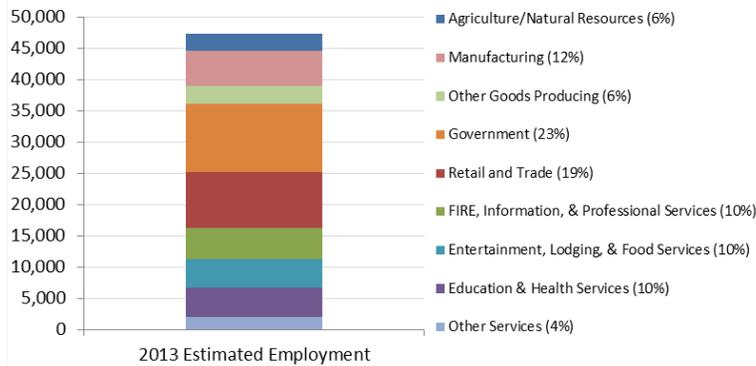


both began to recover in 2010; Skagit County’s recovery has lagged by a year.⁶ As of mid-year 2014, Skagit County was still lagging the state and the nation in its recovery. Based on recent employment projections, the county will not approach peak employment until after 2018, which would equal a ten-year period to recover the jobs lost during the Great Recession (See Figure 12).

Figure 11
Skagit County Employment Distribution and Major Private Employers



Source: Employment Security Department, Quarterly Census of Employment & Wages

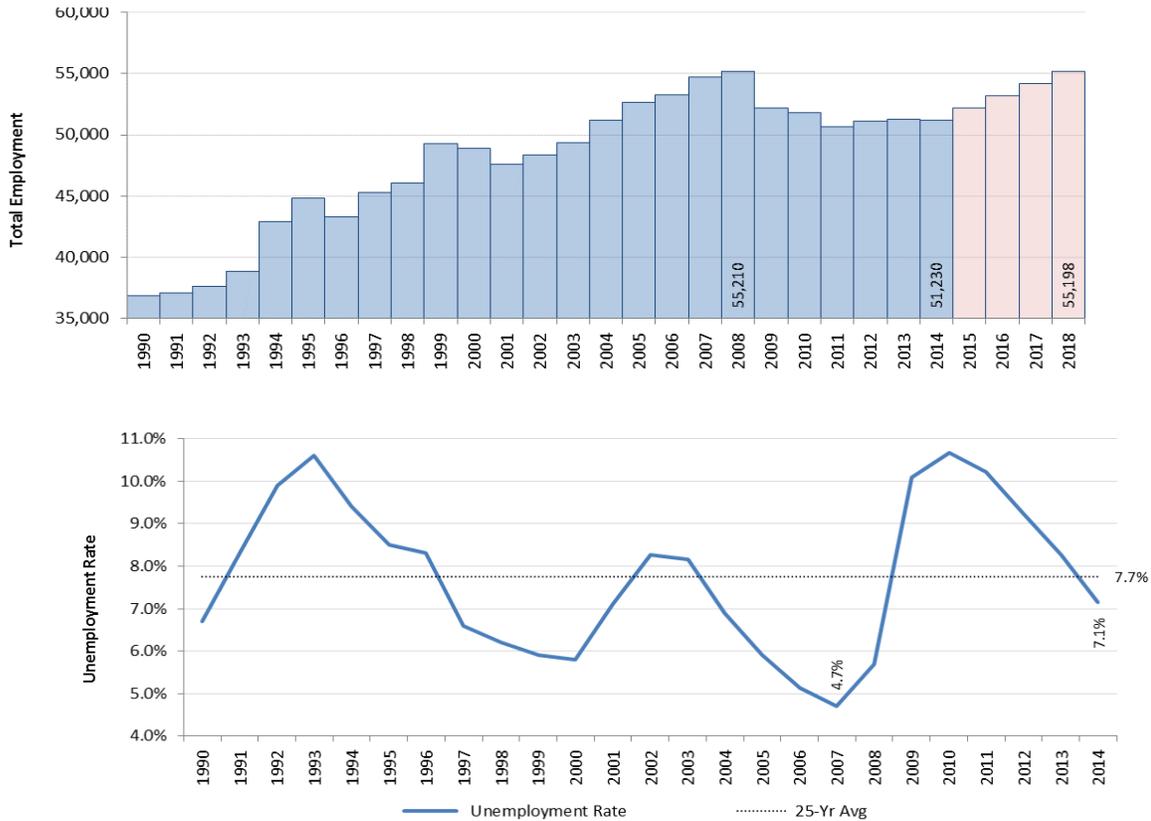
Company Name	Industry	City
Janicki Industries	Manufacturing	Sedro Woolley
Regence BlueShield	Education & Health Services	Burlington
Skagit Valley Casino Resort	Entertainment, Lodging, & Food Services	Bow
Shell Puget Sound Refinery	Manufacturing	Anacortes
Tesoro Anacortes Refinery	Manufacturing	Anacortes
Dakota Creek Industries	Manufacturing	Anacortes
Trident Seafoods Corporation	Manufacturing	Anacortes
Draper Valley Farms	Manufacturing	Mount Vernon
PACCAR	Manufacturing	Burlington
Dunlap Towing Co.	Retail and Trade	La Conner

