

City of North Bend Economic Profile

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Prepared for:

City of North Bend, Washington



Prepared by:





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

President & CEO
Chris Mefford

Project Manager
Kristina Gallant

Analysts
Diana Haring
Carrie Schaden
Sean Volke
Elliot Weiss

Community Attributes Inc.
500 Union Street, Suite 200
Seattle, Washington 98101

www.communityattributes.com

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INTRODUCTION

Background and Purpose

The City of North Bend is experiencing a period of great growth and change, as the Puget Sound region continues to grow and prosper. More new residents have discovered North Bend, drawn by the balance of proximity to nature with a relatively easy commute into major employment centers regionwide. In addition, the end of a series of local development moratoriums have unleashed pent up development demand. The cost of living is rising, while wages for jobs within the City have not kept pace. The City wants to understand how to bring more employment and types of development to town without sacrificing its quality of life.

The purpose of this profile is to provide the City with essential economic and demographic data, analysis and findings to guide future economic development efforts.

Methods

This profile relies on secondary data analysis, supplemented with stakeholder interviews.

The analysis is supported with the following data sources:

- American Community Survey
- CoStar Real Estate
- Puget Sound Regional Council
- Washington State Department of Revenue
- Washington State Employment Security Department
- Washington State Office of Financial Management

Organization of Report

This report includes the following sections:

- **Economic Profile:** Data and analysis on North Bend's population, households, income, employment, businesses, retail trade capture, real estate markets, and commercial lands.
- **Stakeholder Engagement:** Key themes from interviews with local stakeholders and community surveys.
- **Strategic Framework:** Strategic focus areas for the City to consider, including recommendations to guide potential future policy choices.

ECONOMIC PROFILE

North Bend's Origins

The City of North Bend was platted in 1889, incorporated in 1909, and grew based on the strength of its local forestry and agriculture industries. As these industries waned, the City transitioned to a bedroom community.

Throughout its history, North Bend's beautiful scenery has drawn tourists from across the region. Despite the drop in resource industries, the community continued to grow slowly, with periodic pauses due to development moratoriums. In recent years, the impact of the Puget Sound region's tremendous growth has reached North Bend. New residents have been drawn to North Bend's abundant natural beauty, recreational opportunities and comparative affordability, all with a commute to the Seattle area that is still easier than those that depend on I-5 or I-405. As a result, residential development is booming and is expected to continue.



North Bend Way, 1943 (Photo credit: Wikimedia Commons user "Retro101")



North Bend, 1890

North Bend Today

Today, North Bend is one of King County’s furthest eastern suburbs, with a population of around 6,600. Thanks to its easy freeway access North Bend is close to dense urban centers yet still feels remote, ringed by picturesque mountains and forests. Many people are drawn to North Bend for the lifestyle it offers, including recreational opportunities.

North Bend features both a historic downtown “main street” commercial district and a freeway-oriented commercial district. The freeway-oriented district includes a large factory outlet mall, gas stations, fast food restaurants, and other auto-oriented uses. North Bend Way, the historic downtown, features local retail and restaurants. Spaces are smaller, and the development pattern is better suited to pedestrians.

Until very recently, the City’s strong residential growth has been entirely composed of single-family homes, with few options to serve local lower income workers, singles and small households. Strong residential growth has also strained the City’s infrastructure, and the lack of a diversified commercial tax base has limited its ability to fund needed upgrades.

North Bend’s easy access to I-90 has provided it with strategic advantages and challenges. While the factory outlet mall, restaurants and gas stations oriented to the freeway draw high traffic, anecdotal evidence suggests that the City has struggled to entice those visitors downtown. Similarly, many visitors heading through the City to popular outdoor destinations like Mt. Si often skip downtown. Commercial rents have been flat, and the City has not captured the retail or office development it would like to see to boost downtown vitality. While several prospective industrial developers have explored working in North Bend, drawn by locational advantages and large land supply, many chose to walk away.

Despite often being characterized as a bedroom community, North Bend has a jobs-housing ratio of 1.26, which is lower than the countywide economy of



North Bend Way, 2011 (Photo credit: Steven Pavlov and Nadine Pavlov)



North Bend factory outlet mall (Photo credit: Simon Property Group)

1.45 jobs per housing unit, but not as low as many cities. However, only 11% of North Bend's employed residents work in the City. Many of the jobs currently offered in North Bend in industries such as retail are relatively lower paying, and many do not pay enough for workers to afford the City's housing costs. Many of those workers live outside the city in rural areas which propagates North Bend's identity as a bedroom community.

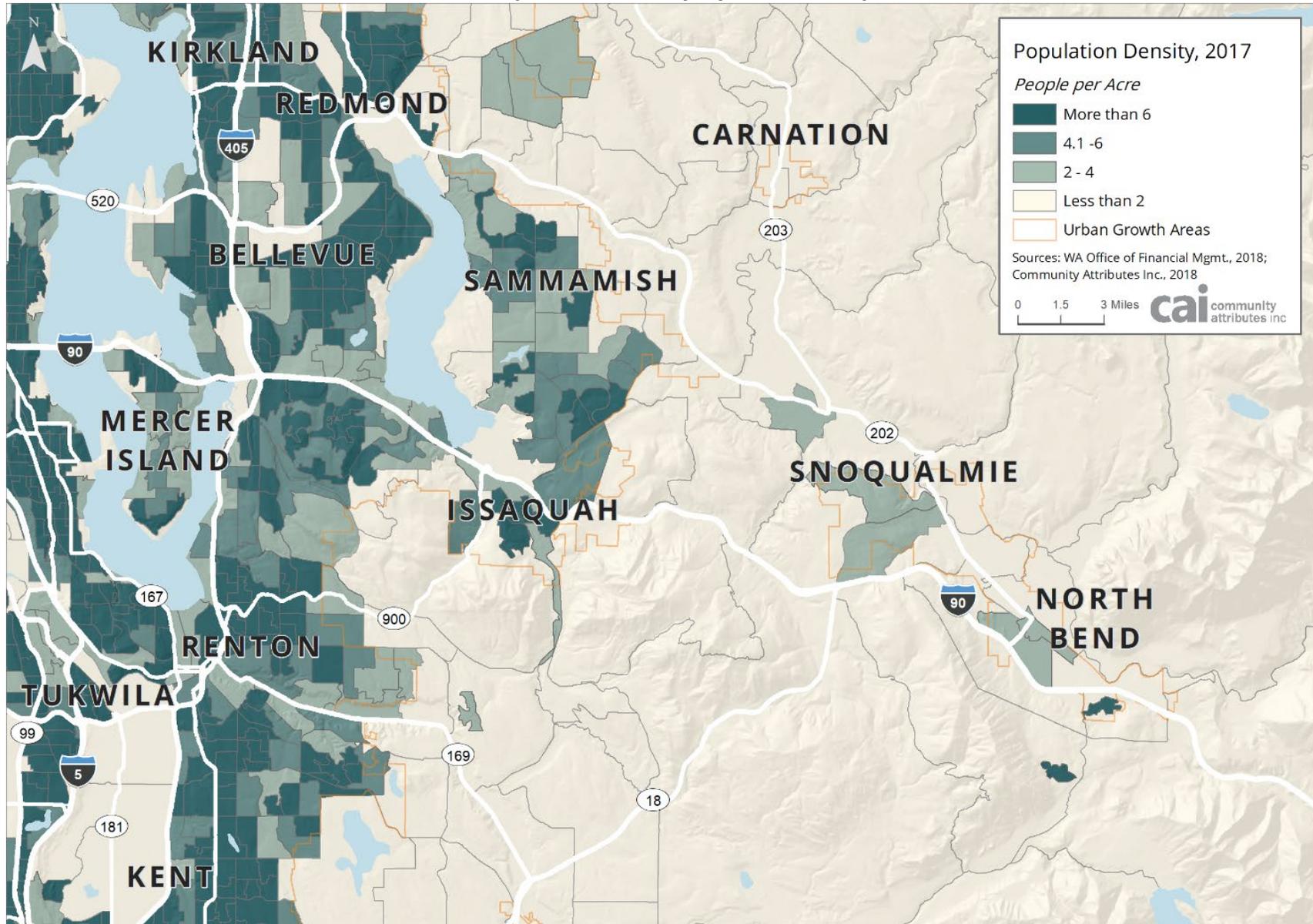
Population density in North Bend is low compared to the cities to the west (**Exhibit 1**). Two single family neighborhoods outside the southeast edge of the city have higher population densities than Downtown North Bend.

The following sections present recent demographic and economic trends for key indicators in North Bend that will help the City plan for future growth. In addition to providing details on the City's residents and economy, the profile offers a comparison to other regional communities where possible.



Downtown North Bend, 2005 (Photo Credit: Konrad Roeder)

Exhibit 1. Population Density by Block Group, 2017

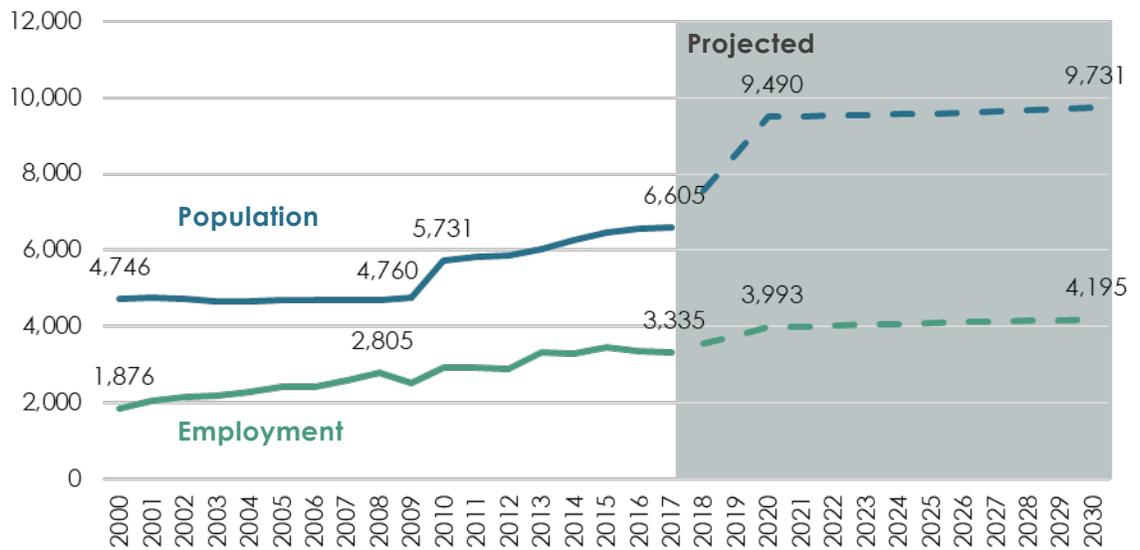


Households

From 2000-2009, the City of North Bend was under a development moratorium due to limits on the City’s water capacity. As a result, population growth was flat. In 2009, the moratorium was lifted and the Tanner and Stilson areas were annexed, which added 900 people to the population in one year. Since that time, growth has picked up to annualized rate of 2%. Due to a combination of high regional residential demand and relatively high land capacity locally, a high amount of regional population growth has been allocated to North Bend in the future.

