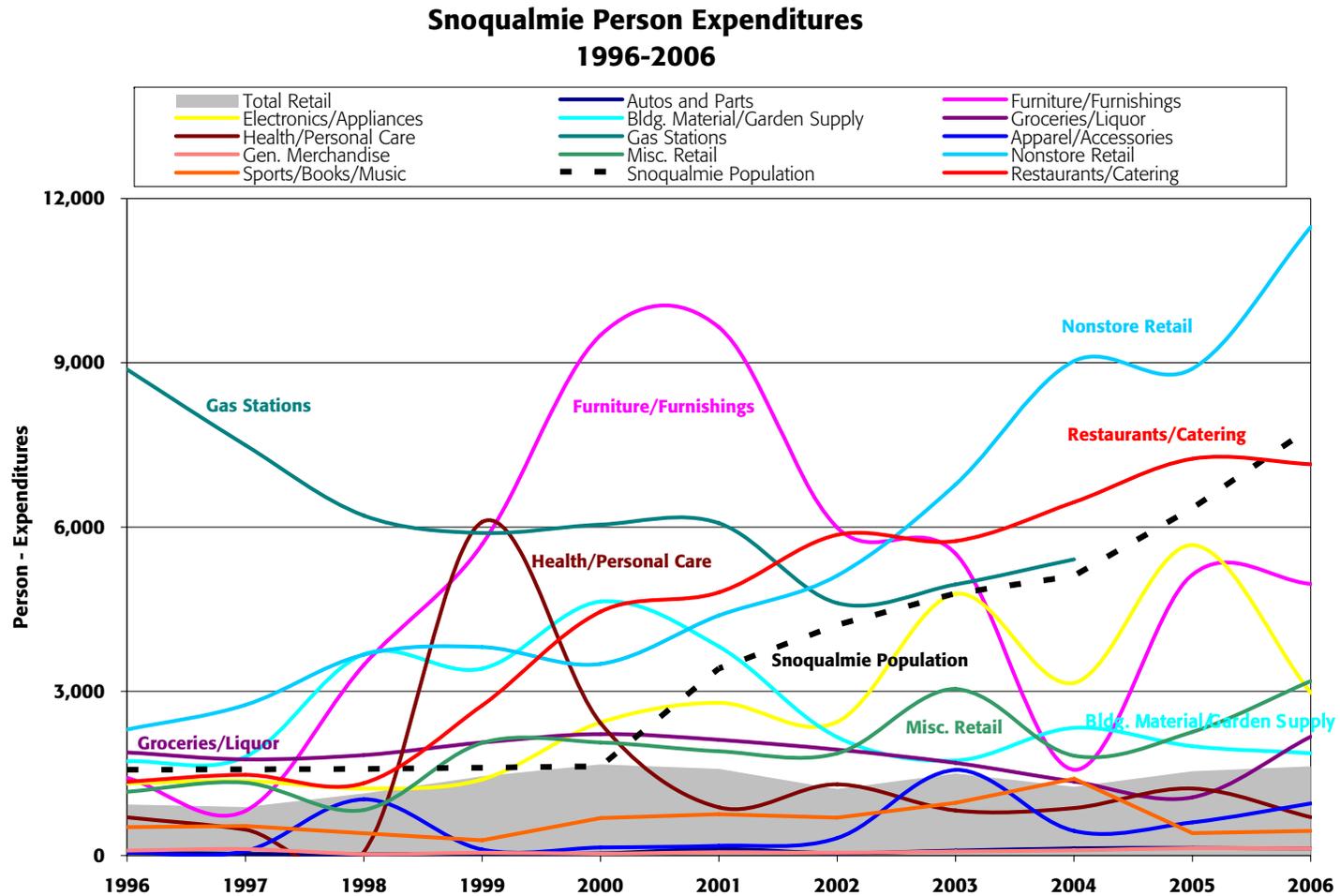
Taxable Retail Sales Capture in Duvall and Snoqualmie

The exhibits on the following four pages present taxable retail sales capture data for Carnation’s neighbors, the cities of Duvall and Snoqualmie. Examination of the retail condition of neighbors may highlight opportunities to address an unmet need in the larger sub-region. In this case, the following findings help frame Carnation’s opportunities:

- Duvall’s capture in the Groceries/Liquor category is very strong, with particular strength in Groceries. The Safeway at the south end of town is certainly responsible for this, drawing on a much larger population than City of Duvall residents. The presence of this relatively new store will likely hinder the development of additional grocery stores in Carnation.
- The following categories are currently underserved in Carnation, Duvall, and Snoqualmie:
 - Sports/Book/Music and Apparel/Accessories. Possibilities may exist for small-scale books, music, sporting goods, or clothing stores. These markets are currently far-underserved in the three cities. Internet sales in this category contribute to the Snoqualmie Valley’s relatively high Non-Store Retail sales.
 - Electronics/Appliances and Furniture/Furnishings. These markets can be difficult to serve in small communities as internet shopping and the presence of large scale retailers in nearby urban areas provide high levels of choice and competitive pricing. Internet sales in this category contribute to the Snoqualmie Valley’s relatively high Non-Store Retail sales.
 - Autos/Parts. While the Snoqualmie Valley is unlikely to be served by a local auto sales lot, the sale of automobile parts is a possibility. The established nearby presence of Duvall Auto Parts and Napa Auto Parts makes this a difficult market for Carnation-based businesses to enter, however.
 - General Merchandise and Health/Personal Care. These sectors are currently shown as under-served in all three cities, however local needs in these categories may be met by multi-service establishments such as the Safeway in Duvall, which has a pharmacy, and the QFC in Carnation. Healthcare related sales in these stores would be coded to Groceries/Liquor.
- The Building Materials and Garden Supply category is currently underserved in Duvall and Snoqualmie, with Carnation establishments in this category serving a customer base larger than the City’s population. This represents a strength that Carnation can build on.
- Restaurants and Catering establishments are approximately keeping pace with population growth in all three cities. Both the full-service and limited-service sub-sectors are fairly well served.
- Because of data suppression, it is difficult to evaluate the strength of Gas Stations in the three cities.

City of Snoqualmie Taxable Retail Sales Capture

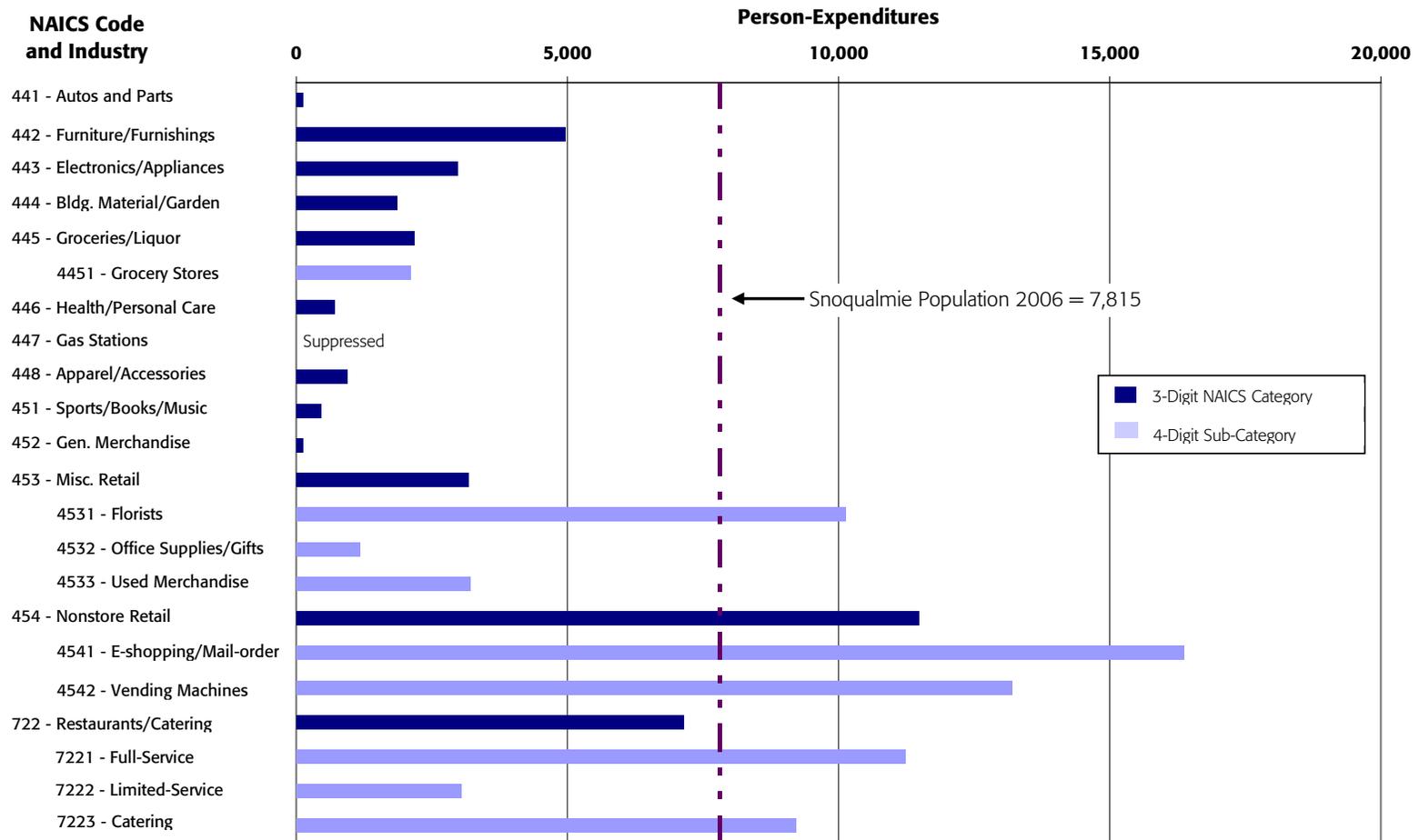
Exhibit 40 - Snoqualmie Person-Expenditures, 1996-2006



Source: Washington Department of Revenue 2007, Washington Office of Financial Management 2007, and Berk & Associates 2007

- Furniture/Furnishings increased at the same time the Building Material/Garden Supply and Population began to increase.
- Data for Gas Stations is suppressed for 2005 and 2006.
- Restaurants/Catering has seemingly kept pace with population.

