

CHAPTER FOUR

ECONOMIC DEVELOPMENT

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Map

Map IV-1 – Federal Way Location in King County

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4.0 INTRODUCTION

Federal Way’s vision is to create a sustainable, diversified, and globally-focused economy. To achieve this vision, the City must diversify its employment base. In addition the City must increase the overall number of jobs in order to improve the balance between jobs and households in the City. Federal Way’s unique location between the two regional centers of Seattle and Tacoma, both with large concentrations of population and large, successful ports represents a significant opportunity.

Federal Way is part of the larger Puget Sound economy, and therefore, economic change will depend in large part on the market forces at work within the greater region. The City is home to prominent regional, national, and international businesses. The fortune 500 company, Kiewit Bridge and Marine, has an operation center here and the internationally known World Vision is located here. Federal Way is also home to St. Francis Hospital, which is consistently named one of the top 100 hospitals in America.



Attractive contemporary office buildings, pleasant waterfront setting and affordable middle-class housing set Federal Way apart from its South Sound neighbors, such as Kent, Tukwila and Renton. Conveniently located along the Interstate 5 corridor, the city is close to Sea-Tac International Airport and the ports of Seattle and Tacoma, and is within easy reach of Olympia. In addition, the City holds unique regional attractions for entertainment and recreation, such as Wild Waves Theme Park, the Pacific Bonsai Museum, the Rhododendron Species Garden , and King County Aquatic Center.

Based on the City’s Economic Development Strategy, its mission is “to produce solutions to attract and retain businesses, jobs, and investments, along with improving the tax base and enhancing the quality of life in Federal Way.”

4.1 POLICY BACKGROUND

The City’s comprehensive plan is required to be consistent with the Growth Management Act (GMA), Puget Sound Regional Council goals and policies of Vision 2040, and the King County Countywide Planning Policies (CWPPs). The sections below briefly identify the relevant goals and policies under each of those categories to establish the context for economic development planning in the region. The City’s specific goals and policies are consistent with these regional goals and policies and are contained in Section 4.5 of this chapter.

Growth Management Act

RCW 36.70A.020, Planning Goals of the GMA, includes a goal to encourage economic development throughout the state that is consistent with adopted comprehensive plans all within the capacities of the state’s natural resources, public services, and public facilities.

- Encourage economic opportunity for all citizens of this state, especially for unemployed and for disadvantaged persons.
- Promote the retention and expansion of existing businesses and recruitment of new businesses.
- Recognizes regional differences impacting economic development opportunities.
- Encourages growth in areas experiencing insufficient economic growth.

The GMA further states that each comprehensive plan must include an economic development chapter that establishes local goals, policies, objectives, and provisions for economic growth and vitality, and a high quality of life. The chapter shall include:

- A summary of the local economy such as population, employment, payroll, sectors, businesses, sales, and other information as appropriate.
- A summary of the strengths and weaknesses of the local economy; defined as the commercial and industrial sectors and supporting factors such as land use, transportation, utilities, education, workforce, housing, and natural/cultural resources.
- An identification of policies, programs, and projects to foster economic growth and development and to address future needs.

VISION 2040

The Puget Sound Regional Council (PSRC) has also adopted region-wide goals and objectives related to economic development that will be implemented through local comprehensive plans.

The overarching goal of VISION 2040 is that the region will have a prospering and sustainable regional economy by supporting businesses and job creation, investing in all people, sustaining environmental quality, and creating great central places, diverse communities, and high quality of life.

VISION 2040 has a number of goals and policies related to economic development. The following VISION 2040 goals and selected policies are most relevant to Federal Way:

Business Goal and Policies

Goal: The region’s economy prospers by supporting businesses and job creation.

MPP-Ec-1: Support economic development activities that help to retain, expand, or diversify the region’s businesses. Target recruitment activities towards businesses that provide family-wage jobs.

MPP-Ec-5: Foster a supportive environment for business startups, small businesses, and locally owned businesses to help them continue to prosper.

People Goal and Policies

Goal: The region’s economy prospers by investing in all of its people.

MPP-Ec-8: Promote economic activity and employment growth that creates widely shared prosperity and sustains a diversity of family-wage jobs for the region’s residents.

MPP-Ec-9: Ensure that the region has a high quality education system that is accessible to all of the region’s residents.

MPP-Ec-10: Ensure that the region has high quality and accessible training programs that give people opportunities to learn, maintain, and upgrade skills necessary to meet the current and forecast needs of the regional and global economy.