Source: Economic Development Association of Skagit County, 2011

⁶ Anneliese Vance-Sherman, PhD, regional labor economist, Employment Security Department. Skagit County Profile. August 2013.

As the labor market has slowly improved, the unemployment rate has declined steadily since the peak of 10.7 percent in 2010 (See Figure 12). The current rate is 7.1 percent and is now below the 25-year average of 7.7 percent.

Figure 12
Skagit County Employment and Unemployment Rate Trends



Source: Employment Security Department/LMEA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

4.2.1 Use Type

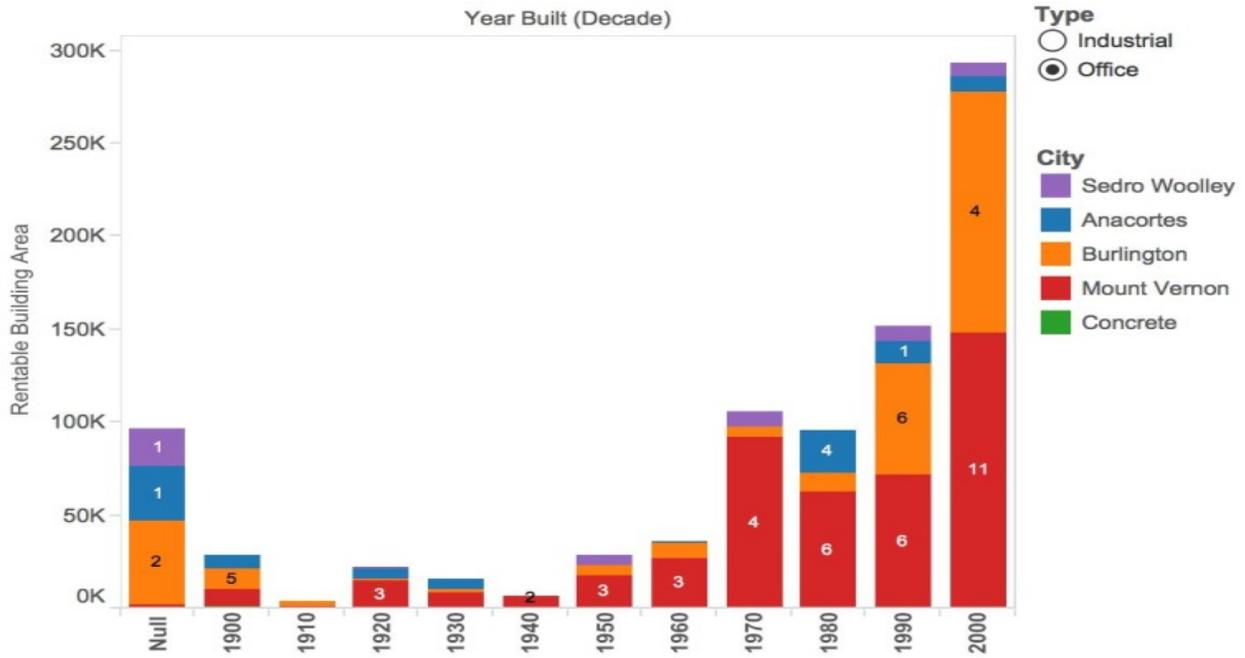
This section assesses current market conditions of potential uses that could potentially be accommodated on the Center.