Exhibit 41 Snoqualmie Person-Expenditures 2006, by Industry

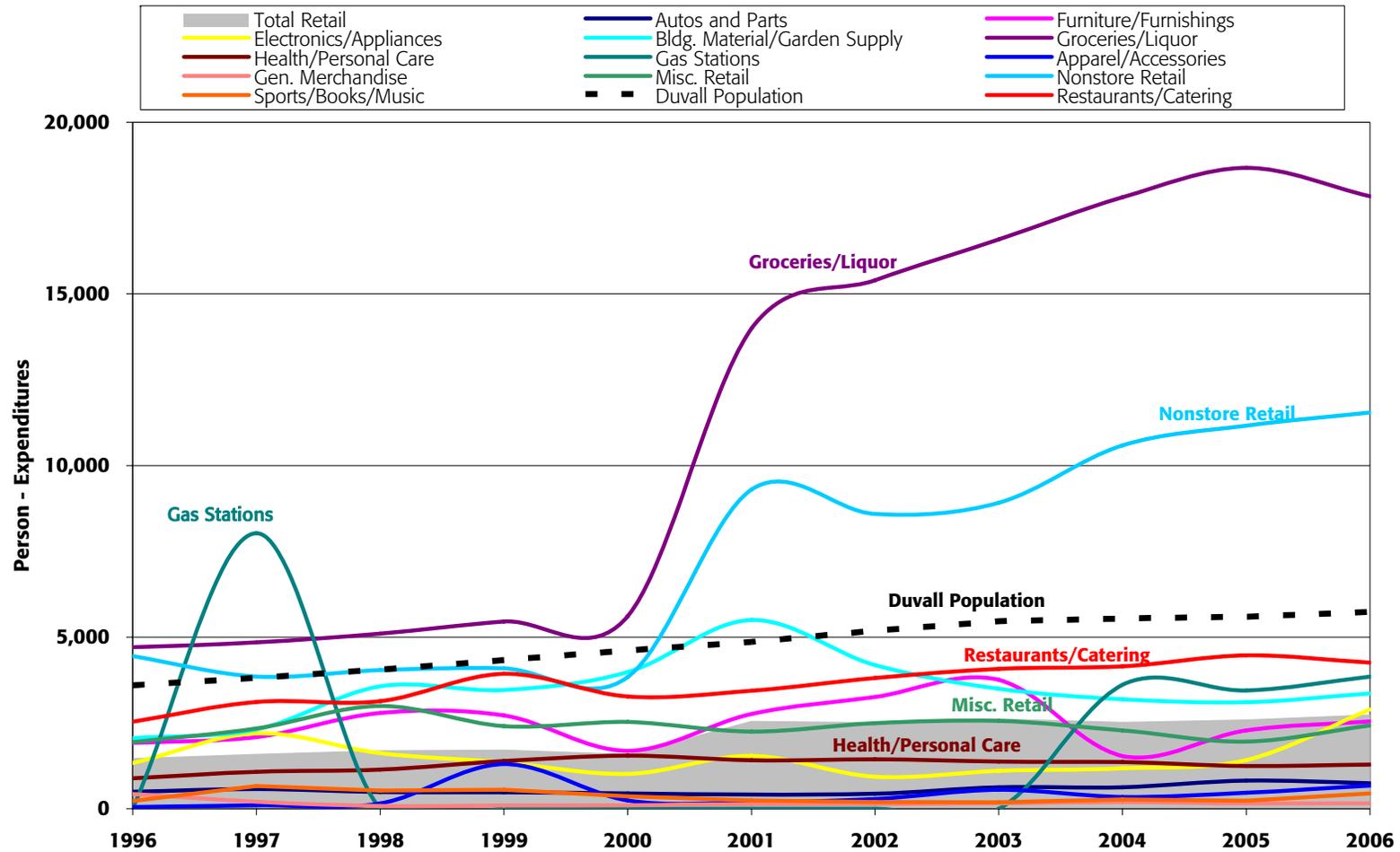


Source: Washington Department of Revenue 2007, Washington Office of Financial Management 2007, and Berk & Associates 2007

- Full-Service Restaurants and Catering both have person-expenditures above the City's population, although limited-service establishments bring the 722 category below the City's person expenditures.
- Non-store retail is extremely high, particularly E-shopping/Mail-order.

City of Duvall Taxable Retail Sales Capture

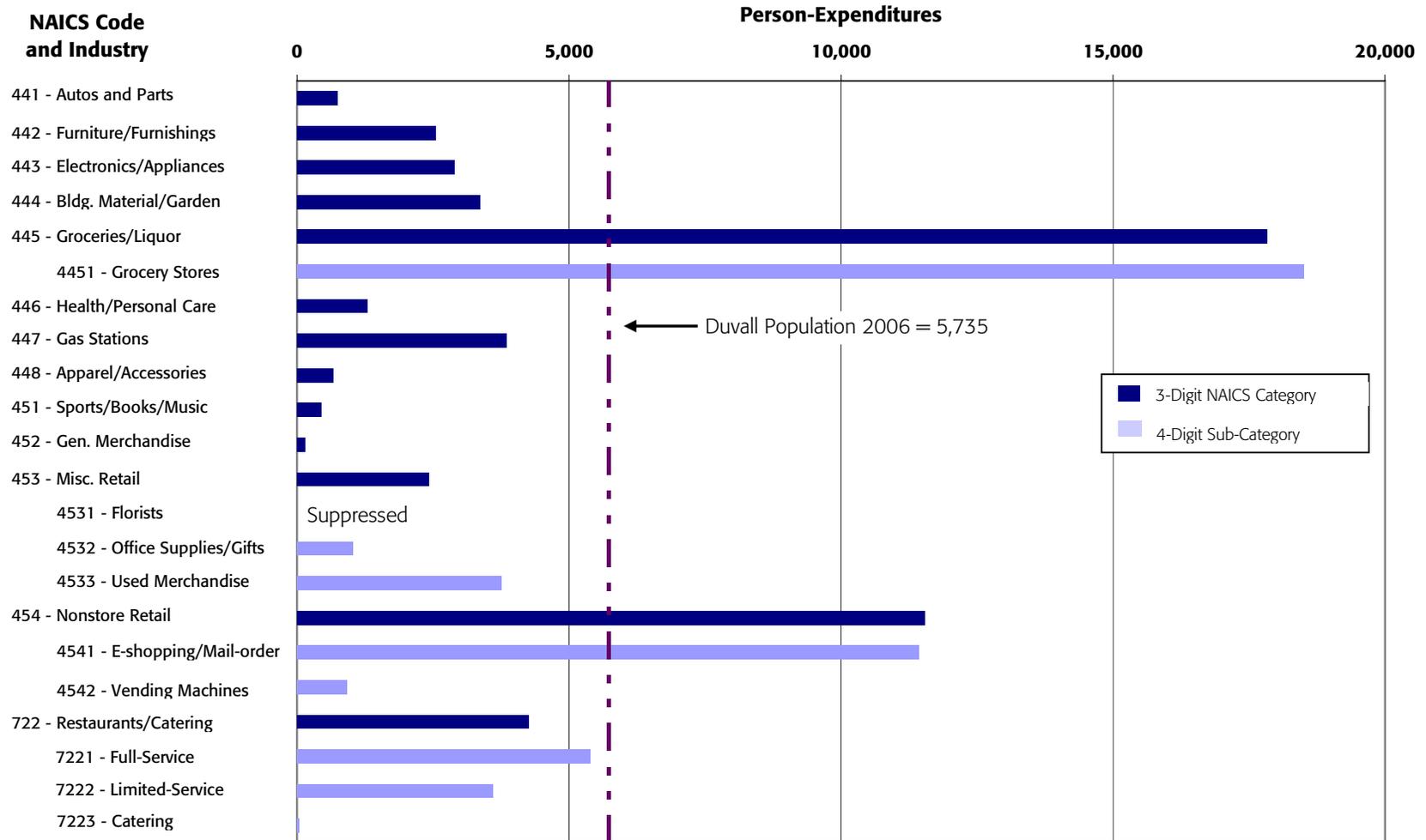
Exhibit 42
Duvall Person-Expenditures, 1996-2006



Source: Washington Department of Revenue 2007, Washington Office of Financial Management 2007, and Berk & Associates 2007

- Duvall’s Groceries/Liquor category shot up between 2000 and 2001 with the opening of the Safeway, as did Non-store Retail. Person-expenditures in both categories are now well above the City’s population.
- Most other categories are below the City’s population, leaving the City’s Total Retail quite low.

Exhibit 43 Duvall Person-Expenditures, 2006



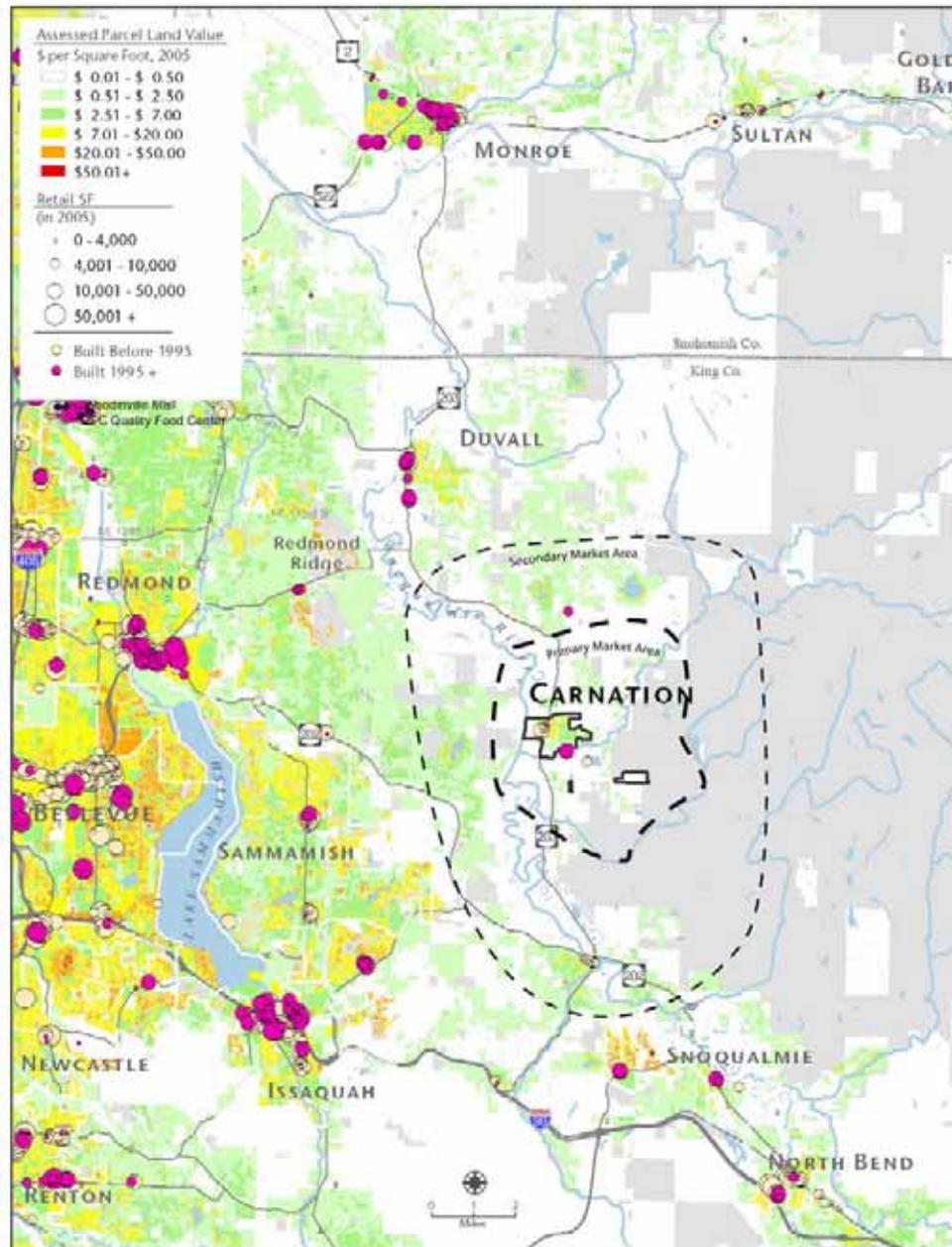
Source: Washington Department of Revenue 2007, Washington Office of Financial Management 2007, and Berk & Associates 2007