Places Goal and Policies

Goal: The region’s economy prospers through the creation of great central places, diverse communities, and high quality of life that integrates transportation, the economy, and the environment.

MPP-Ec-17: Use incentives and investments to create a closer balance between jobs and housing, consistent with the regional growth strategy.

MPP-Ec-18: Concentrate a significant amount of economic growth in designated centers and connect them to each other in order to strengthen the region’s economy and communities and to promote economic opportunity.

MPP-Ec-20: Provide an adequate supply of housing with good access to employment centers to support job creation and economic growth.

Countywide Planning Policies

The Countywide Planning Policies (CWPPs) must be consistent with both the GMA and VISION 2040. The CWPPs promote the creation of a healthy and diverse economic climate. The overarching goal of the CWPPs is that people throughout King County have opportunities to prosper and enjoy a high quality of life through economic growth and job creation. The CWPPs state that each local community will have an individual focus on economic development, while the region’s prosperity will benefit from coordination between local plans and the regional vision that take into account the county’s and the region’s overall plan for growth.

There are number of goals and policies related to economic development in the CWPPs. Following are selected policies that are most relevant to Federal Way:

EC-2: Support economic growth that accommodates employment growth targets through local land use plans, infrastructure development, and implementation of economic development strategies.

EC-6: Foster the retention and development of those businesses and industries that export their goods and services outside the region.

EC-7: Promote an economic climate that is supportive of business formation, expansion, and retention, and emphasizes the importance of small businesses in creating jobs.

EC-8: Foster a broad range of public-private partnerships to implement economic development policies, programs, and projects.

EC-9: Identify and support the retention of key regional and local assets to the economy, such as major educational facilities, research institutions, health care facilities, manufacturing facilities, and port facilities.

EC-11: Work with schools and other institutions to increase graduation rates and sustain a highly-educated and skilled local workforce. This includes aligning job training and education offerings that are consistent with the skill needs of the region’s industry clusters. Identify partnership and funding opportunities where appropriate.

4.2 SUMMARY OF EXISTING CONDITIONS

General Patterns of Existing Development

Federal Way is characterized by:

- High-quality single- and multiple-family residential areas.
- A range of housing that includes modest homes, manufactured dwellings, and large luxury waterfront homes.
- Auto-oriented, suburban scale regional shopping center, such as The Commons; community shopping centers, such as SeaTac Village and Pavilions Center; and numerous strip centers.
- Big box retail south of South 348th Street.
- Two high-quality business and office parks—West Campus and East Campus.
- Semi-rural areas, wildlife areas, areas without utilities, and much vacant open space.
- An amusement park that is a regional draw.
- A waterfront primarily occupied by high-quality homes, but not particularly accessible to the public.
- Many marginal commercial areas with redevelopment potential along Pacific Highway South (SR-99) that are vestiges of a prior era.

Demographics

Federal Way historically has been primarily a suburban, bedroom community. It has more households than jobs and as a result, provides more workers to the region than it attracts. However, since the City's incorporation, this balance between homes and jobs has shifted. Based on US Census data, the City's residential population grew by 23 percent from 67,554 in 1990 to 83,259 in 2000 and by 7 percent from 83,259 in 2000 to 89,306 in 2010. The City's covered employment grew by 44 percent from 21,756 in 1990 to 31,315 in 2000, but decreased by 10 percent from 31,315 in 2000 to 28,270 in 2010 based on PSRC's Covered Employment Estimates. The decrease in jobs between 2000 and 2010 reflects the impact of the 2008 recession, which has resulted in an even greater jobs/housing imbalance as shown in Table IV-1 and described in the following paragraph.

A high percentage of Federal Way residents that are part of the labor force do not work in Federal Way. The following table compares 2002 and 2011 labor force data. While the employment base of Federal Way has grown, nearly 87 percent of Federal Way's residents are employed elsewhere. This percentage has changed little from 2002 to 2011.

Table IV-1**Work Destination – Where Workers are Employed Who Live in Federal Way**

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

Source: US Census Bureau, On The Map

According to the City's Economic Development Strategy, and shown in the following table, the largest group of workers employed in Federal Way, who do not live in the City, come from Tacoma at 2,708. Tacoma is followed by Seattle, Kent, and Auburn. The largest employers in Federal Way are shown in Table IV-3.