OFFICE

The market for office space in Skagit County has seen significant growth since 2000, with over 290,000 square feet delivered during that period representing roughly one-third of the entire county’s 883,614 square feet of total office building space. Nearly 95 percent of this relatively new supply has been concentrated around the I-5 corridor in the cities of Burlington and Mount Vernon. The city has just over 50,000 square feet of office square footage, representing 5.7 percent of the county’s total supply. Of the 90 buildings surveyed in Skagit County, the average office building size is less than 10,000 square feet, while Sedro-Woolley’s eight buildings average 6,300 square feet. There are no office buildings in the county with more than 100,000 square feet. To contextualize the scale of the Skagit County office market, Whatcom County’s office market comprises 2.8 million square feet in 220 buildings and Snohomish County totals 16.0 million

square feet in 1,137 buildings. Skagit County’s office supply is one-third and one-twentieth of the Whatcom and Snohomish county markets, respectively.⁷ Figure 13 illustrates countywide office delivery trends by decade, while Figure 14 depicts the concentration of the county’s office buildings.

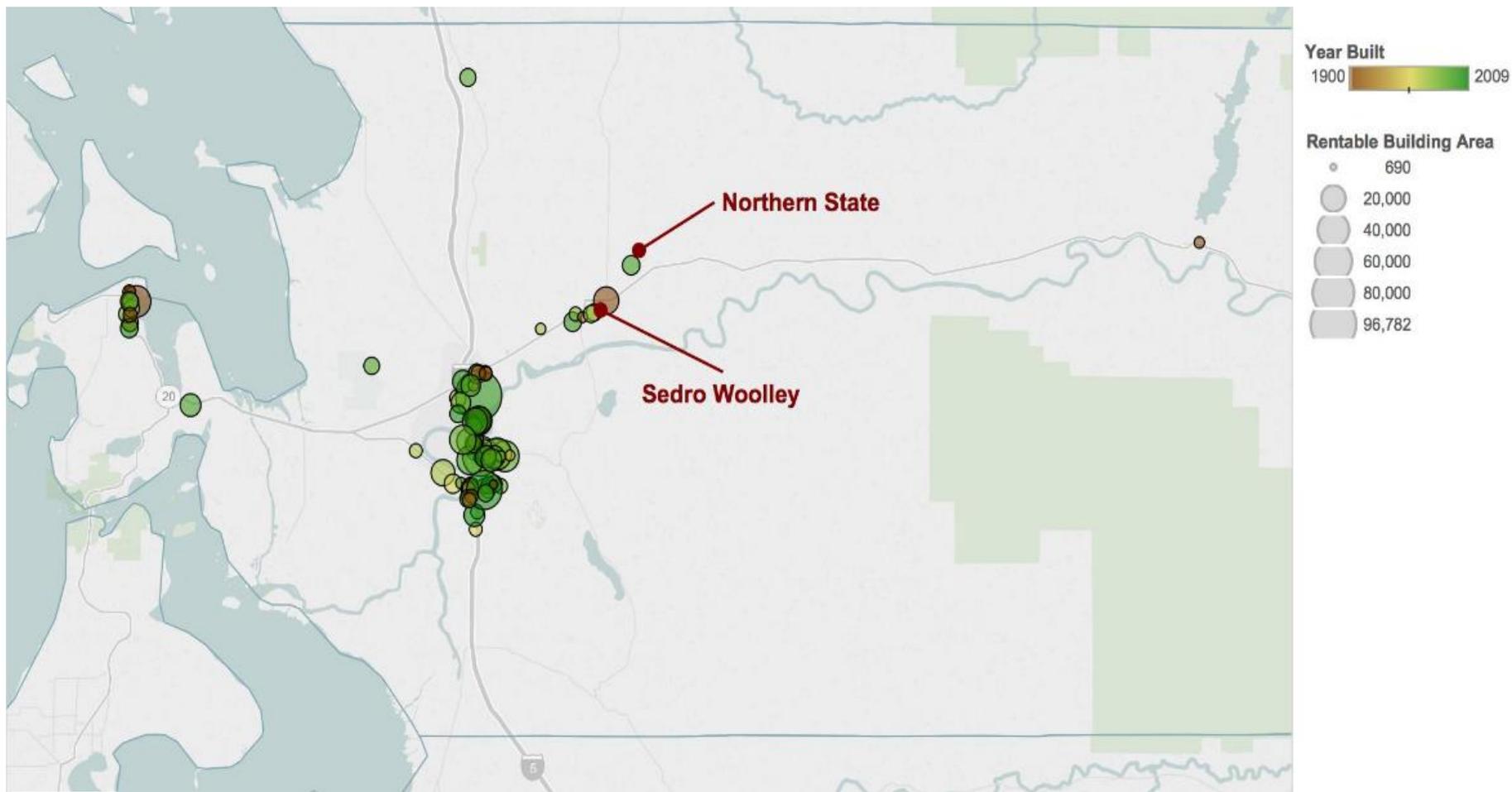
Figure 13
Skagit County Office Delivery Trend