Employment growth in recent years has been steady and is projected to continue to grow in a similar fashion (**Exhibit 2**). From 2000-2017, employment in the city grew at an annual rate of 3.4%. Growth through 2030 is forecast to be slower at 1.8% per year.

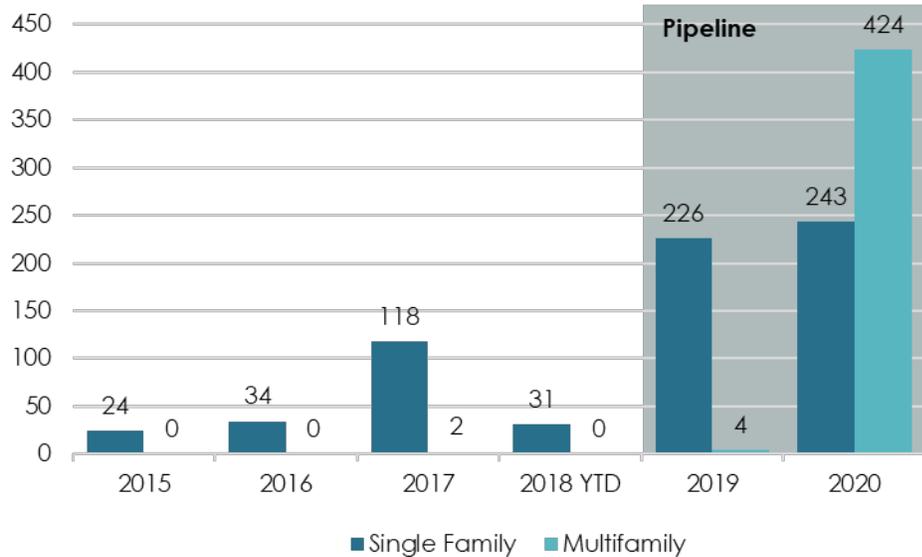
Exhibit 2. Historic and Projected Future Population and Employment Growth, North Bend, 2000 - 2030



Sources: Washington State Employment Security Department, 2018; Washington State Office of Financial Management, 2018

As shown in **Exhibit 3**, the City of North Bend is experiencing a surge of residential development. 469 single family homes and 424 multifamily homes are currently permitted to be built through 2020. This influx of multifamily development is not only large, it is the first multifamily development of any kind that the City has experienced in several years.

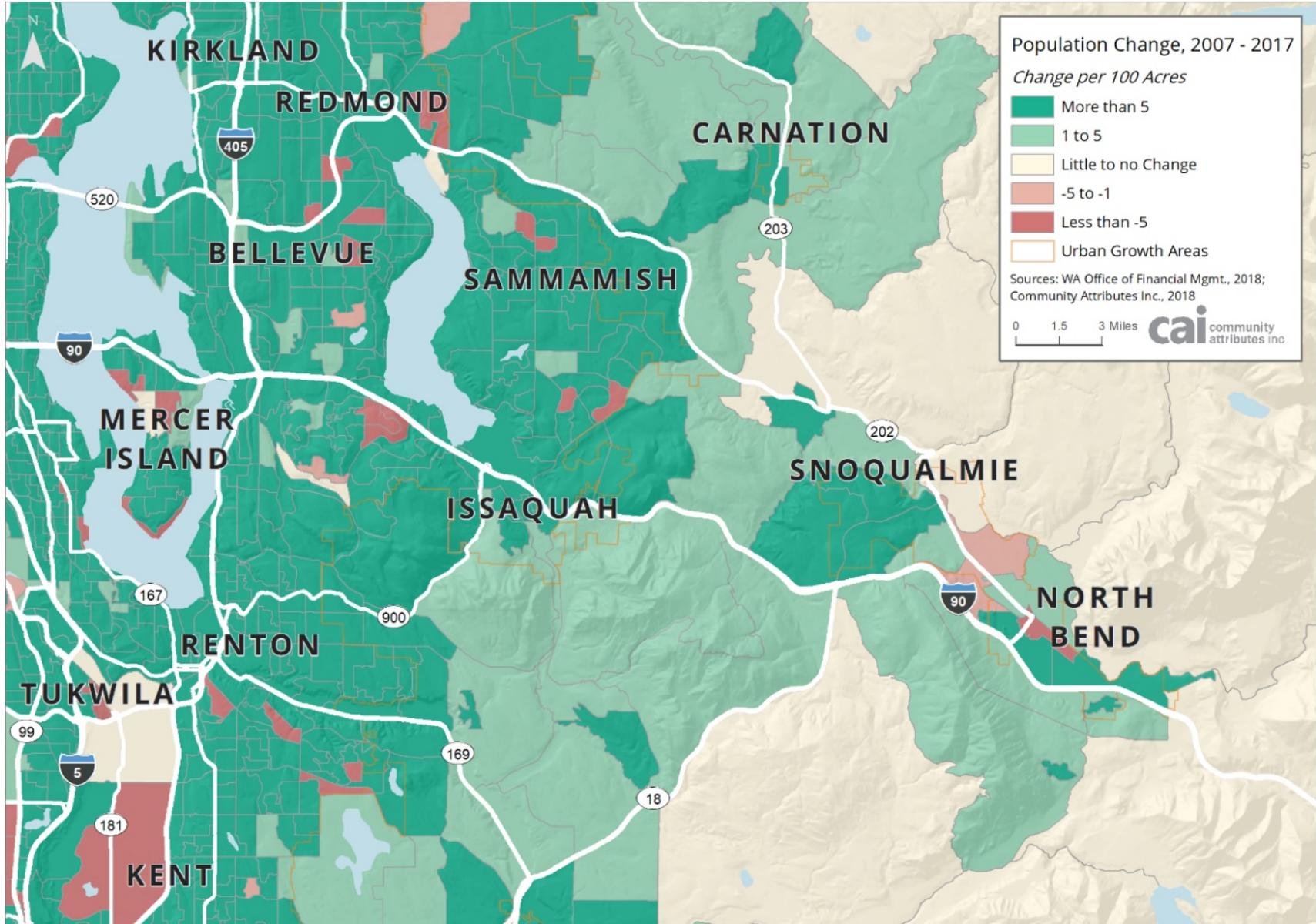
Exhibit 3. Recent and Upcoming Residential Development, City of North Bend, 2015-2018



Source: City of North Bend, 2018

North Bend is located on I-90 13 miles east of Issaquah and 33 miles east of Seattle. North Bend’s block groups on the north side of I-90 saw population growth from 2007-2017 (**Exhibit 4**). Areas between Snoqualmie and North Bend experienced a decrease in population during the same period.

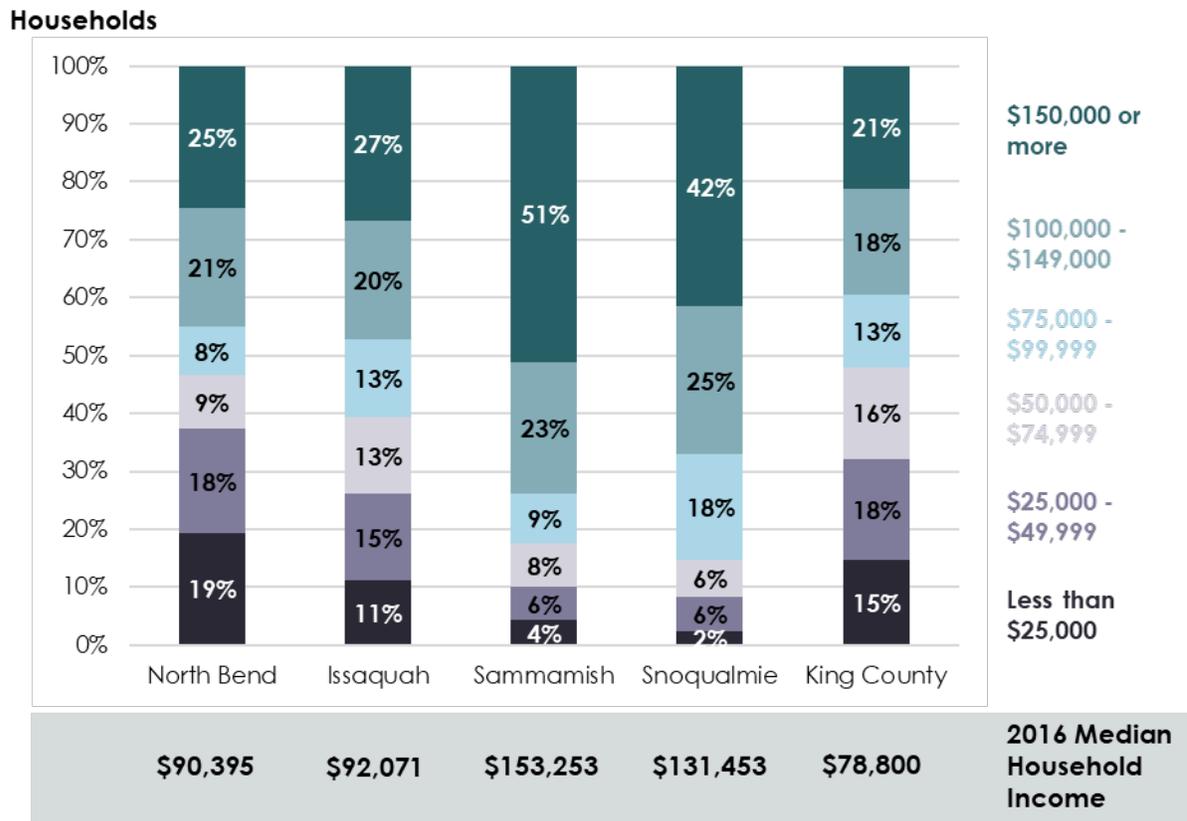
Exhibit 4. Population Change by Block Group, 2007 to 2017



North Bend has a diverse mix of household incomes, similar to Issaquah. **Exhibit 5** shows the distribution of 2016 annual household income in North Bend and comparison jurisdictions. While North Bend has a slightly larger share of households earning less than \$25,000 per year compared to the County overall, the City also has a larger share of residents earning more than \$100,000 per year.

The City of North Bend’s median household income of \$90,395 is higher than the County median, but lower than those of its neighbors Sammamish and Snoqualmie. These cities are wealthy outliers in the context of the County and have a very small share of low-income households. North Bend and Issaquah both have a more diverse mix of household incomes while still maintaining a median income higher than the County overall.