- It is groceries, not liquor, that brings up the Groceries/Liquor category. Duvall’s grocery stores appear to pull in business from out of town.

Carnation Retail Trade Capture Area

- Exhibit 44 shows several major retail clusters in the vicinity of Carnation. These retail nodes are generally close to areas with high population concentrations such as Issaquah, Redmond, and Bellevue.
 - The majority of development is clustered to the east of Lake Washington in the employment and housing centers of Redmond and Bellevue.
 - In the Snoqualmie Valley, there are large clusters of new retail development in Duvall, Snoqualmie, and North Bend.
- According to the King County Assessor, in 2005 Carnation had slightly over 90,000 square feet of retail space, with over half of this total accounted for in two parcels.
- We estimated Carnation’s general retail trade areas (shown in Exhibit 44) by considering the impact of transportation access and the retail offerings of neighboring communities:
 - **Primary Trade Area** – the area covered by Carnation and the immediate vicinity. Carnation should be very competitive in capturing spending generated in this area.
 - **Secondary Trade Area** – the area extending up and down the Snoqualmie Valley and Tolt Hill. Carnation should be reasonably competitive for spending in this area but faces additional competition from retail in surrounding cities.
- The retail trade areas cited above span across all retail sectors. In reality, each retail sub-sector will have a trade area specific to its market conditions.
- These conditions may change relative to offerings in neighboring cities, or through policy and development endeavors by Carnation to expand its efficiency and/or capture areas.

Exhibit 44 – Retail Square Footage



Projections of Retail Demand: Spending and Square Footage

Population growth will drive increases in retail spending and demand for additional retail space. The general approach to calculating projected demand for retail space can be summarized by the following formula:

$$\frac{\text{Population Growth} \times \text{Retail Spending per Capita}}{\text{Sales-per-Square Foot Ratios}} \times \text{Possible \% Capture Assumption}$$

- Exhibit 45 summarizes the retail space projections for the two trade areas and selected categories of retail. Restaurants and groceries have been highlighted because they represent convenience-oriented retail goods consumers are most likely to purchase closer to home.
- The low and high estimates are based on estimates of current retail capture rates for the City relative to its competitors.

Exhibit 45 Retail Space Projections and Possible Capture, 2006-2030

	Population	Retail Space Supported by Trade Area Population		Possible Capture of Convenience Retail SF (Groceries, Drugstores & Restaurants)		Possible Capture of All Retail SF	
		Groceries & Restaurants	All Retail	Low	High	Low	High
Primary Trade Area							
Base Population, 2006	4,350	51,000	276,000	10,000	20,000	138,000	193,000
Population Growth, 2006-2030	2,288	27,000	145,000	5,000	11,000	72,000	101,000
Projected Population, 2030	6,638	78,000	420,000	15,000	31,000	210,000	294,000
Secondary Trade Area							
Base Population, 2006	14,262	236,000	1,047,000	24,000	47,000	105,000	209,000
Population Growth, 2006-2030	7,502	124,000	551,000	12,000	25,000	55,000	110,000
Projected Population, 2030	21,764	361,000	1,598,000	36,000	72,000	160,000	319,000
Total Both Trade Areas	28,402	439,000	2,018,000	51,000	103,000	370,000	613,000
Possible Retail Space Growth due to Population Growth							
Primary Trade Area		27,000	145,000	5,000	11,000	72,000	101,000
Secondary Trade Area		124,000	551,000	12,000	25,000	55,000	110,000
Total Both Trade Areas		151,000	696,000	17,000	36,000	127,000	211,000

Source: Berk & Associates, 2007. Note: The range of retail capture rates were developed using a current share analysis based on the distribution of retail space offered in Carnation and its neighboring cities (North Bend, Snoqualmie, and Duvall).

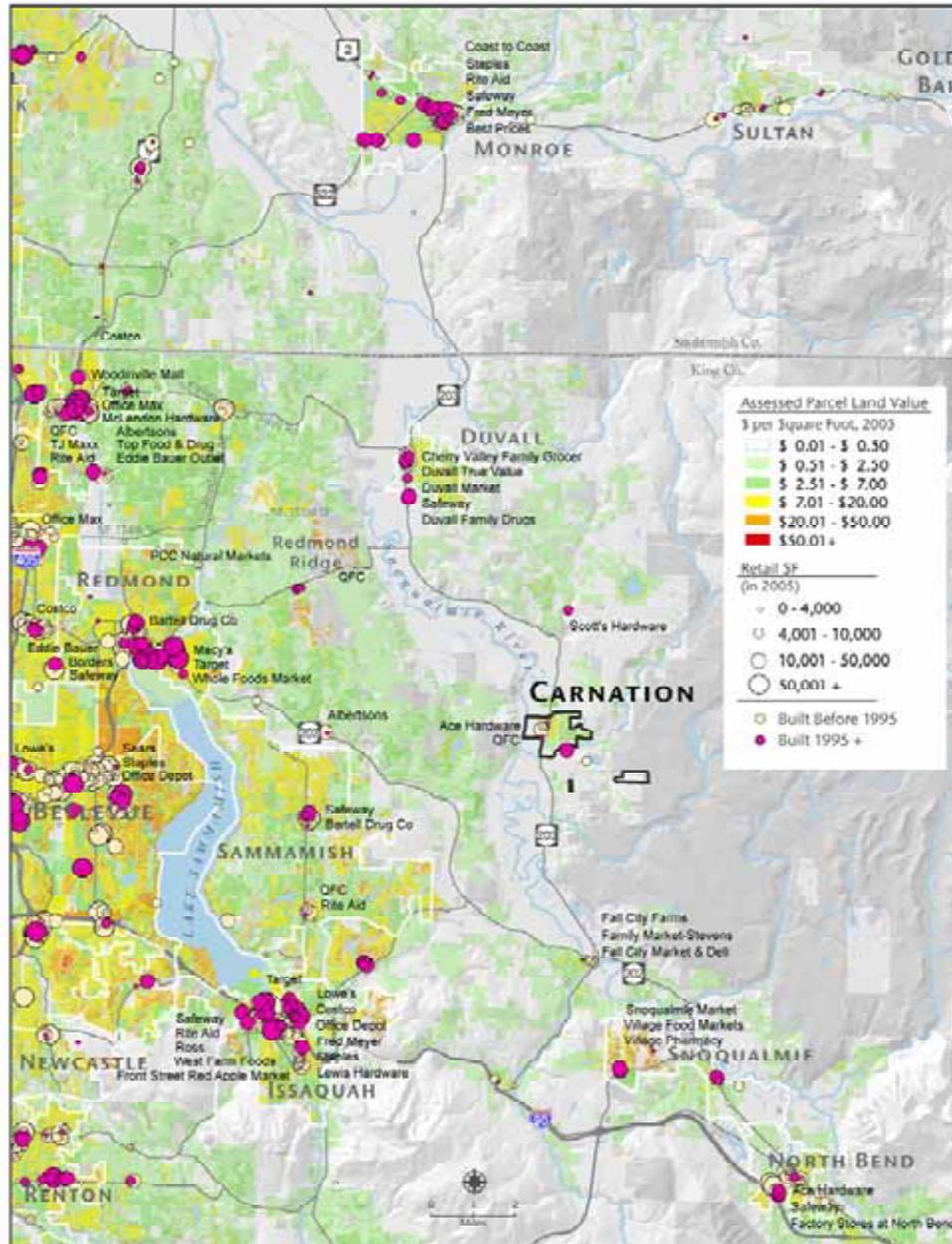
- Currently, the City has an estimated 100,000 square feet of retail space, with a large percentage at Remlinger Farms and the QFC. Based on the exhibit above, the City currently has the ability to support approximately 138,000 to 193,000 square feet of retail in its Primary Trade Area, which is over double the current population of Carnation. Taking into account the large retail spaces at Remlinger, QFC, and discounting for retail space vacancies, this range suggests that the City is not absorbing the retail demand of residents living closest to Carnation who might be expected to shop there. This is inline with analysis of City capture of current retail sales found in this document.
- Carnation's Primary Trade Area will grow from about 4,300 residents to about 6,600 residents over the next 24 years. The two Trade Areas will have a combined population of approximately 28,000 in 2030.
- Population growth in the Primary Trade Area will support 145,000 square feet of retail, with population increases in both the Primary and Secondary Trade areas supporting 696,000 square feet.
- Over the next 24 years, a total of about 2,000,000 square feet of retail space will be supported by the current population and population growth in Carnation's Primary and Secondary Trade Areas. It is important to note, however, that while these figures represent retail square footage supported by this population, there is no guarantee that the development will occur locally. In fact, given established shopping patterns and strong retail nodes nearby, this new development will occur outside of Carnation.
- If Carnation were to maintain its current market position and capture rates, the City would be competitive for between 127,000 and 211,000 square feet of additional retail growth by the year 2030. Of this, **between 17,000 and 36,000 square feet** are in the Convenience Retail category, including grocery stores, drugstores, and restaurants. Given Carnation's proximity to established regional shopping destinations and the work and shop patterns of residents, we feel this is a more realistic range of retail growth that may be expected to locate in Carnation.
- It is important to note that Exhibit 45 estimates demand from future population growth and does not incorporate increases in demand from the existing population (an increase in the City's capture rate of resident spending). Carnation is currently capturing only 71% of taxable retail sales in the City with difference "leaking" to communities outside the City. Carnation is in position to re-capture sales from existing residents currently shopping elsewhere, which would increase the projected demand for retail square footage used here. New retail growth in Redmond Ridge will challenge increases in market share for Carnation – therefore, future capture rates do not show any large increases. Modest increases, reflecting some improvement in Carnation's capture rates, are used for planning purposes.
- This forecast demand for retail space is combined with projections for office development given that both uses are relatively interchangeable under the City's land use code. Conclusions are presented in Exhibit 54.