Source: CoStar.

⁷ Data referenced from CoStar.

Figure 14
Skagit County Office Product Distribution Map



Source: CoStar.

The county's current average gross asking rental rate for office space is \$14.15 per square foot per year. This asking rate is 6.2 percent below the five-year average rate of \$15.03. At \$12.00 per square foot, the limited office supply found in Sedro-Woolley has an average asking rate that is \$2.15, or 15 percent, less than the countywide average rate. The current office vacancy rates for the county and the city are 13.8 percent and 13.3 percent, respectively. The current rates are approximately 5 percent higher than the five-year average. Figure 15 summarizes the Skagit County/Sedro-Woolley office market.

Figure 15
Skagit County/Sedro-Woolley Office Market Fundamentals

	County			Sedro Woolley			Comparison	
	Current	5-Year Avg		Current	5-Year Avg		Value	Note
Buildings	90			8			8.9%	SW % of County
Rentable Area	883,614			50,060			5.7%	SW % of County
Average Age	48.8			43.5				
Gross Rent Per SF	\$14.15	\$15.03	↓	\$12.00	\$11.68	↑	(\$2.15)	SW < County
Vacancy Rate	13.8%	9.2%	↓	13.3%	7.6%	↓	-0.5%	SW < County
Vacant SF	121,869	78,009	↓	6,639	3,781	↓	5.4%	SW % of County
Months on Market	17.3	17.5	↑	45.6	18.6	↓	28.3	SW > County

Source: CoStar.

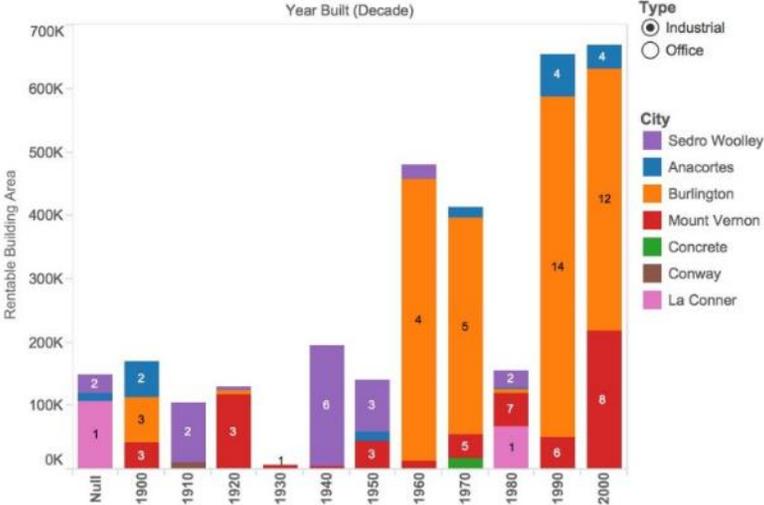
As of 2015, there is only one office building in the development pipeline: the Kulshan Creek Professional Office, located in Mount Vernon, east of I-5. This lack of proposed development is not unexpected, given the current office market fundamentals and slow job growth. Any new office development in the county and the city in the coming years likely will be necessitated by an owner/user rather than speculatively built.