Table IV-2**Work Destination – Where Workers Who are Employed in Federal Way Live**

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

Source: US Census Bureau, On The Map

Table IV-3
Major Employers in Federal Way

Name	Number of Employees
Federal Way School District	2,600
World Vision	1,704
Xerox Commercial Services	1,350
Weyerhaeuser	1,225
St. Francis	875
Norpoint Entertainment LLC (Wild Waves)	36 permanent (800-1000 seasonal employees)
US Postal Services	616
Walmart	560
City of Federal Way	480 (approximately 180 are seasonal employees)
DaVita	318
Safeway	254
Virginia Mason Health Care	253
Costco	221
Berger ABM Inc.	220
Fred Meyer	220

Source: City of Federal Way 2013/2014 Business License

The 2000 Census information showed that Federal Way’s median income levels had grown substantially since 1990, with the City, at that time, leading the South King County cities in the percentage of wage-earning households, as well as median household income. Based on the 2000 census, with a median household income reported of \$49,278, Federal Way had a higher median household income than that of any of the other major South King County cities (Renton, Kent, Burien, Auburn, Tukwila, and SeaTac). However, as the following table shows based on the American Community Survey (ACS) 5 Year Estimate 2009-2013, Federal Way’s median income now ranks fourth among the major South King County cities. This is likely the result of regional housing trends that are forcing lower income families to move out of Seattle and settle further north or south where housing process are more affordable.

Table IV-4
Median Income

City	Median Income (\$)
Renton	\$64,141
Des Moines	\$59,799
Kent	\$57,553
Federal Way	\$55,872
Auburn	\$55,483
Burien	\$50,805
SeaTac	\$46,328
Tukwila	\$43,331

Source: ACS 5 Year Estimate 2009-2013

Federal Way's Regional Role

Federal Way is located at a mid-point in the Seattle-Tacoma metropolitan region at the intersection of I-5 and SR-18, with easy access to the Ports of Seattle and Tacoma and SeaTac International Airport. Federal Way's location is a prime asset as traffic congestion and concerns over personal and freight mobility within the region become paramount issues for commerce and industry, as well as commuters. Nevertheless, the economic boom that is underway has largely been concentrated in the eastside communities and, downtown Seattle. However, with changes in the high-tech industry, such as increased opportunities for telecommuting; increasing traffic congestion; soaring housing prices; and increasing limits to growth in those areas, Federal Way is in an even better position from a regional perspective.

Economic Base

Federal Way's retail base is diverse and attracts customers from outside the City limits. Its market share; however, is relatively low compared to other Southwest King County communities. Although Federal Way retailers capture a good deal of the City's primary and secondary market expenditures for general merchandise and food trade, a high percentage of local shoppers go elsewhere to shop for items such as automobiles, apparel/accessories, miscellaneous retail purchase, building materials, and furniture.

As can be seen from the data in *Table IV-5*, in 2012 Federal Way's strongest employment sectors were Services, Health Care, Retail, and Tourism. The percentage of total employees in these sectors exceeded the South King County (Federal Way, Auburn, Burien, Des Moines, Kent, and Renton) percentages. The percentage of employees in Federal Way in the Healthcare, Retail and Tourism sectors also exceeded the countywide percentages; however, percentage of employees in Services in Federal Way was a little less than the percentage countywide. The City had noticeably fewer jobs than average in the Manufacturing and Wholesale Trade, Transportation, and Utilities sectors.

**Table IV-5
2012 Employment Estimates Federal Way and King County**

Employment Category	Federal Way Employees	Percentage of Total Employees	South King County Employees	Percentage of Total Employees	Countywide Employees	Percentage of Total Employees
Services Excluding Health Care & Tourism	6,765	22.95%	35,621	15.14%	318,997	27.90%
Healthcare	5,713	19.38%	23,763	10.10%	130,180	11.38%
Retail	4,585	15.55%	23,243	9.88%	107,884	9.44%
Tourism	3,654	12.40%	21,929	9.32%	118,063	10.33%
Education	2,087	7.08%	12,893	5.48%	70,974	6.21%
Finance, Insurance and Real Estate	1,964	6.66%	8,305	3.53%	62,621	5.48%
Government: Public Sector Employment Excluding Education	1,696	5.75%	17,480	7.43%	86,211	7.54%
Wholesale Trade, Transportation and Utilities	1,644	5.58%	42,177	17.92%	99,876	8.74%
Construction and Resources	853	2.89%	9,352	3.97%	47,469	4.15%
Manufacturing	516	1.75%	40,537	17.23%	100,982	8.83%
Total	29,477	100%	235,300	100%	1,143,257	100.00%