Big Box Retail

Larger anchor tenants – commonly referred to as “big box” retail – capture spending from larger trade areas. Exhibit 46 shows the locations of nearby anchor retailers in several categories.

- Anchor retailers are beginning to move east away from the I-405 corridor to eastern King County cities in order to begin capturing sales from these growing population centers.
- Convenience oriented retail, such as grocery, is typically the earliest retail anchor to move into an area. Several anchor retail categories have yet to locate in the Snoqualmie River Valley (e.g. electronics, clothing, book stores) and it is unclear when these retailers might decide to establish a presence in the market.
- Carnation’s competitiveness for attracting one of these anchor retailers will be influenced by development and market conditions in neighboring cities such as Issaquah, and next tier cities including North Bend and Monroe, that have clear advantages over Carnation in terms of access, population base, and an established retail base to build upon.

Exhibit 46 – Big Box Retailers



3) Office and Industrial Market Analysis

Current Office Market Conditions

- Exhibit 48 displays the office square footages in the Carnation vicinity. The majority of large-scale, regional office space is being built on the east side of Lake Washington in Bellevue and Redmond. Issaquah has seen substantial development since 1995.
- In Carnation, office development is primarily small-scale service-oriented offices. These types of offices generally serve the local population.
- The office market in Snoqualmie Valley is bounded by two nodes: Monroe in the north and Snoqualmie in the south.

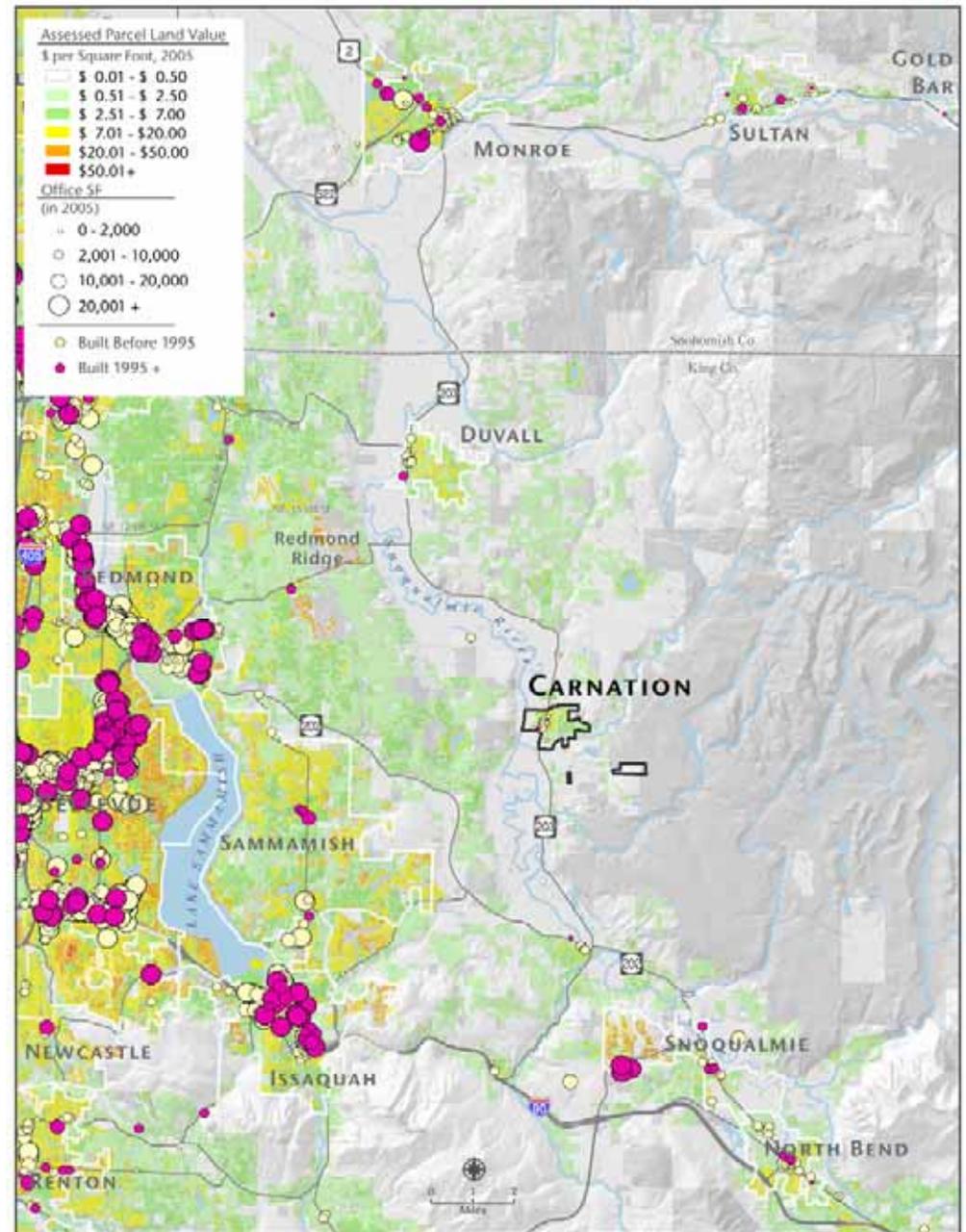
**Exhibit 47
 Distribution of Office Development**

	Office SF 2005	Total Office SF	Population 2005	Percentage of Total Population
Carnation	20,892	3.5%	1,900	5.5%
Duvall	31,958	5.4%	5,595	16.2%
Monroe	276,481	46.7%	15,920	46.2%
Northbend	31,958	5.4%	4,685	13.6%
Snoqualmie	231,025	39.0%	6,345	18.4%
Total	592,314	100.0%	34,445	100.0%

Source: King County Assessor, 2005 and Snohomish County Assessor, 2005

- Exhibit 47 shows that Carnation currently has 3.5% of all office space in the Snoqualmie Valley, while having 5.5% of the population.

Exhibit 48 – Office Square Footage



Current Industrial Market Conditions

- Exhibit 50 shows the landscape of industrial development in eastern King and Snohomish Counties.
- The map show that newer industrial space is moving farther from the urban core. High land prices in central urban areas and a lack of developable industrial land has pushed industrial users to the urban fringe where land is available, rents are cheaper, and employee housing is more affordable.
- Industrial development in Carnation is smaller scale and is dependent on a local manufacturing company for the bulk of its space

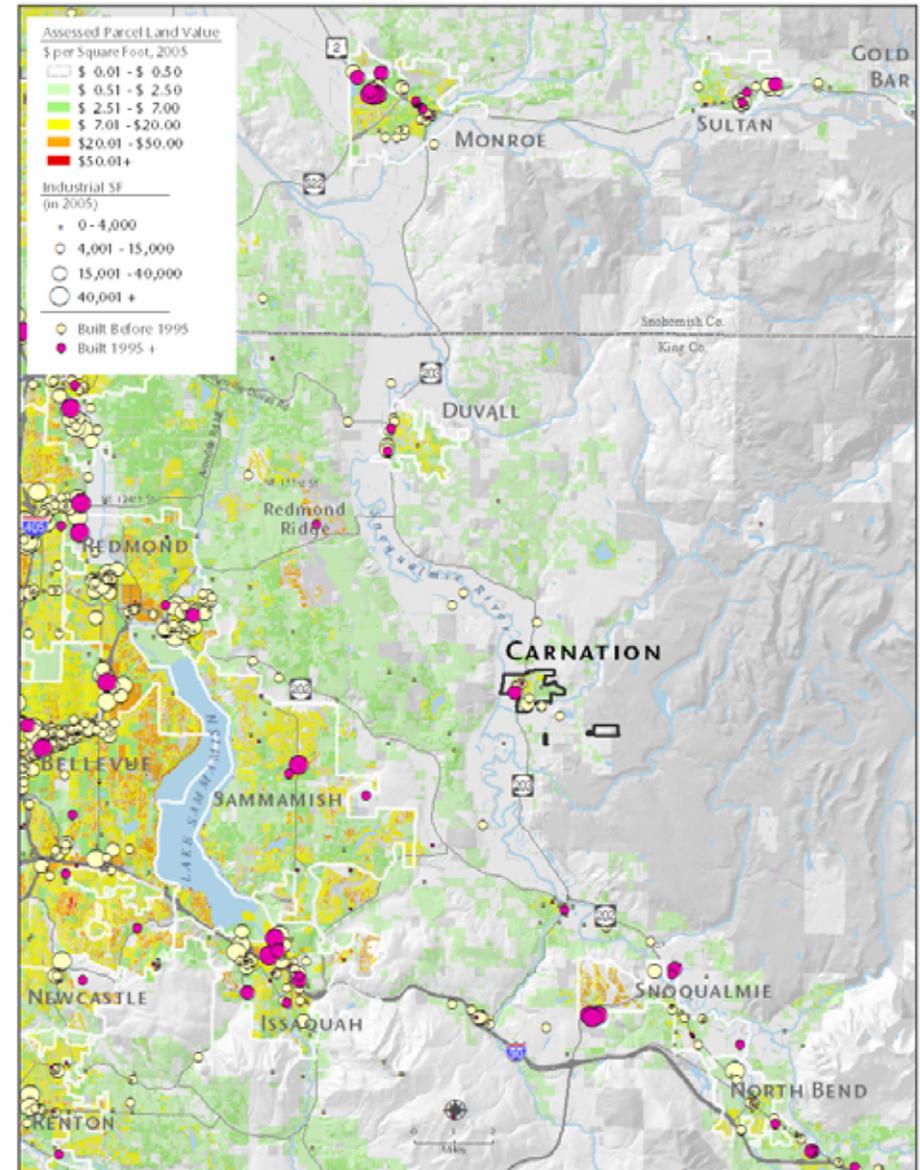
**Exhibit 49
 Distribution of Industrial Development**

	Industrial SF 2005	Percentage of Total Industrial SF	Population 2005	Percentage of Total Population
Carnation	90,594	5.3%	1,900	5.5%
Duvall	100,069	5.8%	5,595	16.2%
Monroe	1,058,711	61.4%	15,920	46.2%
Northbend	120,148	7.0%	4,685	13.6%
Snoqualmie	353,507	20.5%	6,345	18.4%
Total	1,723,029	100.0%	34,445	100.0%

Source: King County Assessor, 2005 and Snohomish County Assessor, 2005

- Exhibit 48 shows that Carnation currently has 5.3% of all industrial space in the Snoqualmie Valley while having 5.5% of the population.