INDUSTRIAL

The industrial market in the county experienced significant growth in the 1990s and 2000s, with over 1.3 million square feet delivered during that period, representing roughly 40 percent of the entire county's 3.3 million square feet of total industrial inventory. Approximately 90 percent of this 1990s/2000s supply has been concentrated around the I-5 corridor in the cities of Burlington and Mount Vernon. The area surrounding the Skagit Regional Airport, known as Bayview Ridge, has also been one of the County's focus areas for industrial land uses. During the 1990s and 2000s this area captured nearly 40 percent of the development. Going forward, the Bayview Ridge area is primed to accommodate more industrial facilities as demand warrants because of its location outside the floodplain. The city has just over 77,000 square feet of industrial square footage, representing 2.7 percent of the county's total supply. To contextualize how small the Skagit County industrial market is, Whatcom County's industrial market comprises 5.1 million square feet in 246 buildings and Snohomish County totals 34.6 million square feet in 1,050 buildings. Skagit County's industrial supply is 66 percent of the Whatcom County market and only 9 percent of Snohomish County's market.⁸ Figure 16 illustrates Skagit County-wide industrial delivery trends by decade, while Figure 17 depicts the concentration of the county's industrial supply.

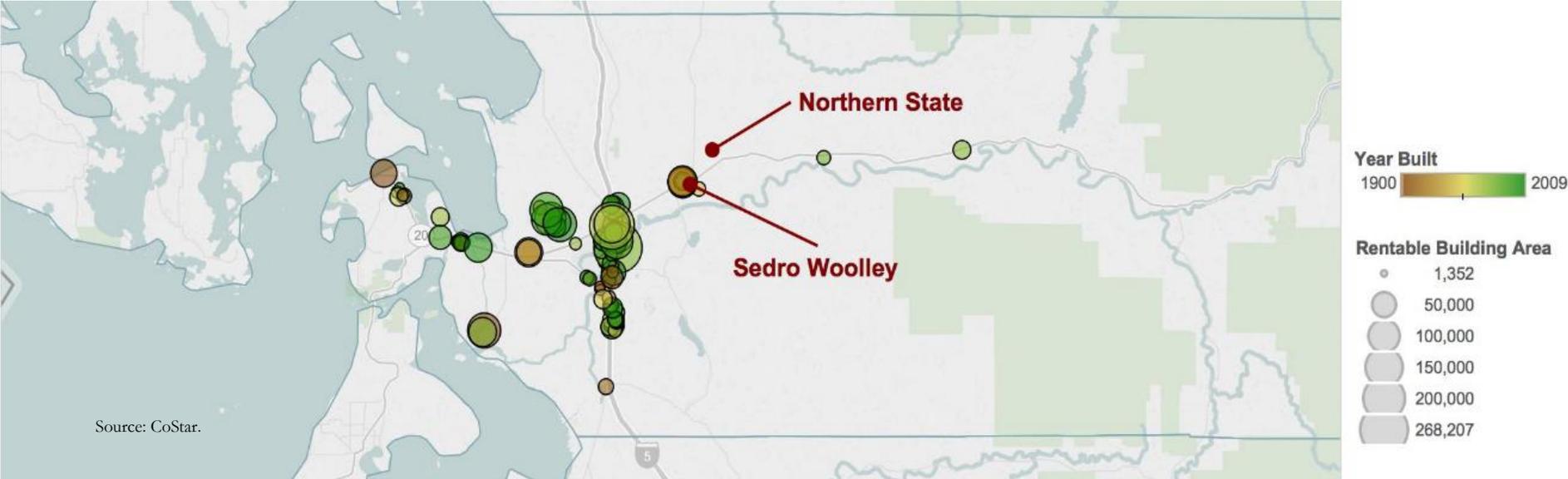
⁸ Data referenced from CoStar.