Source: 2012 PSCR Covered Employment Estimates by Jurisdiction

Retail, Lodging, and Restaurant Development



Developed and opened in 1975, as SeaTac Mall, the mall now known as the Commons was the primary force behind the growth of retail in Federal Way during the 1980s. After a period of some decline during the great recession, the Commons has new ownership and is in a period of growth. Since 2007, the Commons has added new tenants; these include the Century Federal Way Theatres, Target, Kohl’s, and most recently Dick’s Sporting Goods in the Fall of 2014. In 1995, Pavilons Centre replaced the old Federal Way Shopping Center, and in 2001 the

Pavilions Center Phase II, a major addition and redevelopment, came on line. In 1998, SeaTac Village was given a complete face-lift incorporating the City’s commercial design guidelines. In addition, in the late 1990s, a new Walmart store moved into the City Center (downtown), and there have been several renovations and remodeling of existing retail structures, including the conversion of the old Safeway building at the southwest corner of South 320th and Pacific Highway into Rite Aid and the former K-Mart into a Safeway store.

In early 2000, a 45,000 square foot Best Buy opened in the City Center and a 52,000 square foot Albertson’s remodel occurred in the Community Business zone along Pacific Highway South. Albertson’s has recently been acquired by Haggen, and the store was formally opened on June 6th. Also, Hong Kong Market will soon open in the Northshore Shopping Center (21st Avenue SW and SW 356th Street).

In 2006 and 2007, the portion of the Commercial Enterprise zoned area located between South 344th and South 356th Streets and Pacific Highway South and I-5 experienced both new development and redevelopment. The Federal Way Marketplace shopping center, located north of South 348th Street, was developed on a vacant 33.5 acre site. Federal Way Crossings and Lowe’s, located between South 348th and South 356th Streets, were constructed on previously developed parcels of 21 acres and 17.62 acres, respectively. The Federal Way Marketplace is a multi-tenant complex consisting of 245,785 square feet of commercial uses, including a 203,000 square-foot Walmart Supercenter, banks, full service and fast food restaurants, office, and storage uses. Federal Way Crossings is a multi-tenant complex consisting of 185,156 square feet of retail, commercial, and financial services restaurants; and Lowe’s is a 169,000 square foot home improvement center.

Between 1995 and 2015, five hotels/motels have been constructed in and around the City Center. These include Best Western plus Evergreen Inn & Suites, Courtyard by Marriott, Extended Stay, Comfort Inn, and Hampton Inn & Suites. In addition, a Holiday Inn Express, Sunnyside Motel (Travel Lodge), and Quality Inn have been built south of the City Center along Pacific Highway.

Since the comprehensive plan was last updated in 2007, a number of new restaurants have opened in Federal Way. These include Panera Bread, McGraths, and Buffalo Wild Wings, which were constructed on pads at the Commons Mall. Herfy’s Burgers and Stacks (formerly Mooyah) moved into SeaTac Village and Pimienta Bistro and Bar moved to the corner of Hoyt Road SW and SW 340th Street. East India Grill and the Ram moved into Gateway Center. Applebee’s relocated from within the Commons to an outside pad, and Billy McHale’s relocated from SeaTac Village to Celebration Center.



Office Development

Federal Way’s East and West Campus developments set a standard in the region as two of the best examples of master-planned office campuses in the Pacific Northwest. The quality of office development in these areas is decidedly different than elsewhere in Federal Way and Southwest King County.

Since incorporation, the majority of new office development has been located within Federal Way’s East Campus, which is presently developed with more than 1.5 million square feet of office, not including the Weyerhaeuser Corporate Headquarters and ancillary buildings, which total approximately 358,000 square feet.



Between 1990 and 2006, the West Campus area saw little new office development. Permits had been issued, but not picked up, due to rising vacancy rates. However, since 2006-2007, there has been an additional 27,575 square feet of office space constructed, for a total of 1,564,306 square feet. Citywide, as of 2012, there was a 24.6 percent overall office vacancy rate. This percentage will increase dramatically once the Weyerhaeuser Corporation moves its headquarters to Seattle in 2016. In the City Center, only 3,699 square feet of office space has been constructed since the last comprehensive plan update, and office buildings continue to constitute a minority of the City Center’s development.

Commercial Enterprise

There has been no substantive Business Park development since the City’s incorporation. This lack of Business Park development suggests the influence of market forces outside of the City limits, where cheaper land, better freight access, and established industrial parks act as a draw for prospective business park development. As a result, in 2007 the City adopted a new zoning designation, the Commercial Enterprise (CE) designation, which replaces the former Business Park (BP) zoning designation. The CE designation was created in order to meet changing market conditions, as indicated by City market studies and by numerous rezone requests. The CE designation is intended to capture the demand for a diverse mix of industrial, office, and retail sales and services, arrayed in well integrated, high quality developments.