Exhibit 50 – Industrial Square Footage



Projections of Commercial Demand: Long Range Employment Projections

The Puget Sound Regional Council recently released updated Small Area Forecasts of Population and Employment for the region. These forecasts were used to estimate the long range demand for commercial space that can be expected in the Carnation vicinity and the County as a whole.

For this analysis, both office and industrial land uses are grouped together to assess the cumulative market for commercial space since the type and space requirements for office, light-industrial, and/or flex-tech are fairly similar. The employment estimates used to drive this analysis do not include retail employment, making this projection separate from the retail analysis.

For this analysis, the Primary Area is defined as FAZ 6606 (Carnation). The Secondary Area includes the Snoqualmie River Valley: the FAZs that capture Duvall, Fall City/Preston, Monroe, North Bend/Snoqualmie, and East King County.

Exhibit 51 summarizes the commercial space projections for the Primary Area, Secondary Area, and overall King County.

Exhibit 51 Commercial Square Footage Projections, 2006-2030

Office and Industrial SF Supported by Employment Growth			
	2006-2010	2006-2020	2006-2030
High Estimate			
Primary Area	0	50,000	100,000
Secondary Area	250,000	1,100,000	2,000,000
King County	14,375,000	80,350,000	142,600,000
Low Estimate			
Primary Area	0	50,000	50,000
Secondary Area	150,000	700,000	1,250,000
King County	8,300,000	47,900,000	85,250,000

Source: Source: Puget Sound Regional Council, 2006 and Berk & Associates, 2007

Note: Only employment growth in FIRES (finance, insurance, real estate, and services), WTCU (Wholesale Trade, Transportation, Communications, and Utilities), and Manufacturing is included in these calculations. WTCU employment growth is discounted 80% to represent the fact that most employment in this category would not likely locate in and around Carnation.

Square footage estimates are shown in 50,000 square foot blocks to reflect that developments of this type generally occur in these size increments. This is why no development is shown for 2006-2010.

- By 2030, approximately 100,000 square feet of commercial development is projected in the Carnation vicinity, the majority of which will be driven by employment growth in the FIRES and Manufacturing sectors.

Assessment of Market Demand and Land Supply for Commercial (Office/Retail) and Industrial Uses

- Exhibit 52 and Exhibit 53 summarize a recent City analysis of developable land for office/retail and industrial uses. Assuming maximum build out, the City has the ability to absorb as much as approximately 3.9 million building square feet of office/retail and 3.5 million square feet of industrial space (Exhibit 53). This estimate includes estimates from both the current city and the PAA.

Exhibit 52 – Potential Office/Retail and Industrial Land Capacity

Zoning - Commercial (lot sq ft)	City Vacant	City Potential	PAA Potential	Total
SC		418,176	1,794,236	2,212,412
MU	103,639	212,407	43,969	360,015
CBD		43,969		43,969
Total	103,639	674,552	1,838,205	2,616,396

Zoning - Industrial (lot sq ft)	City Vacant	City Potential	PAA Potential	Total
LI	65,340	1,601,305		1,666,645
HC			684,708	684,708
Total	65,340	1,601,305	684,708	2,351,353

Source: Buildable Lands Analysis, City of Carnation, 2007 and Berk & Associates, 2007.

- This analysis is based on Floor Area Ratios (FARs) that convert actual lot square footage to total building coverage, excluding parking and other non-building uses. The FAR estimates used here range from the fairly conservative to a maximum FAR scenario. The low estimate uses the currently observed FARs in the City, while the high estimate is benchmarked to a moderate intensity development commonly allowed in neighborhood and community centers in King County.

Exhibit 53 – Potential Office/Retail and Industrial Floor Square Footage Capacity

Office and Retail Zoning	Total Lot Sq Ft	Low FAR (building sq ft)	Mid FAR (building sq ft)	High FAR (building sq ft)
SC	2,212,000	88,480	1,106,000	3,318,000
MU	360,000	14,400	180,000	540,000
CBD	44,000	1,760	22,000	66,000
Total	2,616,000	104,640	1,308,000	3,924,000

Industrial Zoning	Total Lot Sq Ft	Low FAR (building sq ft)	Mid FAR (building sq ft)	High FAR (building sq ft)
LI	1,667,000	66,680	166,700	2,500,500
HC	685,000	27,400	68,500	1,027,500
Total	2,351,000	94,080	235,200	3,528,000

Source: Buildable Lands Analysis, City of Carnation, 2007 and Berk & Associates, 2007.

Exhibit 54 compares the City's available land with forecast market demand. For this analysis, the 100,000 square feet of commercial square footage shown in Exhibit 51 is split evenly between office and industrial uses.

- For office and retail, the analysis shows that the City will have enough capacity under current city limits under a higher FAR allowance.
 - However, the included PAA has significant excess capacity for office/retail development under both low and high estimates.
 - The low FAR assumptions used to generate the available square footage estimates are particularly low and represent the low density development currently seen in the City and is used to illustrate a range of development intensities. In reality, when future development takes place, the City will want to contemplate higher density development guidelines that are already permissible under the existing zoning code.
- The City has significant excess capacity for industrial development under both low and high estimates.

Exhibit 54 – Net Capacity (Deficit) in Office/Retail and Industrial Land

Retail/Office				
	Low FAR: Sq Ft Available	High FAR: Sq Ft Available	Sq Ft Demand	Net Sq Ft Excess (Deficit)
Current City	40,000	1,517,400	67,000 - 86,000	~ 1,400,000
Including PAA	134,880	5,058,000	67,000 - 86,000	~ 5,000,000

Industrial				
	Low FAR: Sq Ft Available	High FAR: Sq Ft Available	Sq Ft Demand	Net Sq Ft Excess (Deficit)
Current City	45,000	1,705,065	50,000	~ 2,450,000
Including PAA	64,040	2,401,500	50,000	~ 3,500,000

Source: Buildable Lands Analysis, City of Carnation, 2007 and Berk & Associates, 2007.

Note: Net Sq Ft Capacities are approximated by taking the High FAR minus the high end of estimated demand. Demand is calculated as follows;

- Retail/Office = Retail demand range from Exhibit 45 (17,000-36,000 sq ft) + 50,000 sq ft office (half of high estimate in Exhibit 51)
- Industrial = 50,000 sq ft. (half of high estimate in Exhibit 51)

Market Factors Discussion

It is important to supplement the above quantitative analysis with an on-the-ground understanding of Carnation's current and future market. In June and July, 2007, we spoke with eight real estate and development professionals with recent experience in or around the Snoqualmie Valley. These conversations are summarized below.

Summary of Real Estate and Development Professionals Interviews

- **Views on the multi-family housing market:**

- Real estate agents viewed the short-term market for multi-family housing with some skepticism given Carnation's current stock and lack of multi-family construction in the past. Current multi-family housing is limited to rental apartments and there is a perception that there is very little market demand to support either high-end rentals or owner-occupied multi-family housing. There is a sense that tenancy in the apartments is short-term.
- Several of those interviewed cited Carnation's small town feel and the natural beauty of the Snoqualmie River Valley as some the area's strengths in the market place. Others pointed out that Carnation could offer a multi-family housing product in the form of town homes that tried to capitalize on the City's strengths, however, this was described as an uncertain prospect given the lack of successful comparable products in the area.
- In general, interviewees felt that Carnation offered the availability of larger lots able to accommodate multi-family development and a sewer system capable of handling higher density development.
- In terms of the general housing market, there is some uncertainty about the level of development activity that could result from the completion of the new sewer system. Interviewees felt that Carnation's strongest position was in the single-family residential market. In the short-term (3-5 years), most felt that the market would plateau, trending with the Puget Sound market. However, there was strong consensus that there is considerable growth potential in the area as the region continues to grow over the next 10 to 20 years, particularly growth extending from Redmond and the Sammamish Plateau. Interviewees cited Carnation's comparative advantages as offering of larger lots, relatively more affordable housing stock, and the prospect of new housing starts once the sewer system is in place and land comes available for subdivision.

- **Views on the retail market:**

- Interviewees observed that Carnation is “leaking” a significant amount of its resident’s retail sales spending to other areas, a view supported by the analysis on the preceding pages. Commonly cited reasons included:
 - A lack of retail mix and linkages where residents could accomplish several shopping needs with a single trip.
 - Increased competition of retail offerings in Redmond Ridge, Duvall, and Snoqualmie/North Bend.
 - A lack of a strong employment presence in the city core that would support day-time spending.
- While interviewees noted that this leakage represents an opportunity to cater to the City’s relatively affluent single family residential base, many felt that the City does not have the necessary population base to support any substantial increases in its retail sector, which would require overcoming the contributing factors cited above for current retail leakage.
- Interviewees characterized Carnation as “a single shopping center town” currently led by the QFC complex on Eugene St. The City would need to expand its residential base substantially before developers would consider the development of another such center.
- Real estate professionals felt that the City’s current opportunities included:
 - “Filling out” the “gaps” in its retail offerings to better serve local residents. The resolution of the sewer capacity restraints could release some pent up demand in a couple of service sectors that would cater to the local population. The current capacity issues make it difficult to develop uses on properties that are water/sewer intensive. Salons and restaurants were cited as examples of such uses.
 - There is a potential to differentiate from local competitors such as Duvall, North Bend/Snoqualmie, and Redmond Ridge by offering a niche retail market that capitalizes on Carnation’s unique assets related to farming and outdoor recreation.