Figure 16
Skagit County Industrial Delivery Trend



Source: CoStar.

Figure 17
Skagit County Industrial Product Distribution Map



Source: CoStar.

The county's current average gross asking rental rate for industrial space is \$6.25 per square foot per year (see Figure 18). This asking rate is 3.0 percent below the five-year average rate of \$6.44. There are currently no listed asking rents in Sedro-Woolley. The current industrial vacancy rates for the county and the city are 16.0 percent and 1.6 percent, respectively. The county's current vacancy rate is approximately 10 percent higher than the five-year average, while Sedro-Woolley's industrial space is well utilized. The countywide vacancy rate is more indicative of the scale of market demand, while the low city vacancy rate illustrates both the strength of local businesses and the limited supply of real estate in the relatively small community.

Figure 18
Skagit County/Sedro-Woolley Industrial Market Fundamentals

	County			Sedro Woolley			Comparison	
	Current	5-Year Avg		Current	5-Year Avg		Value	Note
Buildings	104			7			6.7%	SW % of County
Rentable Area	3,275,567			457,374			14.0%	SW % of County
Average Age	38.6			63.3				
Gross Rent Per SF	\$6.25	\$6.44	↓	-	-	-	N/A	SW < County
Vacancy Rate	16.0%	6.2%	↓	1.6%	0.9%	↓	-14.4%	SW < County
Vacant SF	523,244	179,082	↓	7,100	710	↓	1.4%	SW % of County
Months on Market	44.4	22.7	↓	-	-	-	N/A	SW > County

While there is ample land for industrial development in Skagit County, there is only one industrial project noted in the development pipeline: a 13,000-square-foot warehouse development opportunity located in Mount Vernon, west of I-5. Much like the office market, this lack of proposed development is not unexpected, given the current market fundamentals and slow job growth.

HOSPITALITY

Hospitality owners and/or managers may be attracted to the Center because of its picturesque setting and the rare concentration of historic buildings. The on-site amenities that currently exist as well as those that could be developed over time present an opportunity to create a destination resort that can occupy multiple buildings and provide a place to stay as well as explore. A hospitality program could include guest rooms, a restaurant(s) that may source some of its food from area farms, a conference center, and recreation opportunities on the Center as well as on the adjoining County-owned parkland that surrounds