Residential Development

One of Federal Way’s strengths is the range and quality of its housing stock. The quality, quantity, and range of options for housing are major factors in business siting decisions. Please refer to Chapter 5, Housing, for a description of housing in Federal Way.

Institutional, Educational, Cultural, Recreational Development and Tourism

The City boasts a number of outstanding health care facilities, including St. Francis Hospital, Virginia Mason Clinic, and Group Health. This growing medical sector includes Total Renal Care Inc. (DaVita) and Children’s Hospital, which is expected to open in 2015.

Built in 1998, the Knutzen Family Theatre provides a venue for professional theatre and the symphony. A City owned/operated Community Center, which offers a wide variety of classes and recreational facilities, was constructed in 2007. The Federal Way Parks, Recreation, and Cultural Services Department offers a summer concert series at Steel Lake Park. Each year, Federal Way’s July 4th *Red, White, and Blues* festival is held at Celebration Park.



Tourist attractions in Federal Way include Wild Waves Theme Park which has a regional draw during the summer; the King County Aquatic Center, which hosts national swim meets; Celebration Park where the nationally acclaimed tournament soccer and baseball facilities draw tourist activities; the Pacific Bonsai Museum, which features outstanding bonsai from the Pacific Rim nations of Canada, China, Korea, Taiwan, and the United States; the Rhododendron Species Botanical Garden, home to one of the largest collections of species of rhododendrons in the world; PowellsWood Garden, which includes seven distinct gardens separated by hedges; the City-owned Dumas Bay Centre, which offers meeting rooms and overnight accommodations in a spectacular natural setting with stunning

views of Puget Sound and the Olympic mountains; West Hylebos Wetlands Park, a 120 acre wetland park with a large trail and boardwalk network; the Brooklake Community Center, which potentially could be connected to the West Hylebos Wetlands Park by extension of the boardwalk, and could also include an educational/learning center focused on the history of the property and surrounding areas and/or environment; and the Farmers Market, which acts as a gathering place for the community during the Spring and Summer.

The City is also in the planning stages for a 700-seat, 44,000 square foot Performing Arts and Events Center (PAEC) and associated hotel, which will be built in the City Center. The PAEC has the potential to generate significant redevelopment in the City Center.

In 2001, the DeVry University opened their first Northwest Campus in Federal Way. This 100,000 square foot facility provides technology training customized to increase employee workplace skills.

The City is actively involved in recruiting a branch campus of a four-year institution or an institution of higher learning with programmatic elements consistent with a four-year institution. The City is also pursuing education programs through partnerships in specialized career focused areas. The university and education initiatives are being pursued to enhance educational and training opportunities to establish career paths and prepare students for the market economy of the future.

4.3 KEY ISSUES AND TRENDS AFFECTING FEDERAL WAY'S ECONOMIC FUTURE

Strengths of the Local Economy

According to the City's Economic Development Strategy, Federal Way's strengths lie in its young population, quality of life, and location.

- *Young Population* – Federal Way has a young population compared to King County and the state. According to the ACS 5 Year Estimate 2009-2013, approximately 50 percent of Federal Way's population is less than 35 years old, compared to 47 percent for both King County and the state. In addition, the median age in Federal Way is 35 years as compared to 37 years for King County and the state.
- *Quality of Life* – There are a wide variety of recreational opportunities in the Federal Way area. These opportunities range from Dash Point State Park, a 398-acre state park on the west side of the city; Celebration Park, an 84-acre community park located approximately in the middle of the City with ball fields and walking trails; the Bonneville Power Administration right-of-way recreation trails; and Wild Waves Theme Park, a 72-acre water and amusement park.

In addition, Federal Way has a high percentage of affordable housing. In 2012, 35 percent of all occupied housing units were affordable for those at 51-80 percent of area median income, families making approximately \$40,000 to

\$59,000 based on a three-person household, and 24 percent of all occupied housing units were affordable for those at 41-50 percent of area median income, families making approximately \$24,000 to \$40,000 based on a three-person household. Federal Way has a low crime rate compared to Tacoma and other south end cities.

- *Location* – Federal Way is strategically located adjacent to Interstate 5 between the major cities of Seattle and Tacoma, close to an international airport, and the deep water marine terminals of the ports of Seattle and Tacoma. It is also part of a market area with a population of 3.7 million.