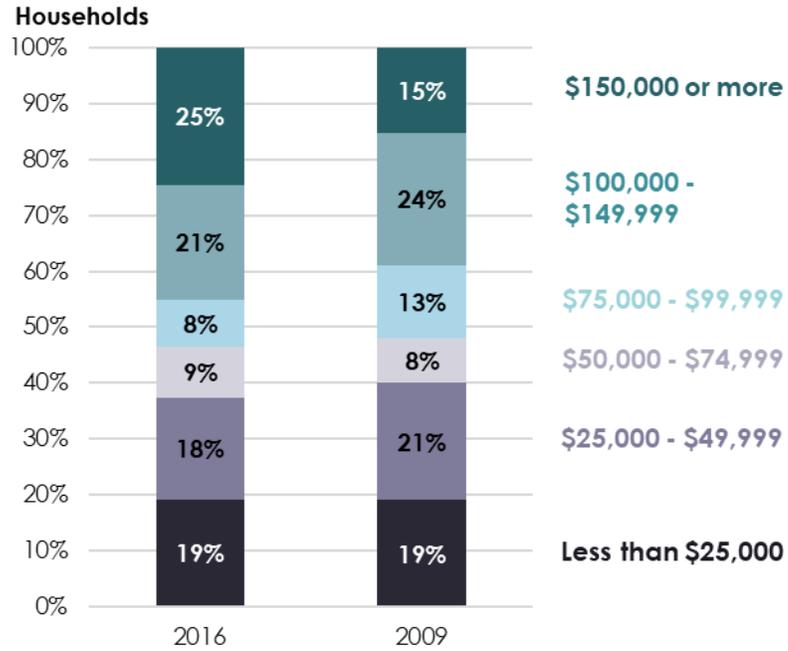
Exhibit 5. Household Income Distribution, North Bend and Comparison Jurisdictions, 2016



Source: US Census Bureau, ACS 5-Year Estimates, 2012-2016

From 2009 to 2016, North Bend’s median household income rose from \$81,410 to \$90,395. As shown in **Exhibit 6**, the City has seen a large increase in the portion of households earning more than \$150,000, while the share earning less than \$25,000 has remained constant.

Exhibit 6. Household Income Distribution, North Bend, 2009 & 2016



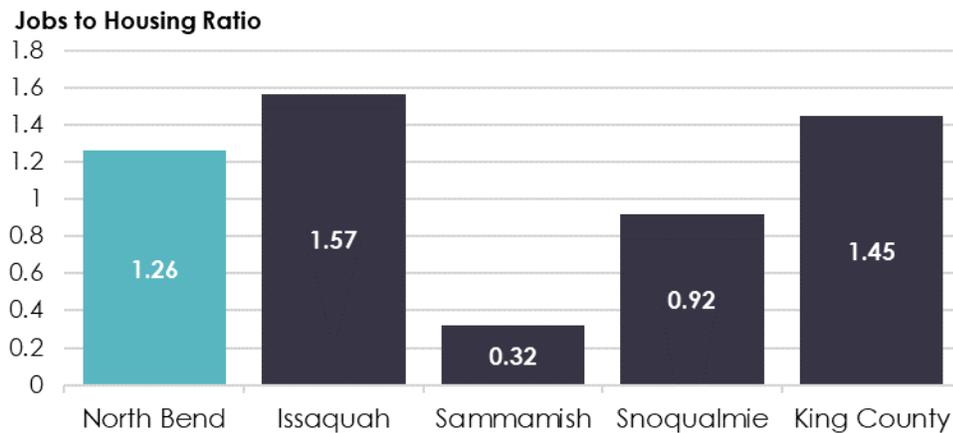
Source: US Census Bureau, ACS 5-Year Estimates, 2012-2016

Employment

Jobs-Housing Balance

Despite its reputation as a bedroom community, North Bend has a high number of jobs relative to its housing supply. Sammamish has a true bedroom community jobs-housing ratio of 0.32, compared to 1.26 in North Bend. (**Exhibit 7**)

Exhibit 7. Jobs-Housing Balance, North Bend and Comparison Jurisdictions, 2017



Sources: Washington ESD, 2018; Washington OFM, 2018

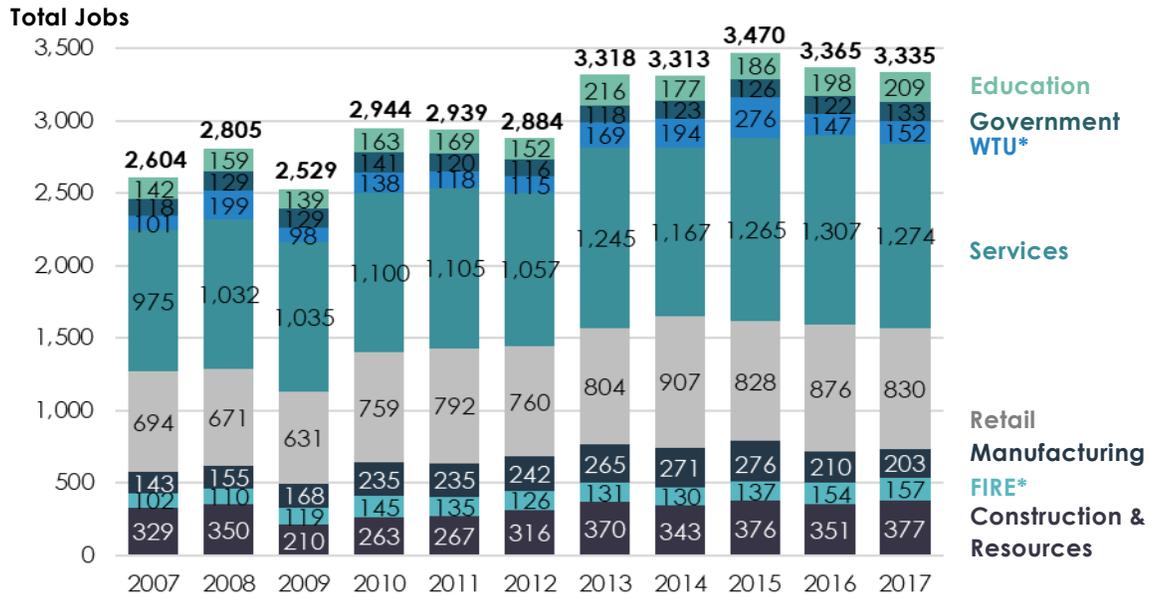
Jobs by Sector

Exhibits 8 and 9 show jobs by category over time in North Bend and a comparison of current jobs by category in North Bend and a few comparison jurisdictions.

As shown in **Exhibit 8**, the City of North Bend added 731 jobs from 2007 to 2017. This overall increase has not been even over time. The City experienced job losses in 2009 and 2016, and large increases in 2010 and 2013. Its largest employment sector is in Services, followed by Retail. Job losses in 2016 were most heavily concentrated in the WTU and Manufacturing sectors – other sectors saw small increases from 2015 to 2017.

Issaquah has the largest concentration of jobs in the I-90 corridor east of Bellevue (**Exhibit 9**). Issaquah is also particularly heavy in service employment, but this sector represents a large share of jobs in all comparison jurisdictions.

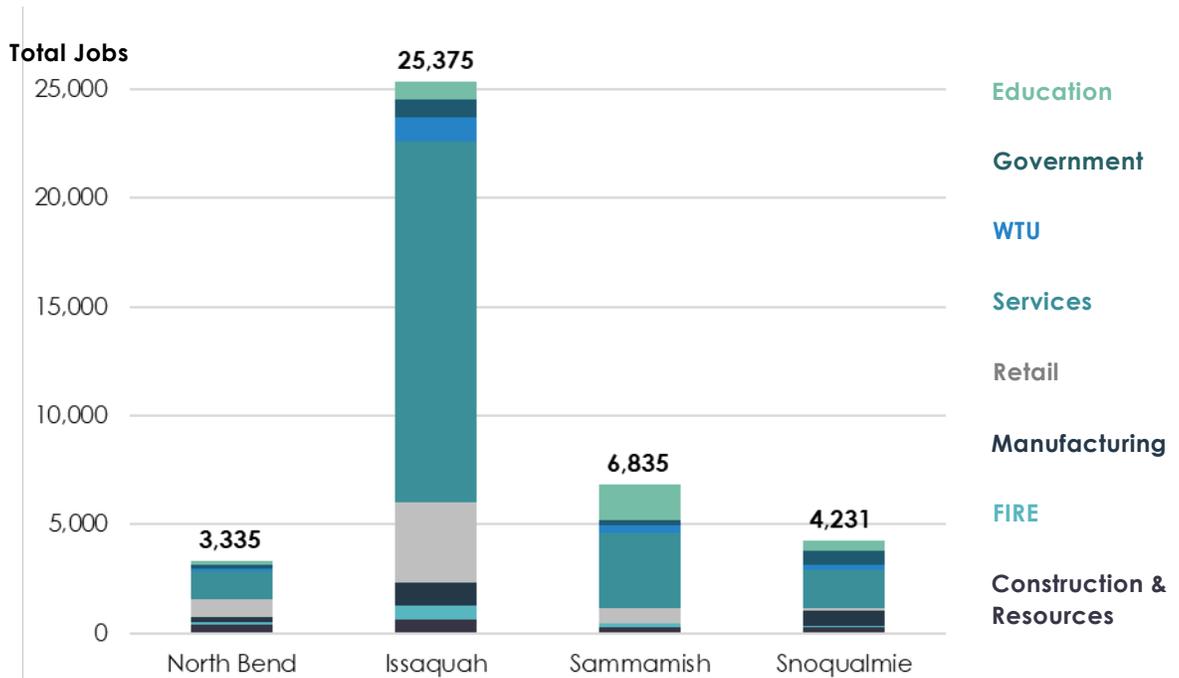
Exhibit 8. Covered Employment, North Bend, 2007-2017



Source: Puget Sound Regional Council, Washington ESD, 2007-2017.

*"WTU" stands for "Wholesale Trade & Utilities" and "FIRE" stands for "Finance, Insurance, and Real Estate".

Exhibit 9. Covered Employment, North Bend and Comparison Jurisdictions, 2017



Source: PSRC, 2017

11.1% of North Bend’s employed population also works in the City. (**Exhibit 10**) These locals hold 13.2% of the jobs available in North Bend. As a comparison, in Issaquah 11.3% of the employed population lives and works in the City, 6.3% in Snoqualmie, 3.8% in Sammamish, and 27.6% in Bellevue.

For those who commute out of North Bend, Seattle and Bellevue are the most common destinations. Even though Issaquah has the most jobs in the I-90 corridor east of Bellevue, far more than Sammamish or Snoqualmie, a similar share of North Bend residents commute to Issaquah and Snoqualmie. In general, North Bend residents who commute outside the City for work are likely to work along the I-90 and I-405 corridors in King County.

