

**CITY OF SEATTLE OFFICE OF ECONOMIC
DEVELOPMENT
BASIC INDUSTRIES ECONOMIC IMPACT ANALYSIS
*DRAFT***

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**Submitted to:
City of Seattle, Office of Economic Development**

**Submitted by:
Community Attributes Inc.**

Community Attributes will provide an addendum to this report, expected in July of 2009, providing an update of key tables with 2008 data on employment and workplaces. This report relies on 2007 employment data as the most recent data available at the time of completion (March, 2009).

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*Community Attributes tells data-rich stories
about communities that are important to decision-makers.*

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EXECUTIVE SUMMARY

The City of Seattle Office of Economic Development and the Department of Planning and Development seek to implement and refine strategies and programs that support the growth of Seattle’s “Basic Industries.” Seattle’s Basic Industries, include industrial and maritime businesses that lead exports from the region and serve the region with supplies and industrial service. These industries offer job growth potential; provide accessible, family wage jobs; fit with Seattle’s comparative advantages; and contribute significantly to the City’s tax base.

This report addresses the economic impact of Seattle’s Basic Industries, focusing on key trends and assets in the Puget Sound region, Seattle and its two industrial centers, the Duwamish Manufacturing Industrial Center (Duwamish MIC) and the Ballard-Interbay North-end Manufacturing Center (BINMIC). The report provides an information foundation for long-term strategic planning and near-term actions.

Key Findings

Interviews with more than 50 of Seattle’s industrial leaders and quantitative analysis of key trends and metrics emphasized the resilience and diversity of Seattle’s Basic Industries. Seattle industrial businesses are innovative and highly-skilled; and constantly adapting to meet the demands of an ever evolving global economy.

The key findings of the report summarized below identify significant historical trends and present future challenges and opportunities identified by Seattle’s Basic Industry leaders.

- **Basic Industry employment has experienced both growth and decline from 1995 to 2007.** From 1995 to 2000, Basic Industry increased by more than 9,000 jobs, a 10% increase during those five years¹. After peaking in 2000, Basic Industry employment declined five consecutive years, losing 24,000 jobs, representing 25% of the employment base. Employment in basic industry sectors has been on the rise, adding 5,000 new jobs from 2005 to 2008, outpacing total city wide employment growth in two of the last three years.

¹ Employment figures in this report are “covered” employment estimates based on the Washington State Employment Security Department’s (ESD) Quarterly Census of Employment and Wages (QCEW) series. This series consists of employment for those firms, organizations and individuals whose employees are covered by the Washington Unemployment Insurance Act. Covered employment excludes self-employed workers, proprietors, CEOs, etc., and other non-insured workers. Typically, covered employment has represented 85-90% of total employment. The employment data represents the number of jobs during March of the given year. All data was provided by Puget Sound Regional Council. Employment estimates for the City of Seattle are aggregate values from the PSRC database, with slight adjustments to match ESD totals. Employment estimates for Seattle’s Manufacturing Industrial Centers represent all jobs geocoded to a specific address in MICs.