Challenges Facing Federal Way

According to the City’s Economic Development Strategy, there are several key issues that impact the City’s economic future. These include the following:

- *Jobs Housing Balance* – Historically, Federal Way has had a jobs/housing imbalance. In 2013, Federal Way had a jobs/housing ratio of 0.83, compared to 1.51 for King County and 1.15 for the four-county Central Puget Sound region. A low jobs/housing ratio indicates a housing-rich “bedroom community,” while a high jobs/housing ratio indicates an employment center. Federal Way has been a bedroom community to Seattle and Tacoma. This has caused constraints on infrastructure and mass transit systems, and gridlock at rush hours. Through the reuse of the Weyerhaeuser campus and the redevelopment of downtown, there is opportunity to create employment opportunities for the City’s residents by bringing new businesses or expanding existing businesses.
- *Income Levels* – Based upon the ACS 5 Year Estimate 2009-2013, 16 percent of Federal Way’s population lives below poverty levels compared to 11 percent for King County and 13 percent for the state. Additionally, the Median Household Income of Federal Way was \$55,872, compared to \$71, 811 for King County, and \$59,478 for the state.
- *Education Levels* – Data from the ACS 5 Year Estimate 2009-2013 identified 25 percent of the population of Federal Way as having a bachelor’s degree or better. This is less than the state percentage at 32 percent, King County at 46 percent, and Seattle at over 50 percent. In the “Information Age,” an educated workforce is tantamount to success for a business.
- *Departure of Weyerhaeuser* – This longtime business has made a decision to consolidate and move into a new building in downtown Seattle. This movement will create a loss of 1,250 jobs to Federal Way. The reuse of their 430 acre campus, two iconic buildings, and corresponding property provides an unequalled opportunity to bring the next generation of businesses and jobs to Federal Way.

4.4 IMPLEMENTATION

Attributes of Successful Economic Development Programs

Successful economic development programs typically have the following attributes. First, they receive material support and leadership from the Mayor, City Council, and senior City staff. Second, the municipal leadership is willing to work creatively and cooperatively with private sector leaders and businesses to accomplish economic development goals. They have the ability and find the resources to target infrastructure projects and programs to encourage development or redevelopment of specific areas. To do this, they work aggressively to secure state and federal funds for local public and private assistance. The City is committed to the above principles in development and execution of its economic development strategy.

The City has also been creative and open to exploring and adopting innovative regulatory and incentive programs to attract and retain businesses and development projects, such as the Multi-Family Tax Exemption. Key among such programs should be any efforts aimed at predictable and streamlined permitting processes, such as the SEPA Planned Action in the City Center.

The City's Role in the Economic Life of a Community

In the State of Washington, the direct actions that cities can take to encourage economic development have historically been more limited than in other states.

However, one of the most significant direct actions a city can take is to provide the necessary infrastructure. This includes: 1) developing long term facilities expansion plans for infrastructure such as roads; 2) designing the specific systems and projects; 3) raising or borrowing local funds to finance the projects or act as a conduit for state, federal, and intergovernmental funds; and 4) forming public-private partnerships to jointly construct projects. Since incorporation, the City with the assistance of state and federal funds, has widened and improved Pacific Highway South and South 320th Street, both major corridors through the City. This has facilitated the movement of traffic and goods through and around the City as Pacific Highway South is a major north-south arterial and South 320th street is a major east-west arterial.

Second, a city can deliver high quality and cost effective urban services. These necessary services include police and fire protection; parks, recreation, and cultural services; social services and job training; and a well-run land use planning and regulatory process. In an effort to provide high quality and cost effective service, and in order to reduce crime rates, the City of Federal Way formed its own Police Department in 1996, six years after incorporation. In 1997, the City constructed Celebration Park, an 84 acre community park. This has made a large contribution to the local economy in terms of bringing baseball and soccer tournaments to the City, thus benefiting the lodging and eating establishments. In addition, a city can actively participate in public/private groups designed to help businesses and the development community as they work their way through the state and federal regulatory processes.

Third, a city can directly impact economic development by doing market research or by being a landowner and developer. For example, a city could develop, maintain, and disseminate data and analysis on local development conditions and trends, as well as monitor important trends and assumptions upon which plans, programs, and strategies are based. The City maintains a web site which contains a variety of economic development-related information aimed at marketing the community in order to attract new businesses to the area. In addition, a city can buy land, aggregate parcels, and make necessary improvement so that it is ready for new development or redevelopment.