Exhibit 10. Where North Bend Residents Work, 2017

City	Count	Share
Seattle, WA	760	19.2%
North Bend, WA	440	11.1%
Bellevue, WA	430	10.9%
Snoqualmie, WA	270	6.7%
Issaquah, WA	250	6.2%
Redmond, WA	200	5.1%
Kirkland, WA	100	2.6%
Renton, WA	100	2.5%
Kent, WA	80	2.1%
Everett, WA	80	2.0%
All Other Locations	1,250	31.6%
Total	3,960	

Exhibit 11. Where North Bend Workers Live, 2017

City	Count	Share
North Bend, WA	440	13.2%
Snoqualmie, WA	190	5.6%
Seattle, WA	130	4.0%
Riverbend CDP, WA	120	3.6%
Wilderness Rim CDP, WA	80	2.3%
Kent, WA	70	2.2%
Sammamish, WA	70	2.1%
Issaquah, WA	70	2.1%
Bellevue, WA	60	1.9%
Renton, WA	60	1.8%
All Other Locations	2,040	61.2%
Total	3,330	

Source: US Census Bureau, LEHD, 2015 (% share of origins and destinations); PSRC and ESD for total 2017 jobs estimates, distributed based on LEHD 2015 percentages.

More than 80% of North Bend’s workers live outside of North Bend and Snoqualmie, and their places of residence are diffused across the region. As shown in **Exhibit 13**, there is a concentration of workers living in North Bend, Snoqualmie and unincorporated areas in the immediate vicinity, and a softer diffusion elsewhere across the Seattle-Bellevue region. Around 880 of North Bend’s workers, or 26% of the total, live in North Bend, Snoqualmie, Riverbend, Wilderness Rim, and adjacent residential neighborhoods.

Exhibit 12. Where North Bend Residents Work, 2015

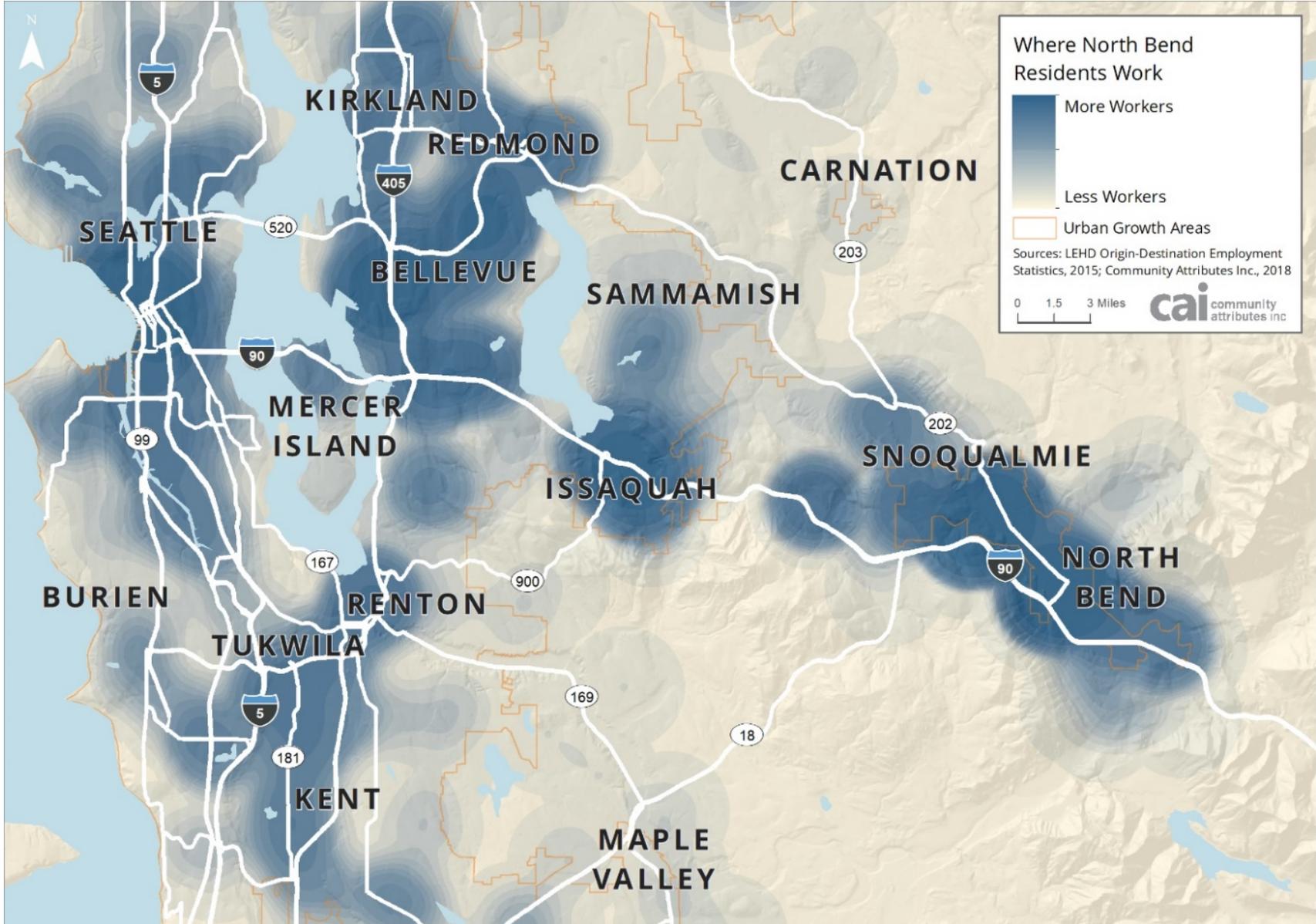
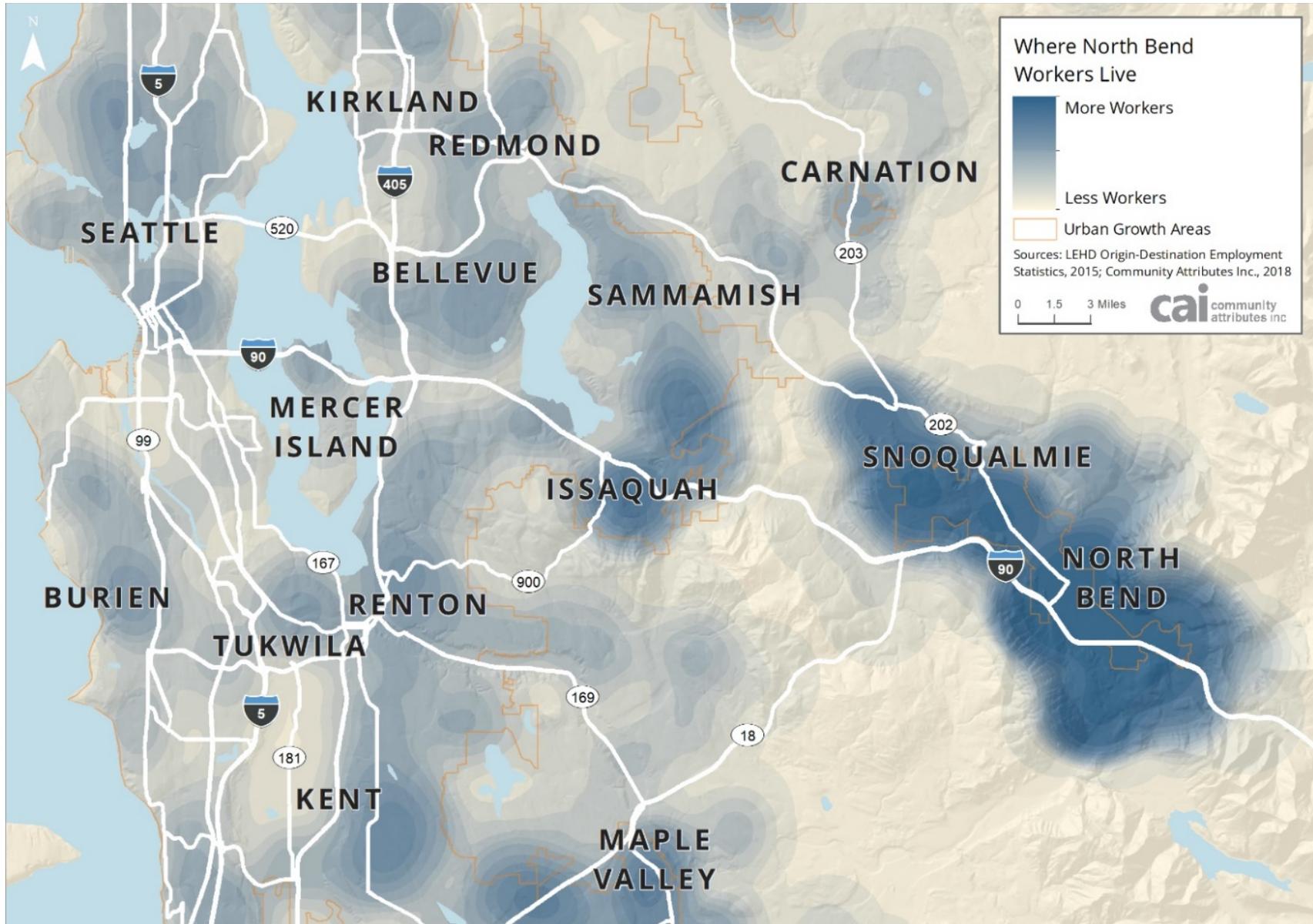


Exhibit 13. Where North Bend Workers Live, 2015



Local Businesses

According to Hoovers employment data, the City currently has 11 establishments with more than 50 employees. Public entities, including schools, are well-represented in that group. A summary of North Bend's largest business establishments by employment and primary industry is provided in **Exhibit 14**. This data source includes establishments with a North Bend address, an area which extends beyond the City's boundaries.

Exhibit 14. Largest Business Establishments by Employment, City of North Bend, 2018

Company	Employees	Primary Industry
Kent Chaplin's Enterprises Inc	150	Automobile Dealers
Washington State Department of Transportation	109	Government
Nintendo of America Inc.	99	Wholesale Sector
Travel Centers of America	95	Gas Stations
McDonald's Restaurants of Washington, Inc	75	Fast-Food & Quick-Service Restaurants
Safeway Inc.	70	Grocery Stores & Supermarkets
Encompass Northwest	63	Social Assistance
Twin Falls Middle School	62	Public Schools K-12
Si View Metropolitan Park District	61	Arts, Entertainment & Recreation Sector
Regency North Bend	55	Nursing Homes & Long-Term Care Facilities
City of Seattle	55	Government
Nike Retail Services, Inc.	50	Shoe Stores
Edwin R. Opstad Elementary School	47	Public Schools K-12
North Bend Elementary School	45	Public Schools K-12
Kyote Corp.	35	Restaurants
Frankie's Pizza	35	Restaurants
The Gap Inc	35	Clothing Stores
Vanity Fair	30	Clothing Stores
Liberty Health Partners LLC	30	Health Insurance Carriers
City of North Bend	30	US Municipal Governments

Source: Hoovers, 2018

Consistent with employment trends, the largest portion of North Bend’s business establishments are concentrated in the services sector (**Exhibit 15**).