Figure 19
Aerial Image of McMenemy's Edgefield Resort



Source: <http://www.mcmenamins.com/>

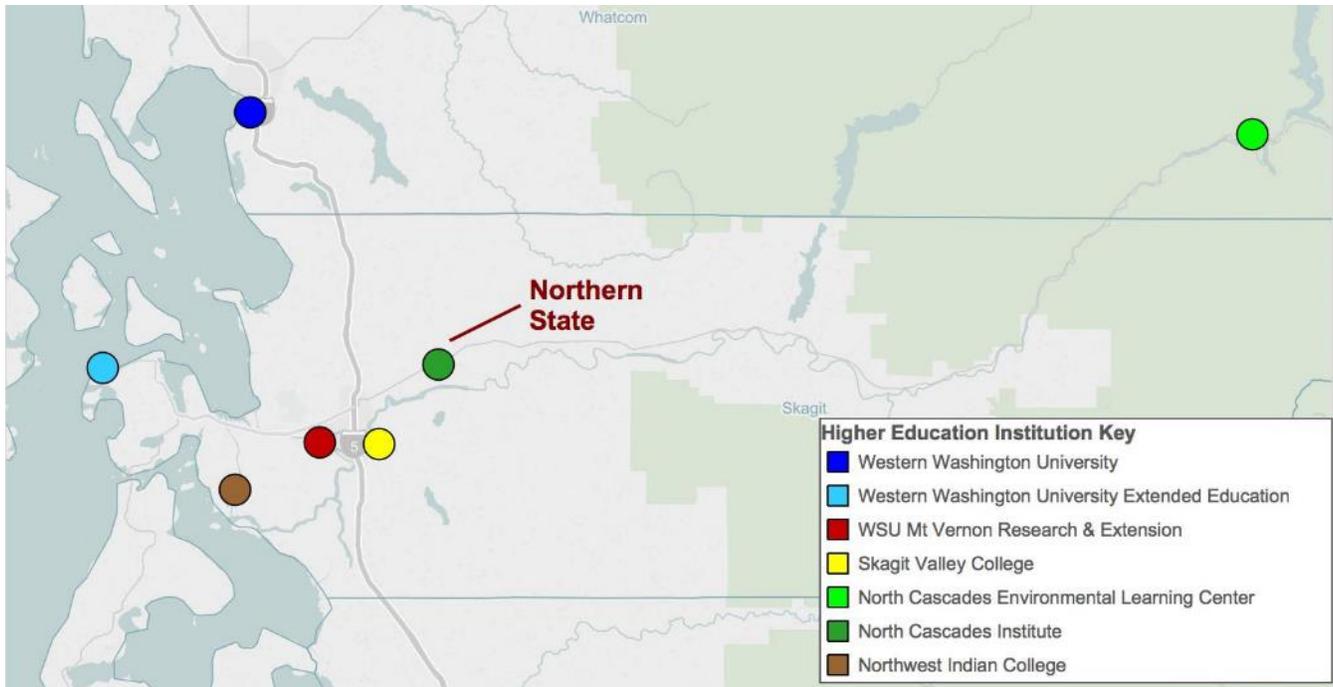
the Center. The Trevennen Building was originally designed as nurses' quarters and has the character and floor plan to make an attractive boutique hotel. Any of the existing seven ward buildings could support guest rooms or other supporting functions, while the remaining stock could house any of the elements that support the resort's regional draw. A destination hospitality program at the Center could draw inspiration from regionally renowned resorts such as McMenemy's Edgefield Resort (see Figure 19). This roughly 100-acre property, which is located approximately 20 miles east of Portland, Oregon, features 114 hotel rooms, ten restaurants and bars, a brewery and winery, a working farm that supports the restaurants, a ballroom, a movie theater, a spa, a golf course, a concert stage, and many other on-site attractions that help drive demand.

EDUCATION/RESEARCH

Another user group that may be a good fit for the Center is educational and research organizations. These educational organizations could be either extensions of the five four-year universities in the state, a community college campus location, or a private school. Educational institutions would be a natural fit for the campus layout at the Center; the existing buildings could support classrooms, boarding, and other support functions such as administrative, recreation, and dining. The concept for a research campus is one where a technology, biotechnology, other laboratory-based or even outdoor recreation equipment development entity utilizes the Center to establish a creative environment that offers researchers a place to focus on their pursuits while promoting innovation for their organization.

The locations of higher education facilities in Skagit County and Whatcom County are illustrated in Figure 20. The seven institutions with a presence in this area include Western Washington University’s main campus in Bellingham and extension programs for Western Washington University and Washington State, with a focus in marine sciences and agriculture/food science, respectively. There is also the Skagit Valley College, which offers two-year degrees and limited four-year degrees; the Northwest Indian College branch campus in La Conner; and the private North Cascades Institute that offers a master’s in education.