- **Industrial jobs in Puget Sound region grew faster than nation in recent years.** Since 2005, Basic Industry employment in the Seattle-Tacoma-Bellevue MSA has grown by 4.0% from 2005 - 2008, and more than 6.0% percent in the City of Seattle from 2005 – 2008, compared to a net decline of 0.6% nationwide.
- **Diversification and innovation are driving growth in Seattle’s industrial community.** Basic Industry business owners plan to pursue growth by expanding into new markets (47%), developing new products (42%) and offering new specialized services (30%). Large and small business owners alike are capturing new market demand by integrating flexibility and innovation within current manufacturing and transportation processes.
- **Desirable location and logistics are Seattle’s primary industrial assets.** Over half of interview respondents emphasized that proximity to regional, national and international clients is the primary competitive advantage of being located in the Seattle. Half of interview respondents also cited port, highway and rail infrastructure as critical industrial assets that support superior logistics and shipping in Seattle’s MICs.
- **Industrial jobs offer competitive wages, however cost of living is a challenge for the industrial workforce.** In the City of Seattle, Basic Industry jobs pay an average of approximately \$54,000 compared to an average city wage of \$52,800. However, wage rates vary significantly by occupation. Business owners cite the high cost of living and the challenge of paying workers a “living wage” as major limitations to future industrial growth in Seattle.
- **Industrial talent needed.** Industrial business owners cited the need for talented workers as the number one factor limiting growth in Seattle’s Basic Industries (53%). When discussing the outlook of the Basic Industries, several business owners state that an aging workforce is rapidly approaching retirement and that there are fewer young professionals pursuing blue collar jobs to fill this void.
- **Industrial and non-industrial growth in BINMIC and Duwamish MICs.** The BINMIC and Duwamish MICs have experienced employment growth since 1995, with conditions favorable to both Basic and Non-Basic Industry sectors. The Duwamish MIC has grown by 11,000 jobs since 1995, a 20% increase. From 1995 to 2007, the Duwamish MIC added 2,500 Basic Industry jobs and 8,500 Non-Basic Industry jobs. Employment remained stable in the BINMIC since 1995; however Basic Industry jobs decreased while Non-basic Industry jobs increased.
- **Market forces and land demand challenges industrial growth in MICs.** Approximately one third of total business owners interviewed and

sixty percent of those that recently expanded or moved identified the availability and price of industrial real estate as the primary impediments to business expansion in Seattle.

- **Policy recommendations to support the industrial growth.** Business owners offered several policy recommendations to support the growth and retention of industrial businesses and jobs in Seattle. The top three recommendations include: improve transportation infrastructure and traffic management; streamline permitting, review, regulation and taxes; and; offer workforce training, education and placement.

Summary of Basic Industry Economic Impacts, 2001 & 2007

City of Seattle	2001	2007	Change	% Change
Jobs				
Basic Industry	98,775	85,566	(13,209)	-13%
Const. and Res.	21,676	21,957	281	1%
Manufacturing	35,036	30,343	(4,693)	-13%
WTU	42,064	33,266	(8,798)	-21%
Non-Basic Industry	369,570	365,618	(3,952)	-1%
Total	468,345	451,184	(17,161)	-4%
Workplaces				
Basic Industry	4,227	4,240	13	0%
Percent of total	19%	18%	-1%	
Gross Business Revenue (bil. 2007\$)				
Basic Industry	\$ 14.2	\$ 17.3	\$ 3.1	22%
Percent of total	31%	30%	1.7%	
Taxable Retail Sales (bil. 2007\$)				
Basic Industry	\$ 5.1	\$ 6.3	\$ 1.2	24%
Percent of total	32%	35%	3%	
B&O Tax Revenues (mil. 2007\$)				
Basic Industry	\$ 34.5	\$ 35.4	\$ 6.6	12%
Percent of total	41%	37%	-4%	
Sales Tax Revenues (mil. 2007\$)				
Basic Industry	\$ 43.1	\$ 53.1	\$ 10.0	23%
Percent of total	32%	35%	3%	
Average Wage (2007\$)				
Basic Industry Statewide	\$ 48,100	\$ 51,000	2,900	6%
Statewide average	\$ 43,100	\$ 45,000	1,900	4%
Seattle MICs				
Duwamish MIC				
Jobs				
Basic Industry	62,639	63,670	1,031	2%
Non-Basic Industry	39,821	36,822	(2,999)	-8%
Workplaces	22,818	26,848	4,030	18%
Workplaces	1,826	1,865	39	2%
BINMIC				
Jobs				
Basic Industry	15,016	13,943	(1,073)	-7%
Non-Basic Industry	9,290	7,586	(1,704)	-18%
Workplaces	5,726	6,357	631	11%
Workplaces	624	646	22	4%

Sources: Community Attributes, Washington State Employment Security Department Quarterly Census of Employment and Wages, Puget Sound Regional Council (PSRC), Washington State Department of Revenue, City of Seattle Department of Executive Administration