Exhibit 15. North Bend Business Establishments by Industry, 2018

Major Sector	Establishments
Services	487
Construction and Resources	132
Retail	88
FIRE	67
WTU	56
Manufacturing	40
Education	14
Government	11

Source: Hoovers, 2018

Retail Trade Capture

Retail sales taxes are the largest source of revenue for North Bend’s general fund. As shown in **Exhibit 16**, total taxable retail sales in North Bend have been relatively flat since 2015.

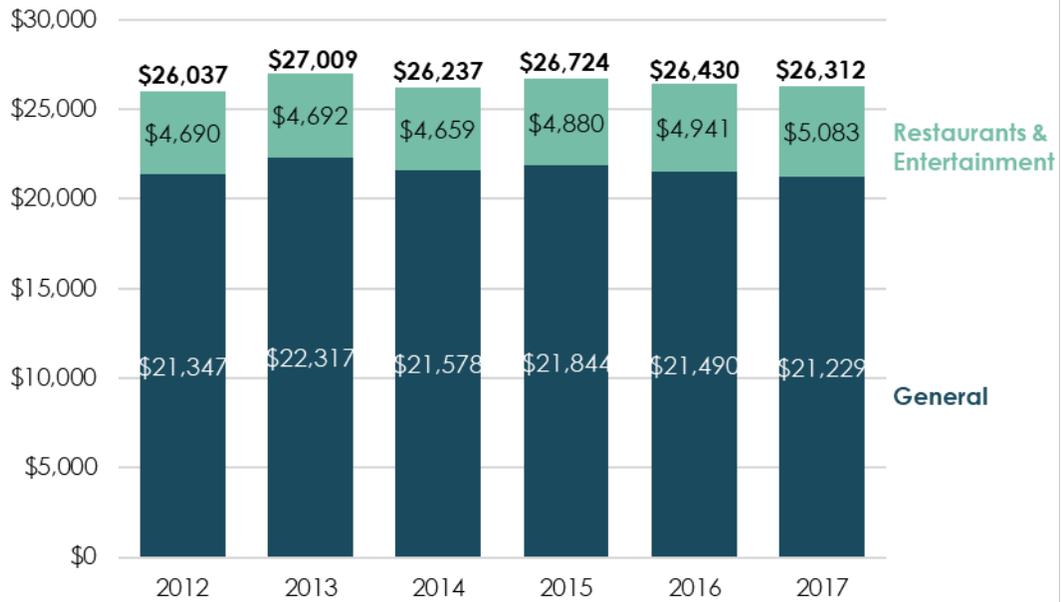
Exhibit 16. Historic Taxable Retail Sales, City of North Bend, 2012-2017



Source: Washington State Department of Revenue, 2018; CAI, 2018

Exhibit 17 shows this same total taxable retail sales data on a per capita basis. From this perspective, North Bend’s population has been growing faster than its retail sales.

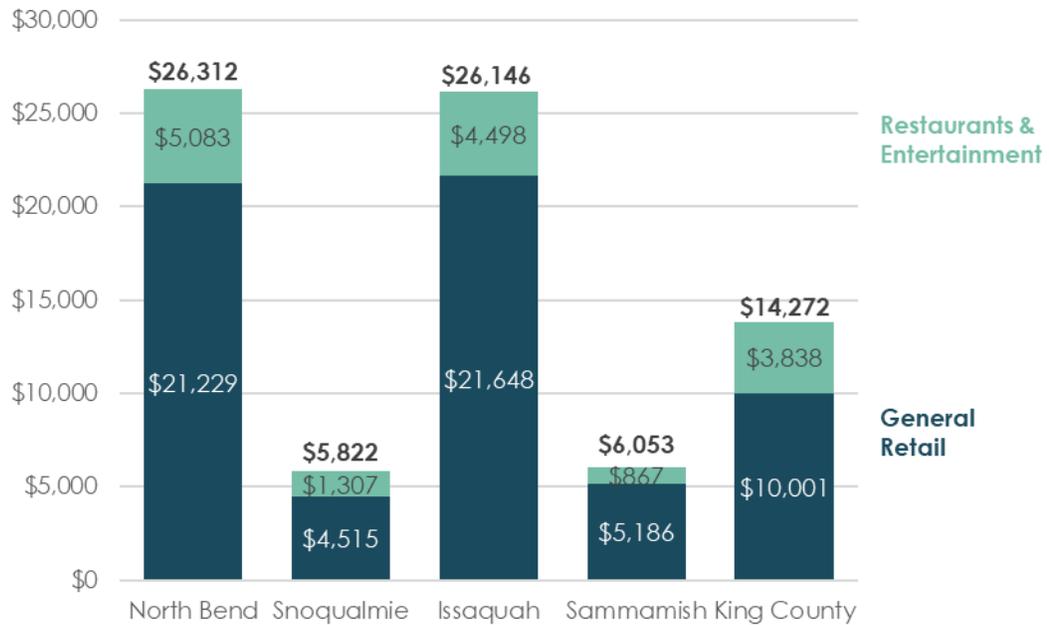
Exhibit 17. Historic Taxable Retail Sales per Capita, City of North Bend, 2012-2017



Source: Washington State Department of Revenue, 2018; CAI, 2018

Exhibit 18 shows how North Bend’s 2017 taxable retail sales per capita compared to other jurisdictions. As shown, both North Bend and Issaquah draw high sales compared to the County and neighbors.

Exhibit 18. Taxable Retail Sales per Capita, North Bend and Comparison Jurisdictions, 2017

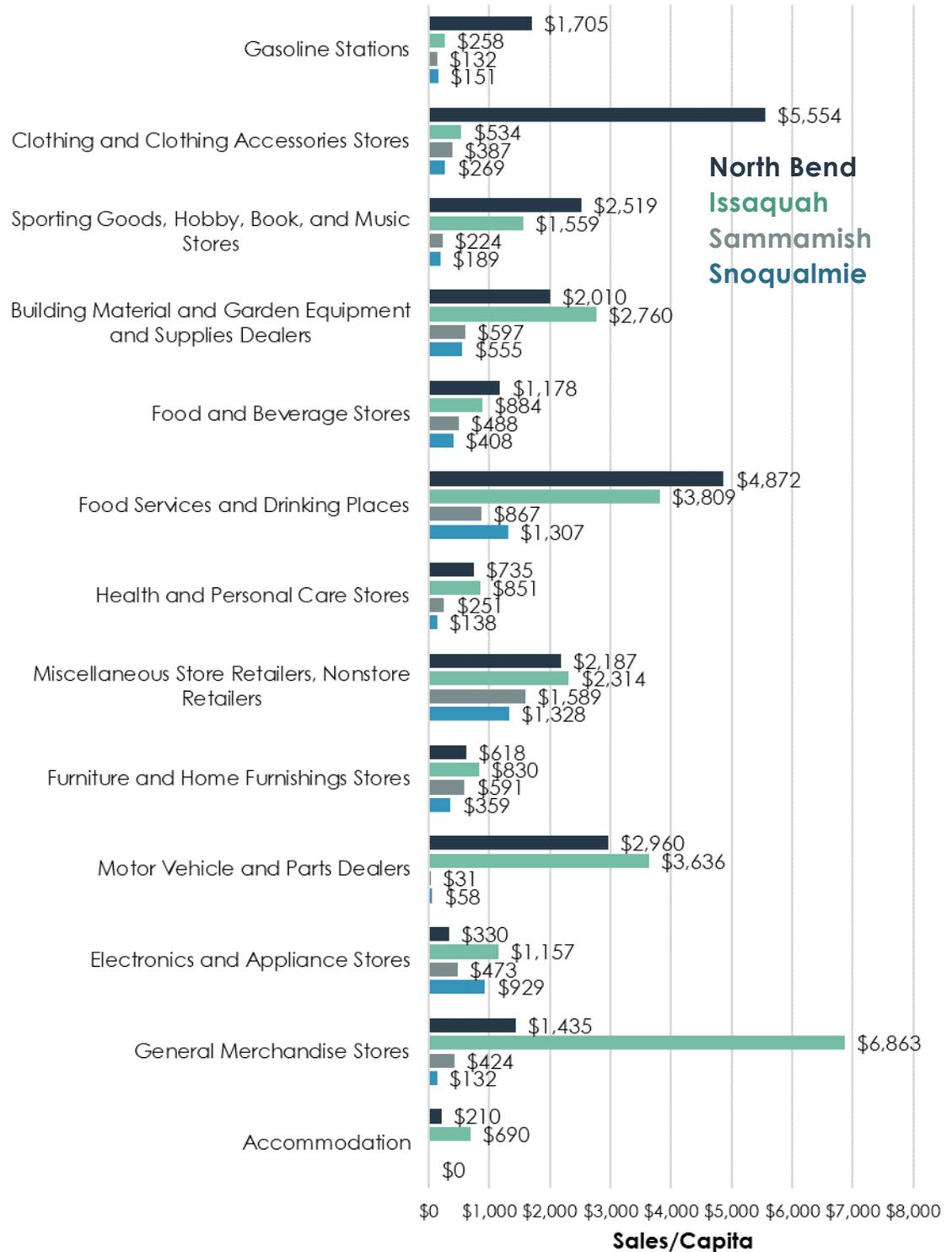


Source: Washington State Department of Revenue, 2018; CAI, 2018

This profile explores North Bend’s retail sales by category both in per capita terms and in terms of trade capture – how the City’s sales per capita compare to regional averages.

While Issaquah has far higher employment, North Bend currently outpaces Issaquah in retail sales per capita for many categories (**Exhibit 19**). Issaquah is dominant in general merchandise stores, which includes stores like Costco.