- **Views on the office and industrial markets:**

- Commercial real estate brokers were cool to the future prospects of office and industrial development in Carnation. The City's comparative advantages do not favor relocating an existing or growing office and industrial business to the City.
- Larger and growing regional centers surround the City in North Bend/Snoqualmie, Redmond, Issaquah, and Monroe and offer better access to key determinants for intraregional location decisions, such as key transportation facilities (I-5, I-90 and Highway 2) and the labor pool. These cities are more likely to attract businesses leaving the Central Puget Sound corridor for affordable rents and locations and their uses may be more compatible.
- Interviewees suggested that Carnation's chief source of demand for office and industrial space is most likely to come from:
 - Local entrepreneurs or local residents locating or moving their business close to home.
 - Light industrial firms looking for less expensive land rents to house or store equipment. Construction, landscaping, and other less land-use intensive firms were cited as potential users.
 - Increased residential growth to support local serving office uses such as medical and dental establishments.

Market Analysis Summary of Key Findings and Conclusions

This section provides a summary of the analyses presented on the following pages and present a final conclusion against the projected capacity for each land use. Additional discussion with City staff and City Council members is recommended before land-use changes are recommended.

1) Multi-Family

Carnation has had no multi-family housing developments between 2000 and 2004. Over the period of twenty-year period of 1980 to 2000, Carnation averaged only 1.2 multi-family units a year. Carnation finds itself in a difficult position with regard to multi-family housing, having demonstrated little demand for such products while having a potentially strong single-family housing market. Carnation exhibits some of the lowest proportion of multi-family housing in the Snoqualmie River Valley and region. There may be a future market for town homes, particularly if located within walking distance of amenities.

Using the projected multi-family demand analysis, the estimated range in demand for multi-family housing is between 36 and 178 units (Exhibit 32). This range provides conservative and optimistic brackets of future development in Carnation. These rates assume that Carnation maintains its competitive position in the region, however, unique projects or policies could shift the competitive balance and result in more demand in multi-family housing.

Comparing these projections to recent land supply analysis done by the City, there is more than adequate capacity to accommodate either scenario of growth in multi-family units (Exhibit 34). Assuming maximum build out, even without annexation, the City should have the ability to absorb as many as 254 additional units either through the development of vacant properties or the redevelopment of existing structures.

2) Retail

In the long run, development of retail square footage in a given market is driven by three factors:

1. Increases in spending within the area's existing market area—which in turn is driven by increases in population and/or household income
2. Increases in penetration of the existing market (i.e. capturing a larger share of local resident spending)
3. Expansion of the market area by attracting shoppers from areas that have historically fallen outside a node's retail trade area

Carnation is flanked by the growing regional centers of North Bend/Snoqualmie to the south, Redmond Ridge to the west, and Duvall to the north. The most likely driver of the City's retail growth will come from the first two sources: increases in household spending (driven by population and income growth) and increases in penetration of the existing market base. The third option, expansion of Carnation's market area will likely be a more difficult task since the City already lags behind neighboring cities in the size, scale, quality, and mix of its retail offerings. The following section will discuss potential implications that both of these drivers of growth have for the City.

Currently, the City has an estimated 100,000 square feet of retail, a large portion of which is in the form of retail space at Remlinger Farms and the QFC.

Based on the Retail Analysis earlier in this report, Carnation's Primary Trade Area will grow from about 4,300 residents to 6,600 residents over the next 24 years. The Primary and Secondary Trade Areas will have a combined population of 28,000 in 2030. New resident spending in this area will support 145,000 square feet of retail in the Primary Trade Area and 696,000 in both areas.

Over the next 24 years, about 2,000,000 square feet of retail space will be supported by population growth in both areas. Assuming Carnation takes steps to maintain its market position by attracting and supporting retail development, the City can reasonably be expected to be competitive for between 68,000 and 114,000 square feet of this retail.

The analysis shows that the current City limits has enough developable land to absorb this growth. The inclusion of land in the PAA provides significant excess capacity for retail and office development under both low and high FAR estimates. The FAR assumptions used to generate the available square footage estimates are very low and represent especially low density development and are used to illustrate a range of development intensities benchmarked to what is currently observed in Carnation. In reality, when future development takes place, the City will want to contemplate high density development guidelines that are already permissible under the zoning code.

Much of the market area included in Carnation's Primary and Secondary Trade Areas is in close proximity to the larger retail nodes in Duvall, North Bend, and Redmond Ridge. Given retailers' preference to be located in vital, highly trafficked locations, much of the aggregate long-term projected increases in retail space will likely be constructed in these retail centers rather than in Carnation. Without a substantial growth in the City's population, retailers and developers will be unlikely to add capacity to capture local spending. Accommodating more housing growth, in general, is among the more effective strategies the City can implement to attract more retail development in the long-run.

3) Office and Industrial

Carnation's location is challenging for major industrial activity since nearly all industrial businesses require movement of equipment or large volumes of product. Distribution networks and access to regional transportation facilities becomes the primary consideration for industrial location. Carnation's location would be desirable only for companies that primarily serve other businesses and households within the north-south corridor from Monroe to Snoqualmie/North Bend.

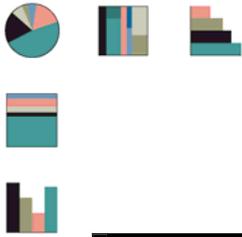
Similarly, Carnation is not well-situated for larger office developments, which require easy access to freeways and public transit for employees. Additions to Carnation's office market will likely be in the form of additional professional service firms and others that serve the immediate population.

Assuming a share of Snoqualmie Valley employment growth consistent with the City's current share suggests by 2030, approximately 100,000 square feet of office and industrial development will be added in the Carnation vicinity, the majority of which will be driven by employment growth in the FIRES and Manufacturing sectors.

Comparing this projected demand to recent assessment of land availability by the City, there is a significant excess capacity for industrial development under both low and high estimates.

The analysis shows that the current City limits has enough developable land to absorb projected growth in the office sector. The inclusion of land in the PAA provides significant excess capacity for retail and office development under both low and high FAR estimates. The FAR assumptions used to generate the available square footage estimates are very low and represent especially low density development and are used to illustrate a range of development intensities benchmarked to what is currently observed in Carnation. In reality, when future development takes place, the City will want to contemplate high density development guidelines that are already permissible under the zoning code.

Limited employment growth projections, a less advantageous location for major office and industrial uses, and feedback from commercial real estate brokers all suggest that focused efforts on household growth are among the better strategies for encouraging local serving, office, and industrial growth in the long run.



MEMORANDUM

DATE: July 3, 2007

TO: City of Carnation

FROM: Natasha Fedo and Brett Sheckler, Berk & Associates

RE: Fiscal Implications of Land Use Alternatives

When considering opportunities for economic development, cities typically pursue two goals simultaneously: (1) the city seeks to promote development that helps achieve the city's overall vision and (2) it seeks development patterns that will strengthen the city's long-term fiscal sustainability. The overall objective is to move the city closer to achieving its broad vision for the future while, simultaneously, ensuring that the city maintains the financial means to provide services that residents desire.

This memorandum focuses on the latter of these two goals, providing an assessment of the fiscal implications of alternative land uses. The purpose of the memo is to inform decision-makers at the City of Carnation and other stakeholders about implications for fiscal sustainability of the City as they consider land use choices designed to foster economic development.

Any use of land within City boundaries generates two counteracting fiscal forces:

1. It generates a stream of tax revenues, a share of which accrues to the City, principally from property tax, utility taxes, and retail sales tax; and
2. It also generates demands for public services, including those typically provided by cities such as construction and maintenance of infrastructure, public safety services, parks construction and maintenance, recreation and community services, and a host of other City services that may be consumed less directly, but are no less real.

The question that city policy-makers face when they consider the city's posture towards new development is: *How would the development in question affect each side of the city's fiscal equation?*

Within the world of municipal governance, a great deal of conventional wisdom exists about the relative fiscal attractiveness of different types of development. In reality, however, the net fiscal impact of a given development project varies tremendously from city to city. We have worked with cities in Washington State for which we could honestly say that *no* form of development would be a net fiscal winner for the city. And, much more common, we have worked with cities in circumstances where (due to economies of scale in city services and synergies among uses) virtually *any* form of development would represent a fiscal windfall for the city.

The goals of this memo are to (1) outline *factors* that have a bearing on the relative fiscal attractiveness of different kinds of development, (2) outline a *general hierarchy* of the relative fiscal attractiveness of different uses, and (3) discuss some of the *potential synergies* that may make a

given type of development more attractive under certain circumstances. Our hope is that, with this information in hand, decision-makers at the City of Carnation will be in a better position to evaluate the implications of different forms of potential development.

INCREMENTAL COSTS VERSUS AVERAGE COSTS

When a city policymaker thinks about the fiscal implications of serving the city's constituents, he or she often thinks in terms of per-capita costs and per-capita revenues. In 2006, for example, Carnation took in and spent roughly \$500 in General Fund revenues per resident.¹

In reality, however, when a city thinks about the fiscal impact of adding *new* households or a *new* center of commercial activity, *average revenues* and *average costs of service* are not particularly helpful. In this situation, the key questions are related to *incremental* revenues and costs:

1. What *new* revenues will the new development bring to the city?; and
2. What *new* costs of service will the development introduce?

On the revenue side of the equation, new households or new businesses bring with them the full slate of new city revenues. They will pay property and utility taxes; residents will pay sales taxes on their purchases (some of which will be made locally); and to the extent that new businesses increase the city's overall capture of retail activity (attracting purchases that would otherwise be made elsewhere), new businesses will drive new sales tax revenues. In addition, increases in the city's population allow the city to collect additional revenues that are distributed at the state or county level based on population.

Some of these revenues may be thought of as *direct* revenues in that the revenues to the City are taxes or fees paid directly by the new resident or commercial establishment. Other revenues are *indirect*, meaning that the new resident or commercial enterprise provides greater demand for goods and services provided by other local establishments. *Secondary* or *tertiary* effects may also emerge (e.g. new households may increase support for a local retail node, which in turn improves the node's ability to attract expenditures that would otherwise be lost to the city).

In contrast with new revenues, on the *cost* side of the equation, in many instances a group of new households or new businesses may generate only modest increases in the cost of providing city services.