For example, the City has acquired 17 acres in the downtown and will be embarking on developing a Town Center, which includes four components (See additional discussion in Chapter 7, City Center):

- Four acres for a Performing Arts and Events Center (PAEC) (Town Center I).
- Four acres for a park (Town Center II).
- Eight acres for a hotel and potential development opportunities for office, medical office, higher educational facilities, retail and restaurants, along with arts and entertainment venues. In addition, there is a smaller component for office or institutional space (Town Center III).
- One acre for transit-oriented development (TOD) located west of the transit center and multi-story parking garage owned and operated by Sound Transit (Town Center IV).

For some projects, a city can issue industrial revenue bonds or other tax-free municipal bonds. This also allows a city to joint venture with a private sector partners for appropriate development.

In terms of indirect roles, a city can act as a facilitator to convene public and private entities to work on issues of local importance and reach consensus. Preparation of a comprehensive plan and Economic Development Strategy are examples of this important indirect action. A city can act as a representative of local residents' and business' interests in resolving regional and countywide problems such as traffic congestion, housing, and human service issues. A city can also mobilize local community support for important projects and problem solving; and work to improve the overall image of the community and in doing so, make the community more attractive for economic development.

Lastly, a city's public investment in municipal facilities, such as city administrative offices, judicial/court facilities, community centers, and cultural and recreational venues can be a factor in inducing further economic development. By targeting a subarea for an infusion of redevelopment investment and daytime population, nearby businesses not only may see a greater captive market, but may also be encouraged to remodel, renovate, and/or improve their establishments. Cultural and recreational facilities, like the PAEC, or seasonal activities such as the Federal Way Farmers' Market can also have a wide range of economic impact, from simply attracting residents to a particular part of the city (e.g., city center) more frequently where they may patronize other businesses, to attracting visitors from around the region and country who will bring new revenue to the local economy through lodging, restaurant, and goods/services expenditures.

Economic Development Strategy for Federal Way

The Mayor’s Economic Development Strategy for Federal Way for 2015-2016 can be found in the January 2015 City of Federal Way, “Some Assembly Required – An Economic Development Strategy.”

4.5 THE ECONOMIC DEVELOPMENT VISION FOR FEDERAL WAY

The vision for economic development in Federal Way is to become a premier community in the Puget Sound region. This vision will be accomplished through the mission of producing solutions to attract and retain businesses, jobs, and investments, along with improving the tax base and enhancing the quality of life in Federal Way.

Economic Development Goals

The City of Federal Way will not wait for market forces to create the future, but will act to shape and accelerate the evolving market trends in the direction of its vision. The City will pursue the following goals to implement economic development.

Goal

EDG1 *Promote and create a sustainable, diversified and globally focused economy.*

Policies

EDP1 Cooperate with the federal, state, and region’s public jurisdictions and private entities on matters of individual interest including: economic, social and environmental issues.

EDP2 Periodically monitor local and regional trends to be able to adjust plans, policies, and programs.

EDP3 In conjunction with the local business community, actively pursue ties to Pacific Rim nations and businesses to stimulate related business activity.

Goal

EDG2 *Help attract, expand, and retain businesses, jobs, and investments that provide employment and enhance income opportunities for Federal Way residents.*

Policies

EDP4 Actively recruit new employers to the City.

- EDP5** Promote the continued diversification and sustainability of the local economy and expand employment opportunities for residents.
- EDP6** Provide a better balance between housing and jobs by increasing the number of jobs within the City relative to the number of households.
- EDP7** Diversify the economic base by encouraging higher paying white collar and technical jobs while preserving and enhancing the strong retail base.
- EDP8** Promote the redevelopment of existing underdeveloped areas as a means to sustain the economy and provide jobs.
- EDP9** Continue to utilize design guidelines to enhance the urban environment in order to retain and attract businesses and residents.
- EDP10** Continue to implement a streamlined permitting process consistent with state and federal regulations to reduce the upfront costs of locating businesses or redeveloping businesses in the City.
- EDP11** Continue to pursue aggressive public safety programs designed to protect residents, businesses, and their investments.
- EDP12** Continue to provide a business-friendly tax structure with no business and occupation tax or employee head tax.
- EDP13** Support existing industrial employers and addition of new industrial employers that contribute to the diversity of the City’s employment base and support other industries in the City.