Exhibit 19. Retail Sales Per Capita, City of North Bend and Comparison Jurisdictions, 2017



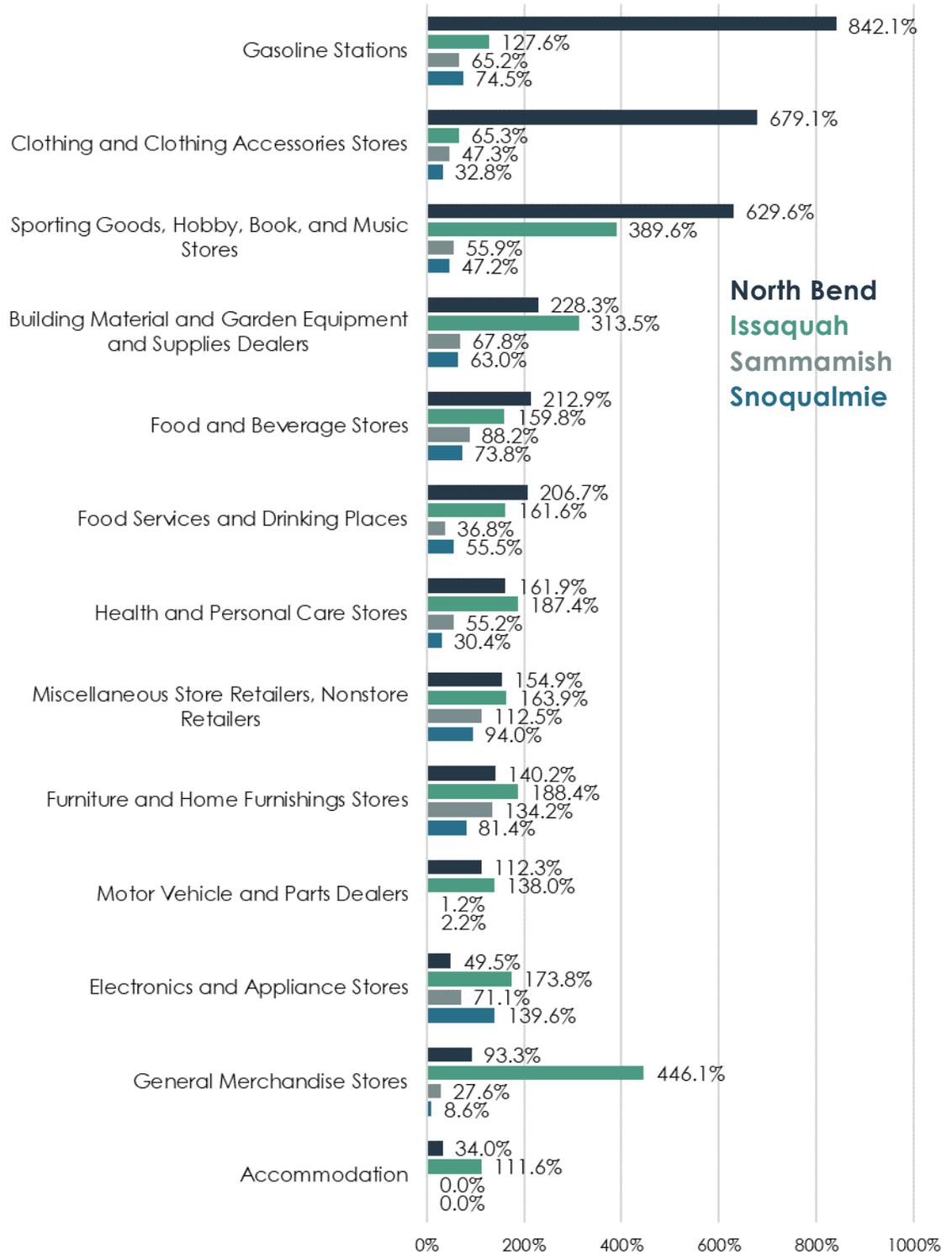
Source: Washington Department of Revenue, 2018; Community Attributes Inc.

Exhibit 20, on the following page, shows retail trade capture for these same categories and cities. Retail trade capture is a measure of a location's retail sales per capita compared to retail sales per capita regionally. (In this case, the region is defined as King, Pierce, and Snohomish Counties.) When this number is greater than 100%, the city is likely drawing customers from outside its boundaries.

North Bend's strongest categories for retail trade capture are gasoline and clothing. It also outpaces its neighbors in sporting goods, food services and food stores. Issaquah is significantly stronger than North Bend in general merchandise stores, electronics and appliances, and accommodation. This is reflective of the impact of the City's freeway-oriented retail establishments.

North Bend is currently drawing more than 100% retail trade capture for most retail categories. It is currently experiencing leakage in electronics, general merchandise, and accommodation, with accommodation the lowest.

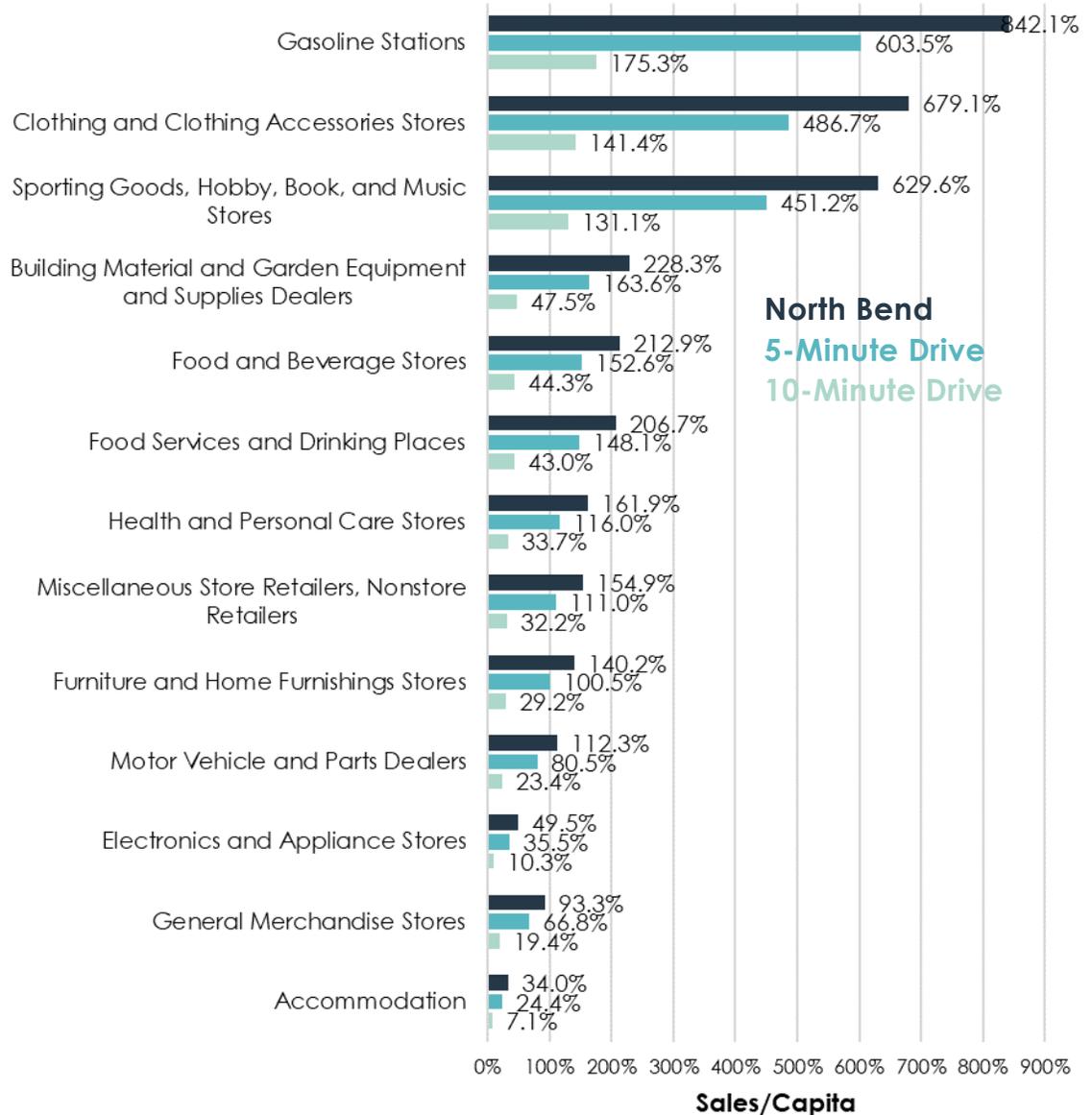
Exhibit 20. Retail Trade Capture by Category, North Bend and Comparison Jurisdictions, 2017



Source: WA DRS, 2018; WA OFM, 2017

The City’s retail trade capture was also calculated for its primary and secondary trade areas, defined as the areas within a five- and ten-minute drive from Downtown North Bend. The City’s retail trade capture for its secondary trade area is still greater than 100% for its top three categories (**Exhibit 21**). This reinforces the influence of I-90 traffic on retail sales in North Bend.

Exhibit 21. Retail Trade Capture by Category, North Bend and Trade Areas, 2017



Source: WA DRS, 2018; WA OFM, 2017

Retail sales taxes are critical in funding services in North Bend. They provide the largest single source of revenue for the City’s general fund. **Exhibit 22** shows how the City’s general fund revenues have varied over the past five years.