With a number of fixed costs already in place (e.g. key positions at City Hall and existing city systems and infrastructure) it is often the case that the *incremental* cost of serving a new household or a new business is significantly lower than the *average* cost of serving the city's existing constituents. Based on our experience working with cities across the state, we believe that virtually every small to mid-sized city enjoys *some* level of these so-called "economies of scale."

A city with 100 new households does not need to hire a new city manager, a new police chief, or a new finance director. Likewise, a city with five new businesses would not expect to spend significantly more on long-range planning. For a small city like Carnation, where fixed costs for key positions represents a significant portion of the City's total operating budget, economies of scale from new development are often significant.

¹ These figures are based on financial figures from the City's 2007 budget.

Another key cost center for Carnation is the provision of public safety services. With an annual cost in excess of \$400,000 per year, police costs have historically represented nearly 45 percent of the City's total General Fund expenditures. While every city's circumstances are unique, Berk & Associates' experience is that most cities of Carnation's size do enjoy significant opportunities for economies of scale for public safety services.

Carnation contracts with City of Duvall for provision of police services, forming the Duvall-Carnation Police Department. The contract payment is based on pro-rated share of Duvall's total cost of providing police services (calculated based on ratio of police FTEs dedicated to Carnation to total Police FTEs) and so is not directly and immediately impacted by incremental population increases.

FISCAL IMPACTS OF DIFFERENT LAND USES

From a city's perspective, every type of land use generates a unique mix of revenues and service costs. Inevitably, the balance between costs and revenues will vary by contemplated land uses.

For most cities, the net contribution of land uses could generally be ranked as follows, ranking from most to least attractive.

1. Automobile dealer
2. Retailers of high-cost items like furniture, home electronics, etc.
3. Big and medium box retailers and restaurants
4. Small retailers and consumer service providers
5. Office
6. Industrial
7. High value residential
8. Mid-to-low value residential

Having ventured to present a ranked list of land uses, the very next thing we will say is that such a ranked list is of limited value. The inter-relationships between land uses and fiscal impacts are extremely complex, varying based on the place, time, and conditions surrounding the development in question.

For example, while multifamily housing may not offer the biggest fiscal windfall for a city *on average*, there are some circumstances where multifamily may be crucial to the city's fiscal success. In many cities, for example, close-in pockets of multifamily housing provide crucial support for adjacent retail establishments, serving as a critical foundation for the cities' ongoing economic development. If, on the other hand, multifamily units are built on the periphery of a city, where they provide little support for the city's commercial nodes, those developments would be less likely to offer significant benefits to the city's fiscal position.

When reviewing the above list, it is also important to bear in mind that the relative contribution of uses depend on future events. For example, if taxation of internet transactions becomes a reality, and households' purchasing patterns continue to shift towards internet purchases, then residential land uses become more attractive across the board (this is further discussed below, under *Challenges and Opportunities Related to New Sales Tax Sourcing Rules*).

Ultimately, rather than concentrating on the *typical* fiscal contribution of land uses, it is more valuable to understand the underlying mechanisms through which land use and fiscal sustainability relate. Carnation is not in a position to compete for some of the uses listed above. However, we do believe it is worth walking through the rationale for the above hierarchy to demonstrate the effects at work.

High Value Retail

Among all potential uses of a given property, high value retail generates the greatest fiscal benefit to a city. An auto dealership can generate city sales taxes of \$100,000 to \$500,000 or more annually. At the same time, because the value of each transaction is so high, an auto dealership generates this revenue with very little incremental demand for city services. To a lesser degree, other retailers of high value goods, including furniture, appliances, or home electronics all generate relatively high revenues, while attracting relatively few trips compared with big box retail uses that generate lower average revenues per transaction.

From a purely fiscal perspective, all cities would like to attract an auto dealership or an Ikea. In most instances, however, if a city does not already have an auto dealership, it is unlikely that they are ever going to get one. Because the auto-dealership market is well-established, most of the best sites for dealerships have already been identified and exploited. Perhaps even more important, shifts in the auto dealership model in recent decades have resulted in a situation where the “strong” cities tend to get stronger. In today’s market, dealerships not only want high-visibility sites with great access, they also want to be located adjacent to other, competing dealerships (to improve their ability to attract potential customers from a distance). Consequently, all else being equal, an area that currently has *no* dealerships is unlikely to attract a new one.

Big Box Retail

Like auto dealerships and other high-value retailers, big box retailers like Costco, Wal-Mart, Target, Home Depot, or Lowes can generate anywhere from \$100,000 to \$500,000 or more a year in sales tax revenues for a city. The difference between the two categories is that big box retailers (1) generally attract greater numbers of trips and (2) generally draw on a slightly smaller trade area to attract their customers.

Overall, big box retail is very beneficial to a city’s fiscal position, but generates greater demand for city services like public safety and transportation infrastructure. For the typical city in Washington State, a single big box store might generate \$300,000 in sales tax revenues annually, while at the same time, creating enough activity to demand, on average, one additional commissioned police officer on the city’s police force. Big box retail also generates a high number of trips that must be supported by the city’s transportation infrastructure. Traffic and impacts to a community’s character can be minimized by locating large scale, auto-oriented retail in geographic locations that best support this use.

Restaurant and Entertainment

By themselves, entertainment venues and restaurants can generate substantial revenues to a city. An added benefit of these categories of uses is that, in addition to generating revenues on their own, they also generate positive spillover effects.

Most shopping centers and traditional downtowns seek out restaurants, movie theaters, and performing arts venues as a way to attract a critical mass of activity. In most instances, people who travel to a commercial center to see a movie or a play will venture out for an entire evening, eating at

a nearby restaurant and shopping at nearby stores. The more pleasant and seamless a district can make that experience, the better positioned that center is to generate revenues.

From a public amenity perspective, the benefits of establishing a shopping/entertainment node are substantial. From a fiscal-balance perspective, the net benefits are substantial as well, but entertainment uses *can* generate certain demands for city services like policing. Also, depending on the configuration of the district, public investment in infrastructure and amenities may be necessary to make the district attractive to potential visitors.

The good news is that public investments that make an entertainment district attractive to visitors are often the same investments that help to create a venue and focus for *community* activity—a goal that most cities have identified as desirable in its own right.

Lower Value Retail and Consumer Services

From a fiscal-balance perspective, the bottom rung in the hierarchy of retail attractiveness falls to community retail and consumer service uses. This category includes grocery stores, drug stores, fast food chains, banks, auto-services, video stores, and various other retail and consumer services.

All of these uses are attractive, first, because they generate net fiscal benefits to the city and, second, because they provide services the community needs. For cities that are already seeing strains on the existing capacity of their police department, the activity surrounding these uses can drive additional costs of service.

Office

When thinking about development of office uses, it is useful to divide uses into two categories:

1. Those uses that provide services to local markets. This includes services like banks and investment services, real estate offices, and professional services like doctors, dentists, and lawyers.
2. Uses that provide services to broader markets (i.e. markets that are not concentrated in the immediate area).

Because Carnation does not levy any business or employee taxes, office uses in the City will not match retail uses for revenue generation. A typical, newly-developed office building might generate between \$80 and \$100 per employee in City property tax and another \$100 in utility taxes per year. In addition, with recent Legislative changes in Washington State's sales tax sourcing rules, typical office uses can be expected to generate sales taxes as a result of delivered goods like furniture, equipment, and supplies. Depending on the nature of the office, these sales tax revenues from deliveries might equal an additional \$20 or \$30 per employee annually.

In addition to direct revenue, office employees typically make daytime expenditures for food, drink, and convenience purchases in nearby retail areas. For many districts, daytime support from office workers can represent an important source of support, adding (1) a small but stable source of spending in local restaurants and retail establishments and (2) bolstering activity in the area in a way that makes it more attractive for other users.

Finally, as office uses generate relatively few vehicle trips, they generate very little in the way of demand for things like police and parks services.

Industrial

Like office, industrial uses in Carnation would generate property taxes and utility taxes. The difference between industrial and office uses is that a typical industrial use generates less revenue per acre of land in terms of property taxes, utility taxes, taxes on delivered retail goods, and employee demand for local services:

- Industrial buildings cost less to construct (per square foot) and so generate less in property taxes and construction-related sales.
- Industrial uses typically require a lower ratio of building square footage to square footage of land (referred to as floor-area-ratio [FAR]). While a suburban office building might support more than 70 employees per acre, a typical industrial use is likely to support 25 or fewer.² One of the disadvantages of industrial uses, in comparison with office, is that the lower density of workers in industrial settings provides more modest daytime expenditures to support nearby commercial centers.
- Lastly, analysis that Berk & Associates has performed in the past suggest that, on average, office uses generate more utility taxes than do industrial uses. While there are certainly exceptions where industrial uses demand large amounts of electricity or natural gas, we have found that, on average, office uses are more intensive in their use of electricity (to power lights, computers, etc.) and telephones.

On the cost side, the demands for service introduced by industrial uses can vary depending on the nature of the use and the general level of activity. Manufacturing and warehouse and distribution uses tend to put more stress on a city's road network. An acre of industrial uses, however, may generate as little demand for police services as does an acre of office.

While the direct fiscal impacts of industrial uses tends to be moderately positive, the real benefit of industrial uses come from their indirect effects. As a sector, industrial employers are often a key component of a city's economic and fiscal health. Industrial employers tend to produce goods for regional, national, or international markets. As a result, these employers tend to drive local economies by bringing in an infusion of dollars from outside the area. These dollars create crucial ripple effects throughout the local economy, serving as the engine that supports residential development, retail activity, and local services.

Residential

For a city like Carnation, the extent to which developing new housing will represent a fiscal benefit to the city depends on a number of factors:

- How great are the city's opportunities for economies of scale?
- Where is the housing located? How does it contribute to Carnation's economic development plans?

² Assuming an FAR of 0.5 for office and 300 square feet per employee, versus an FAR of 0.3 for industrial, with 500 square feet per employee.

Opportunities for Economies of Scale

If the city is in a position to absorb additional constituents without incurring incremental costs of service for police services and staffing at City Hall, then *any* form of new housing is likely to generate significant net fiscal benefits for the city.

- **Revenue Impacts.** On the revenue side of the equation, new households bring with them the full slate of new revenues. They will pay property taxes and utility taxes, and they will pay sales taxes on all of their purchases (many of which will be made locally). In addition, the new population allows the city to collect additional revenues that are distributed at the state or county level based on the city population.