Figure 20
Higher Education Locator Map



4.3 JANICKI BIOENERGY

A unique proposal has been put forward by Janicki Bioenergy to potentially utilize the Center as a technology innovation center focused on public health and sanitation issues in developing countries. The Janicki Bioenergy proposal is a research and development facility rather than solely a manufacturing center. While the facility is expected to include some manufacturing operations, these will be limited to developing, testing, and smaller-scale production. The facility is expected to employ a larger number of engineers, designers, and managers than a typical manufacturing facility. This may create opportunities for renovation of some historic buildings to support office space.

The proposed Janicki Bioenergy research and development center could also support complementary hospitality facilities for foreign dignitaries, visiting project partners, and technicians who would come to the Center to be trained to operate and maintain the innovative equipment.

The Janicki Bioenergy proposal for a research and development center includes education and training components that fit into the “education/research” market sector. Janicki Bioenergy envisions bringing people in from around the world to train and learn to operate innovative sanitation technologies, which complements the potential for hospitality uses. There are also potential opportunities for synergistic academic research to be conducted alongside the commercial operation.

5 LAND USE REGULATORY FRAMEWORK

The Center was annexed into Sedro-Woolley on September 19th, 2015; transferring the regulatory authority to the City. The key elements of the pre-annexation land use regulatory framework for the city are summarized in this section.

5.1 COMPREHENSIVE PLAN

Under the Washington State Growth Management Act, local Comprehensive Plans establish the policies and framework for the physical development of a community. The Comprehensive Plan designates general types of land uses. Zoning ordinance and development regulations providing finer-detail requirements must comply with the Comprehensive Plan policies and land use designations.

CITY OF SEDRO-WOOLLEY

The Center was included in the UGA as part of the City's Comprehensive Plan amendments in 1998. As this is an area outside the city's boundary but in its UGA, the City has established a land use designation for the Center in anticipation of potential future annexation. The City Comprehensive Plan Land Use Map designates the Center as Public. This designation allows for a range of potential uses in the public interest, and is not restricted to only open-space use (see Section 5.2).

The City's Comprehensive Plan includes a number of goals and policies that support redevelopment of the Center, including the following:

Economic Development Element Goal E1: To develop a sound fiscal base.

Policy E1.1: Create employment opportunities within the Sedro-Woolley economy, particularly for residents who now commute to distant employment areas.

Policy E1.2: Participate with other public agencies and private interests in labor force training programs that take advantage of traditional resources.

Policy E1.3: Identify and promote sites that can be developed for a variety of local employment projects. Promote development of business and industrial parks, office and professional centers, and specialized commercial and entertainment centers.

Policy E1.4: Work with property owners to determine the effective development capacity of sites having employment center possibilities.

Economic Development Goal E2: To increase economic opportunities.

Policy E2.1: Encourage local business development opportunities and utilization by the private and public sector, particularly for small start-up businesses owned by or employing Sedro-Woolley residents. Promote local use of special small business financing and management assistance programs.

Policy E2.2: Identify facilities that may be used for small businesses. Assist efforts to reuse older buildings, redevelop vacant property, and revitalize the existing central business district.

Policy E2.4: Participate in special public/private ventures that provide public benefits and that are appropriate to Sedro-Woolley's long-range goals.

Policy E2.5: Reserve certain capable lands and sites for employment-related developments. Provide a suitable supply of commercial, retail, business, office, and industrial lands in Sedro-Woolley to reduce commuting requirements to outside areas for employment opportunities.

5.2 ZONING

With annexation the default zoning designation of the property will continue to be Public (P). Currently the “P” zone permits outright public uses, institutional uses, agriculture, and recreational uses and following conditional use permit approval, any other use, including commercial and industrial uses (SWMC) 17.32). The “P” zone has limited development restrictions. Building height is restricted to 60 feet but there are no minimum setback requirements.

These limited-use and regulatory restrictions currently in the “P” zone may not be sufficient for either this unique property or protection of the surrounding neighborhood from potentially adverse construction impacts. Therefore, the City intends to augment the “P” zone by requiring that all future development on the Center be consistent with the goals, policies, and development guidelines contained in an approved Subarea Plan and additional mitigating conditions within the Planned Action Ordinance.