Exhibit 22. General Fund Revenue, City of North Bend, 2014-2018



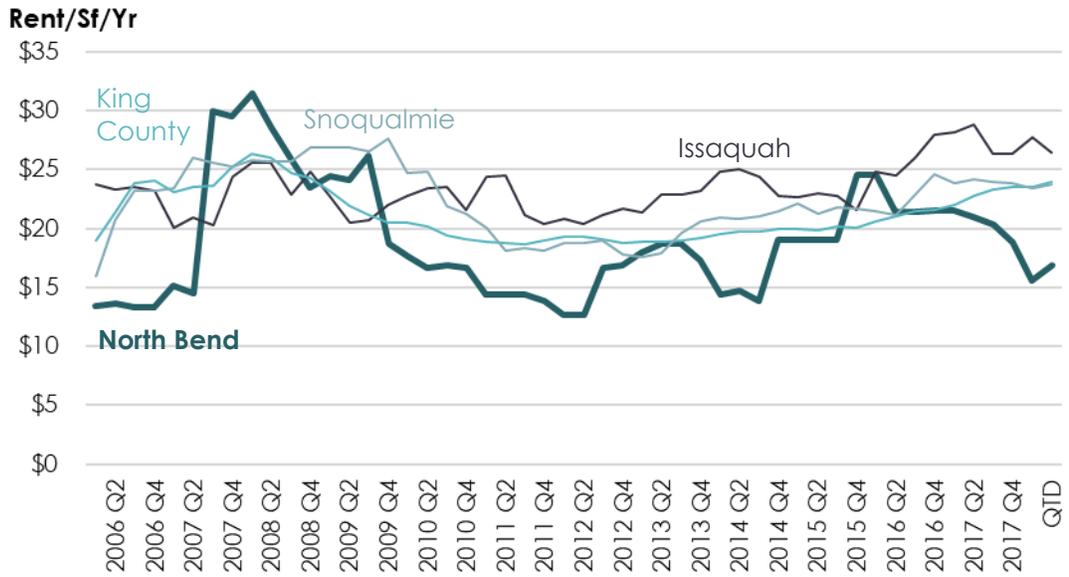
Source: City of North Bend, 2018

Real Estate Market

Retail

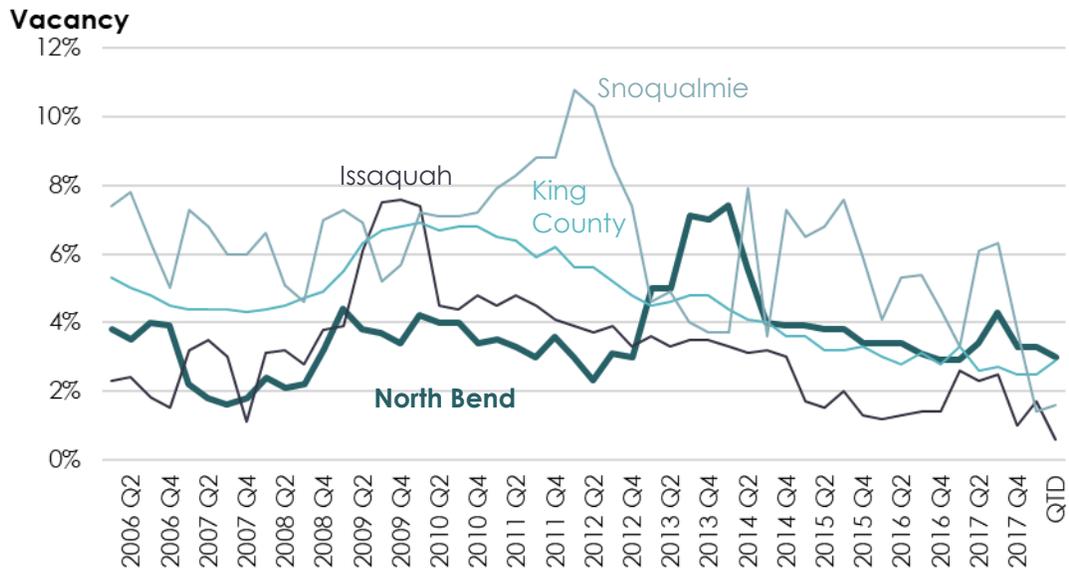
While retail vacancy in North Bend is very low, retail rents are also low, and may limit the financial feasibility of new single-use construction.

Exhibit 23. Retail Lease Rates, City of North Bend and Comparison Jurisdictions, 2006-2018



Source: CoStar, 2018

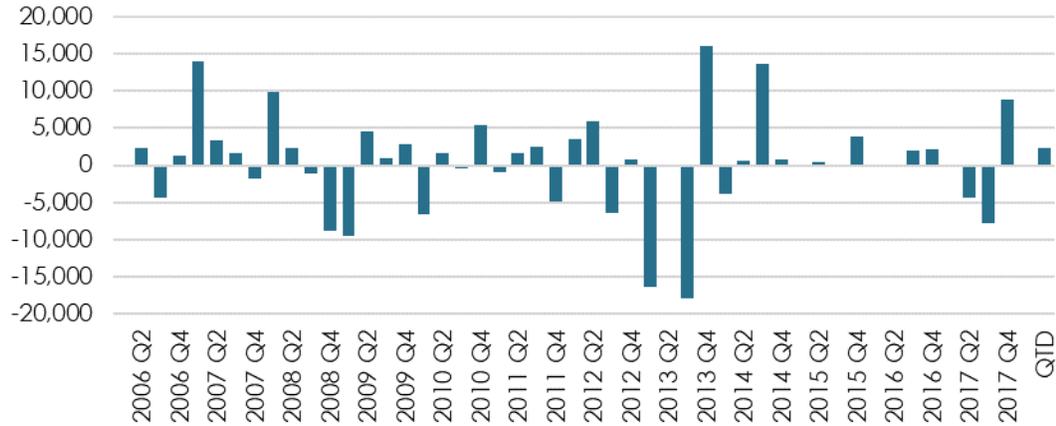
Exhibit 24. Retail Vacancy, City of North Bend and Comparison Jurisdictions, 2006-2018



Source: CoStar, 2018

Exhibit 25 shows net retail absorption since 2006 for North Bend, which is a measure of the balance of rentable space being made available and occupied. When net absorption is negative, more space is being vacated (or being built) than becoming occupied and vacancy is increasing. When net absorption is positive, more space is being occupied and vacancy is decreasing.

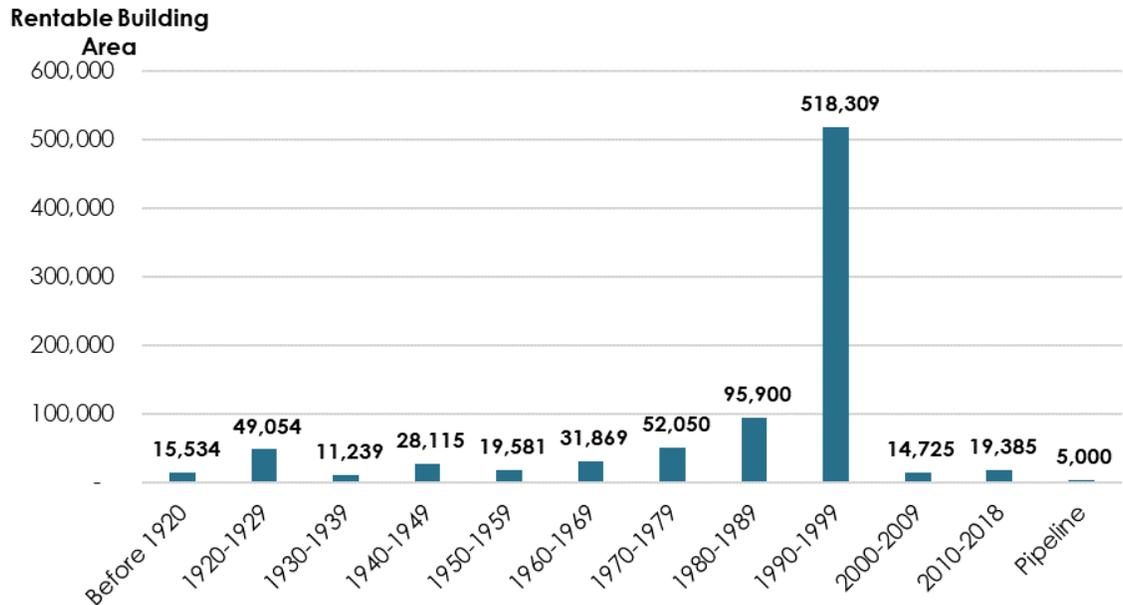
Exhibit 25. Net Retail Absorption, City of North Bend, 2006-2018



Source: CoStar, 2018

New retail construction has been minimal since the factory outlet mall was built in the 1990s. There is a small amount of retail development currently planned associated with the new Phoenix Plaza.

Exhibit 26. Age of Existing Retail Properties and Anticipated Development, City of North Bend, 2018

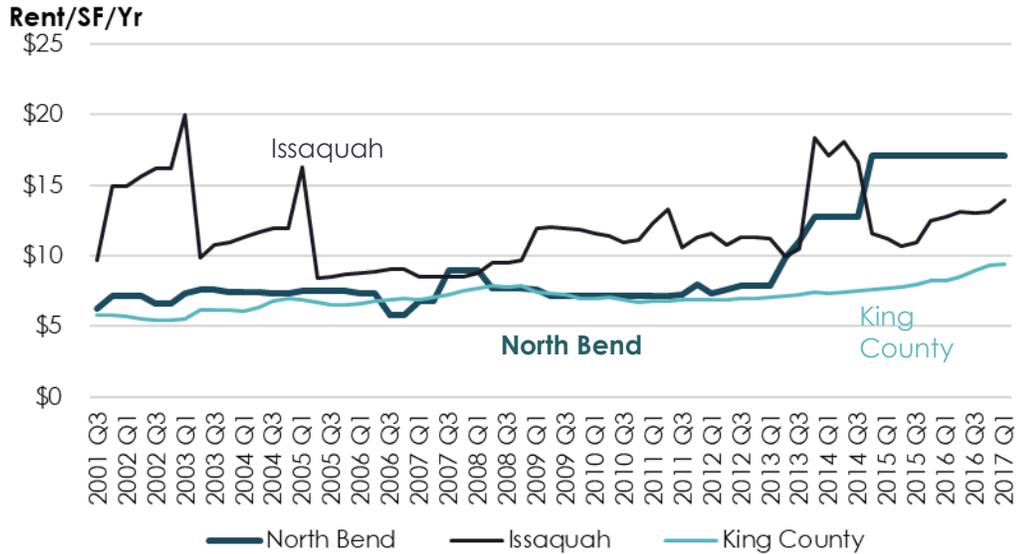


Source: CoStar, 2018

Industrial

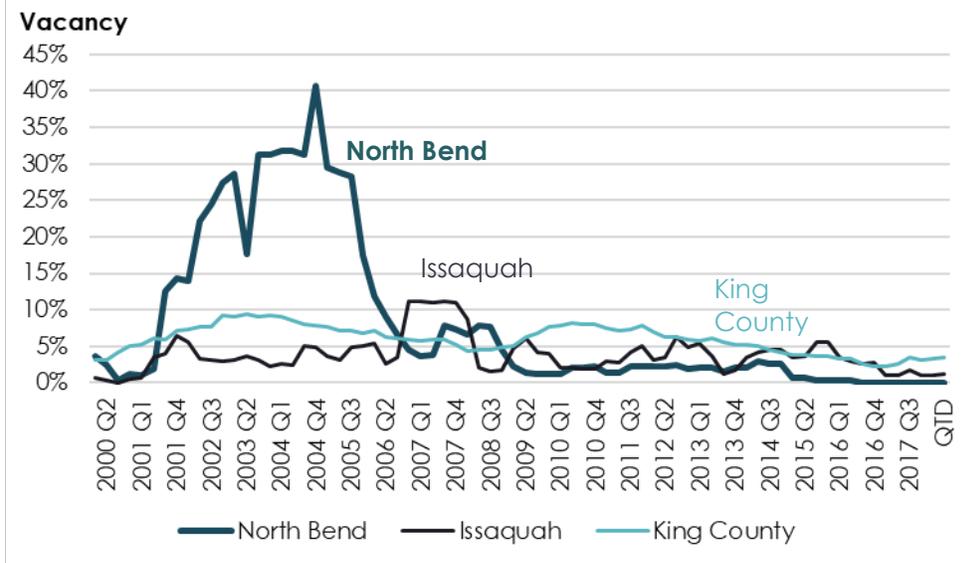
North Bend's industrial rents are high compared to the region and vacancy is very low. This suggests there could be demand for industrial space locally.