Goal

- EDG3** *Work with the Weyerhaeuser Corporation for reuse of the Weyerhaeuser Corporate Campus to provide jobs for the next generation.*

Policies

- EDP14** Be proactive in attracting commercial development with high paying jobs to locate at the Weyerhaeuser Campus.
- EDP15** Consider allowing a wider range of uses in response to market conditions at the Weyerhaeuser Campus.

Goal

- EDG4** *Build a brand to promote and enhance the image of Federal Way.*

Policies

- EDP16** Provide and work with partners, such as the Federal Way Chamber of Commerce, to ensure effective and efficient services to residents, businesses and visitors in the effort to become a “Premier City in the Puget Sound region”
- EDP17** Promote the community by working with the Federal Way Chamber and the private sector to develop marketing tools that attract new businesses, visitors, and investments.
- EDP18** Fund the public portion of public/private groups to allow the groups to do an effective job in marketing the community.
- EDP19** Continue to manage an economic development web page that promotes business and development within the community, provides an interactive database of information of value to businesses and developers, and involves the participation of the Federal Way Chamber and other stakeholder groups.
- EDP20** Continue to market the community for, and encourage development of, businesses in the high-tech sector. This effort will include exploration of regulatory and/or financial incentives to attract high-tech businesses and collaboration with regional communities, businesses, and local institutions of higher education to promote Federal Way and South King County.

Goal

- EDG5** *Ensure education opportunities align with future job growth.*

Policies

- EDP21** Actively promote the continued diversification and sustainability of the local economy along with education opportunities through a “University Initiative.”
- EDP22** Strive to create working partnerships with institutions of higher education in order to encourage and support their location, expansion and further integration within the Federal Way economy, and identify and exploit increasing opportunities for economic development.
- EDP23** Recruit a university branch campus to locate in the downtown close to the transit center, and other civic and urban amenities.

Goal

- EDG6** *Formulate tools and systems to encourage and enhance entrepreneurship.*

Policy

- EDP24** Consider opportunities to partner with local human-service organizations in providing human resources development programs for unemployed or under-employed workers.

Goal

- EDG7** *Emphasize redevelopment that transforms the City from a suburban bedroom community to a diverse jobs-rich urban center.*

Policies

- EDP25** Implement zoning and provide financial incentives that encourage prioritized development consistent with comprehensive and subarea plans and orderly, phased growth.
- EDP26** Actively work to facilitate joint public/private funding of infrastructure.
- EDP27** Actively work with representative groups of business and property owners, including the Federal Way Chamber and other local business associations, to enhance citywide and subarea improvements and planning.
- EDP28** Continue to look for opportunities to assimilate land in the City Center in order to achieve the community's vision for that area.

Goal

- EDG8** *Encourage concentration of non-residential development into five primary areas:*

- *High-density mixed-use development in the City Center.*
- *High-quality low/mid-rise mixed-use development in the Twin Lakes Commercial Sub-area.*
- *A mix of commercial, office, retail, and light industrial development in the area around 348th and SR-99 and around the I-5/SR 18 interchanges.*
- *High-quality office park development, including corporate headquarters, continued in and around West Campus.*
- *High-quality commercial development, including corporate headquarters in a park-like campus in East Campus and the Weyerhaeuser Campus.*

Policies

- EDP29** Encourage redevelopment of the City Center.
- EDP30** Build out the Town Center with a mix of uses such as the Performing Arts and Events Center (PAEC), public park, and a mix of residential, commercial, office, educational, and civic uses.
- EDP1** Work with the local real-estate community to reoccupy the vacant office buildings in West Campus.
- EDP32** Continue to implement high-quality urban design standards for these areas.

EDP33 Continue to utilize the SEPA Planned Action for the City Center so that compliant development proposals may receive permit approvals with a minimum of environmental review.

EDP34 Explore innovative financing techniques such as Local Improvement Districts, Industrial Revenue Bonds, New Market Tax Credits, and other innovative financing tools to encourage desired redevelopment.

Goal

EDG9 *Encourage and support the development of recreational and cultural facilities and/or events that will bring additional visitors to Federal Way, and increase visitor spending.*

Policies

EDP35 Recognize the importance of cultural and recreational activity to the economy, and through the Lodging Tax Advisory Committee, Arts Commission, and Parks Department pursue joint ventures with private groups and individuals in developing cultural and recreational opportunities in Federal Way.

EDP36 Encourage the expansion of existing and development of new multi-purpose facilities to host cultural and recreational activities, and continue to work with the lodging providers in order to increase the number of visitors to Federal Way, thus increasing visitor spending.

Map IV-1 Federal Way Location within King County