In Carnation, the typical new house might be valued at \$350,000, which would generate \$440 in property taxes in 2007. The household also may directly generate approximately \$200 per year in utility taxes, and perhaps \$160 in population-driven allocations of state and county revenues.³ Combined, these three direct contributions from the new household amount to about \$800 per year. In addition to direct taxes, one can argue that a large share of revenues that accrue to the City from retail activities could be attributed to households. It is difficult to estimate the magnitude of new household's indirect contribution in sales tax revenues to the City, but it could likely be around \$100 per household.

Combining direct and indirect revenues, one could expect that a typical new household in Carnation would generate around \$900-\$1,000 annually in operating revenues for the City.

- **Cost of Service Impacts.** In contrast with new revenues, on the cost side of the equation, new residents in Carnation may generate only modest increases in the cost of providing city services. City Hall, Public Works, Parks and even Planning would probably see fairly small differences in what they do. The Duvall-Carnation Police Department would probably see a few new calls for service in a given year, but because of the Carnation's small size and relatively low crime rate, the Department may be in a good position to respond to these calls without increasing the number of patrol officers.

This *economies of scale* phenomenon means that, with a number of fixed costs already established, the *incremental* cost of providing services to 100 more residents may be significantly less than the *average* cost of providing services to *all* residents.

If the above discussions of incremental revenues and incremental costs do, in fact, apply to the City of Carnation—new residents would represent a clear fiscal windfall to the City. Moreover, this discussion of direct fiscal impacts does not even take into account the potential benefits that residential development could have on the City's overall market position. If such development did help Carnation achieve a more vibrant downtown, and if that success resulted in the City capturing a greater share of expenditures by locals and/or visitors, then the indirect fiscal benefits of the new residential development could exceed the direct benefits outlined above.

³ Per capita allocations include state distributions of gas taxes, liquor taxes, liquor profits, and distributions among county jurisdictions of criminal justice sales taxes (estimated at \$38 per resident for state distributions and \$20 for criminal justice sales taxes distributed among King County jurisdictions). Assuming an average household size of 2.75, total revenue distributions from a single household from these sources exceeds \$160.

Fit with City's Economic Development Goals

As stated in the 2007 budget, one of the City's goals is to "promote economic vitality through commercial area linkage, downtown revitalization and preservation of our rural town character." Given this goal of developing an attractive downtown, new housing can play an important role by bolstering the "core" foundational market that supports such development. In particular, housing that is located in areas with easy pedestrian access to the city center would be especially effective in supporting downtown commerce. Close-in housing offers:

- **Assured Demand.** A supply of nearby housing is typically viewed as a guaranteed pool of customers for certain categories of businesses. The convenience of being able to access businesses simply by walking a few blocks predisposes residents to frequent nearby businesses. It is worth noting, too, that in regard to multifamily housing, the perception in the marketplace is that residents of multifamily housing typically spend less time in their home (compared with single family households) and more time in the "public" realm. For the owner of a local restaurant or coffee shop, this means that someone who lives in an apartment next door is more likely to visit more frequently, spend more time, and over the course of a year, spend more money at your place of business. Combined, all of these factors mean that nearby multifamily housing can be viewed as an important source of assured demand for local businesses.
- **Baseline Level of Activity.** Close-in housing can help assure a baseline level of activity on the street, making it a more inviting and interesting place for people to spend their time. Urban designers are quick to point out that, when it comes to making a traditional commercial center attractive, it is important to pay attention to a few key characteristics:
 - What is the speed and volume of traffic on the roadway?
 - How does someone on the sidewalk relate to the roadway?
 - How does someone on the sidewalk relate to sidewalk fixtures and the buildings lining the street?; and
 - What is the general level of pedestrian activity on the street?

Each new resident in Carnation translates to new demand for restaurants, retail, and consumer services. If that opportunity can be focused to support the City's vision of an attractive commercial center, then Carnation will have an opportunity to enhance its market position, perhaps attracting more dollars from outside City boundaries and/or capturing a larger share of new and existing residents' expenditures.

Carnation has a relatively large retail market capture area that is growing in population. For the reasons mentioned above, the City can encourage close-in households to support local retail. Carnation has a high Employees-to-Housing Ratio, indicating that it is a net importer of workers⁴, which may present an opportunity to increase the City's residential base by encouraging workers to relocate within city boundaries.

In general, we believe it is safe to say that virtually *any* new housing development in Carnation will generate significant fiscal benefits for the City.

⁴ Exhibit 23 in the Carnation Demographic, Economic, and Market Comparative Profile

Challenges and Opportunities Related to New Sales Tax Sourcing Rules

In the last Legislative session, the Washington State Legislature enacted new rule changes for sales tax sourcing. Under the old rules, if a Carnation resident purchased a new kitchen appliance in Bellevue and the appliance was delivered to Carnation from a warehouse in Kent, then the “location” of the sale for taxing purposes was deemed to be Kent (where the delivery of the good originated). The City of Kent, therefore, would collect the local sales tax revenues associated with this sale. Under the new sourcing rules, the “location” of the sale will now be Carnation (the point of final delivery), which would collect the local sales tax revenues for this transaction. This rule change is slated to take place on July 1, 2008.

For cities like Carnation, the short-term implications of the change in sourcing are difficult to forecast. The State Department of Revenue estimates that the City will see some net reduction of sales tax revenues. In effect, they are estimating that the value of goods being delivered *from* Carnation exceed the value of goods that are delivered *to* addresses within the City. Considering that sales taxes comprise approximately 40% of total General Fund revenues, even a 10% decrease in sales taxes would likely create a noticeable impact to City finances.

To achieve passage of the changed sourcing rules, the Legislature addressed concerns of so-called “loser cities” by allocating state revenues to make up for losses that some cities are likely to see. Under existing rules, if in applying the new sourcing rules the State Department of Revenue calculates that Carnation is harmed by the new sourcing rules (i.e. if the value of delivered sales to the City is less than the value of goods that City businesses deliver elsewhere), then the State will pay the City the difference.

In passing the new sourcing rules, the State Legislature has directed the State Treasurer to transfer sufficient revenues to the newly-formed streamlined sales and use tax mitigation account on an annual basis. It is uncertain how long this mitigation will remain in effect.

Notwithstanding the Department of Revenue’s estimates of likely impacts, it *is* possible that new sourcing rules (and/or a longer-term shift to applying sales taxes to all internet/catalog sales) could represent a fiscal boon to Carnation. If, for example, the City pursued a program where it encouraged all residents to have purchases of big-ticket items delivered to their homes, then it is possible that the City could see an overall increase in sales tax revenues.

Other Fiscal Challenges

Carnation, like many cities in Washington State, faces future fiscal challenges. Some of these fiscal challenges stem from the recent series of statewide initiatives that have eroded most cities’ financial support from taxes and fees. From a city’s perspective, the most damaging blow resulted from the 2001 statewide passage of Initiative 747 (limiting the growth of property tax levies on a city’s existing property to less than the rate of inflation), which set up the long-run erosion of cities’ property tax bases.

Property tax revenues represent approximately 15% of General Fund revenues and 70% of Street Fund revenues for Carnation; approximately \$234,000 in property tax revenues is budgeted for 2007. However, with passage of I-747, the revenue a city is allowed to collect from property taxes cannot grow by more than 1% per year (excluding the effects of new construction), in the absence of a public vote. In other words, with costs of service increasing with inflation at a rate of 3% or more, unless a city and its residents take pro-active steps to blunt the effect of the 1% limit, the city’s property tax revenue base will erode over time.

To date, the City of Carnation has not taken steps to mitigate the effects of I-747, and as a result, the City has seen its levy rate reduced, from \$1.66 per \$1,000 of assessed value (AV) in 2000 to \$1.25 per \$1,000 AV in 2007. (If property values rise by more than 1%, the only way to keep tax collections below that cap is to tax at a lower rate.)

Without intervening measures (i.e. a public vote to approve a levy lid lift), the City's levy rate will almost certainly continue to drop in the coming years, as will the purchasing power of the City's property tax base.

There are two ways to counter the effects of I-747 and maintain solid property tax base in the face of increasing expenses:

- **Encourage new construction to enlarge the city's base.** The 1% revenue growth limit does not apply to the value of new construction, so any new development in Carnation, residential or commercial, will contribute to higher property tax revenues for a given year, as well as to building a larger property tax base.
- **Seek levy lid lifts to maintain the city's levy rate.** The one method available to the City for increasing property tax revenues at higher rates is to commit to seeking "levy lid lifts" from voters. If voters were to approve a series of levy lid lifts that allowed the City to maintain its current levy rate over the coming years, then property tax revenues from "built" areas of the City (the existing base) could increase at a faster rate (driven by overall increases in property values). While levy lid lifts would represent property tax increases for land owners, it is important to view the lifts as a way to maintain the City's property tax levy rate and to sustain its revenue base.

CONCLUSION

Ultimately, a city's strategy for attaining fiscal sustainability has to approach questions of governance and land use as a whole. When approaching questions of economic development, cities have multiple goals: seeking development that helps to achieve the city's overall vision *and* seeking development that will strengthen the city's long-term fiscal sustainability. In any given instance, however, cities can, and do, choose to give priority to one goal over the other.

In one instance, a city may alter its land use policies to attract a high-revenue-generating big box store, and in a separate deal, the very same city may choose to forego a potential high-revenue-generating opportunity, preferring to promote development that will move the city closer to achieving its long-term vision.

From a purely fiscal perspective, all cities would like to attract or retain an auto dealership, an Ikea, or a Costco. For the most part, however, whether or not a city gets such a fiscal boon depends on the luck of geography, the availability of suitable sites, and established shopping patterns and the strengths of other sites in the market area.

For most cities, the key to achieving fiscal sustainability is to (1) have a realistic understanding of where the city stands; (2) provide development opportunities that will serve the city well, both fiscally and in terms of achieving the city's overall vision; and (3) take advantage of the potential for supportive direct and indirect relationships between land uses.

A city is well served when it looks carefully at the role that each type of land use can play in supporting its vision. Most cities share Carnation's goal of creating a downtown that can provide a sense of *place* for its residents and businesses. One way to strengthen such a center is to encourage

development patterns that will generate mutual support among land uses. This requires focusing residential and commercial development in ways that give the city's central place the best chance to enhance its position in the market.

For Carnation, the key strategic issues revolve around (1) encouraging residential development within the City as means for gaining fiscal benefits and supporting vital commercial nodes, and (2) constructing balanced fiscal policies to counteract challenges from new sales tax sourcing rules and property tax levy erosion.