Exhibit 27. Industrial Rents, City of North Bend and Comparison Jurisdictions, 2000-2017



Source: CoStar, 2018

Exhibit 28. Industrial Vacancy, City of North Bend and Comparison Jurisdictions, 2000-2017

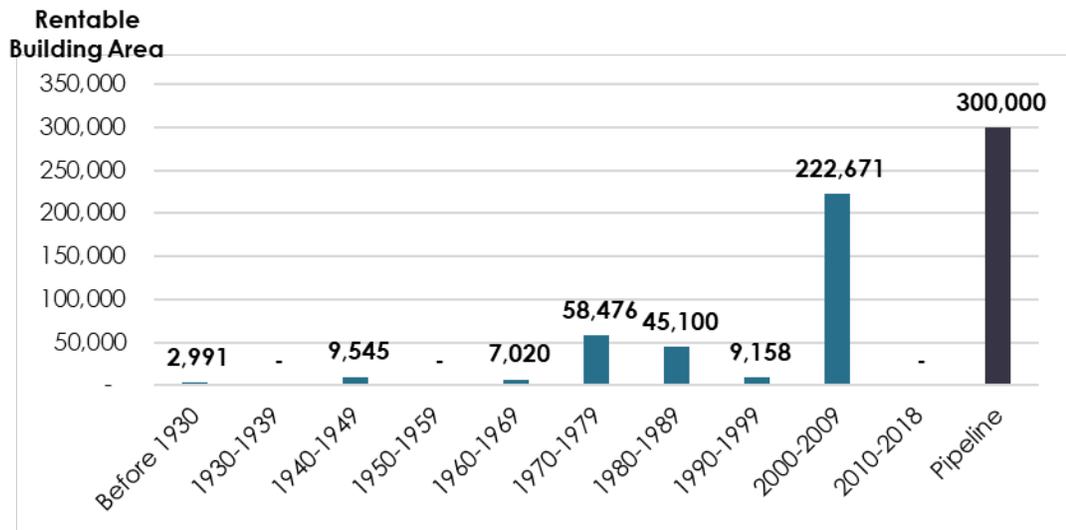


Source: CoStar, 2018

Most of North Bend’s current industrial stock was built between 2000 and 2009. This is likely inflating the overall average rent compared to other areas with a wider mix and larger quantity of industrial space. One large new industrial development is currently proposed for 2019, located on 468th Ave SE.

There have been other industrial developments proposed in recent years that did not move forward. Specific challenges cited in stakeholder interviews included lack of infrastructure, community pushback, and permitting barriers.

Exhibit 29. Age of Existing Industrial Properties and Anticipated Development, City of North Bend, 2018

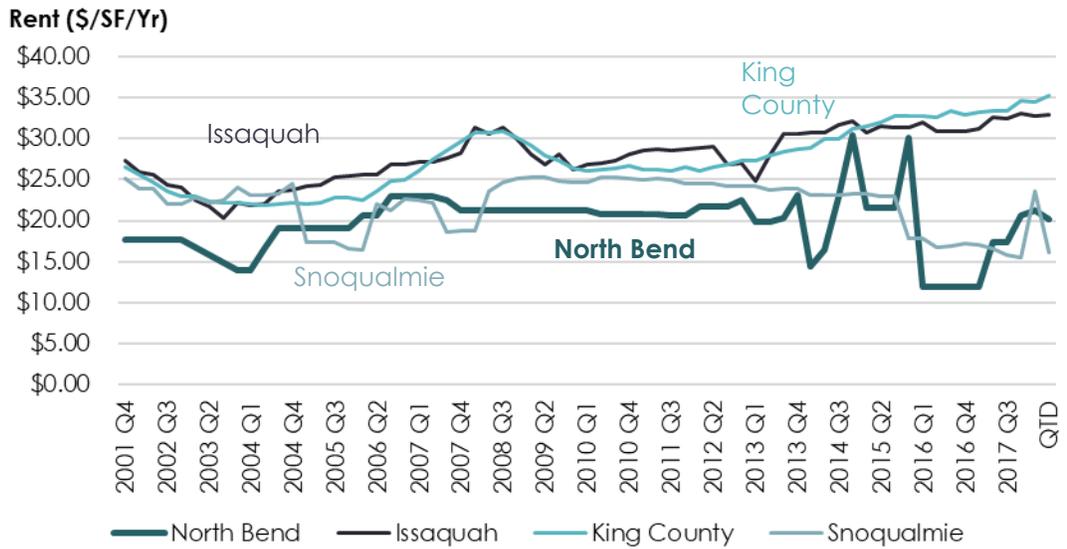


Source: CoStar, 2018

Office

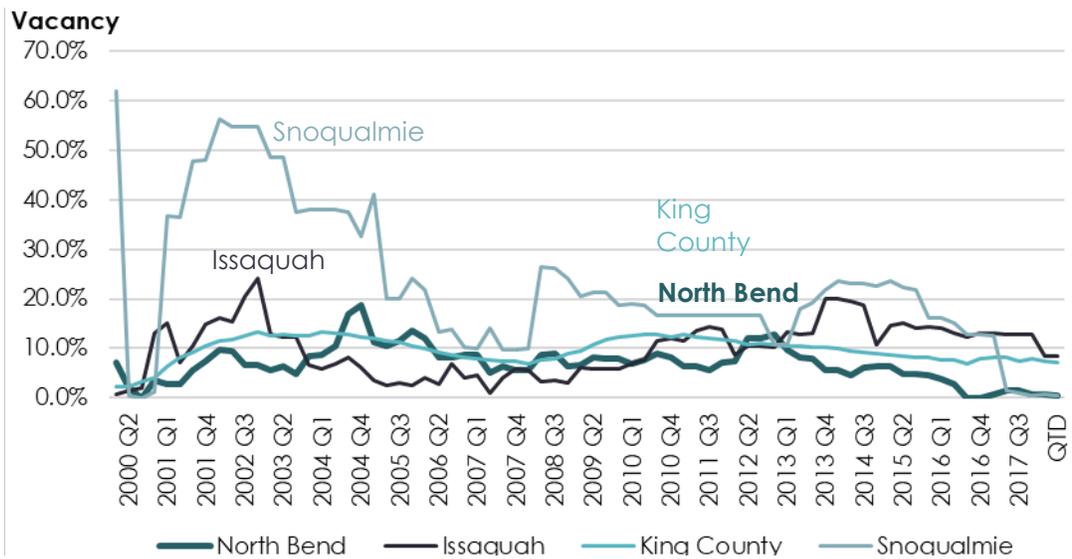
North Bend's office vacancy rates are very low, but rents are also low compared to the region. Higher rent levels must be achieved in order to justify new construction. As shown in **Exhibit 30**, office rents across King County currently average around \$35/sf/year compared to \$20 in North Bend. For office space built since 2015 in East King County, the current average asking rent is around \$40/sf/year.

Exhibit 30. Office Rents, City of North Bend and Comparison Jurisdictions, 2000-2018



Source: CoStar, 2018

Exhibit 31. Office Vacancy, City of North Bend and Comparison Jurisdictions, 2000-2018

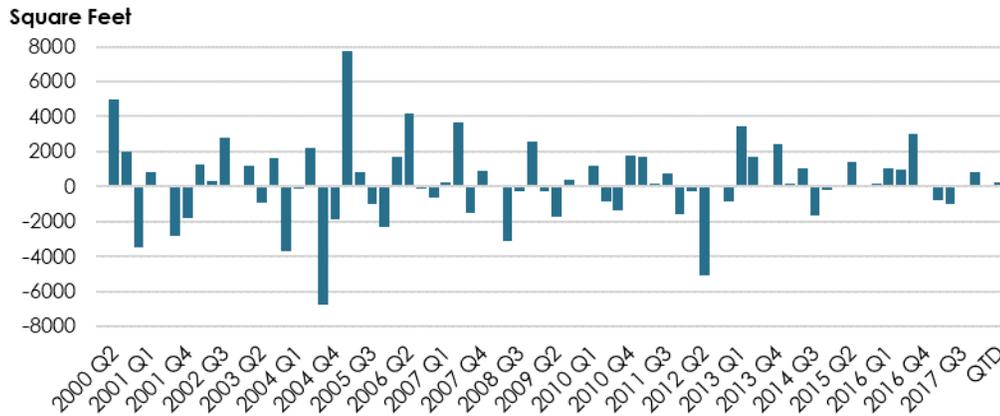


Source: CoStar, 2018

Much of North Bend’s office stock is aging, with a large portion built in the ‘60s and ‘70s. There is no new development in the pipeline currently, and recent development has been minimal.

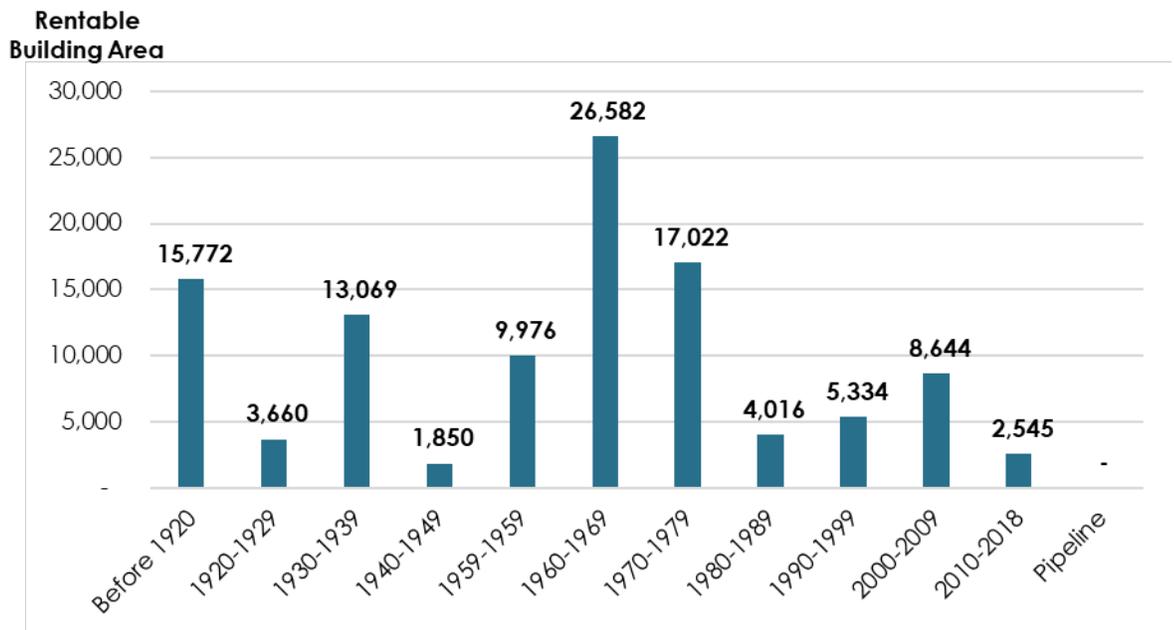
Absorption has been generally positive since 2012, suggesting there is demand for office space locally.

Exhibit 32. Net Office Absorption, City of North Bend, 2000-2018



Source: CoStar, 2018

Exhibit 33. Age of Existing Office Properties and Anticipated Development, City of North Bend, 2018

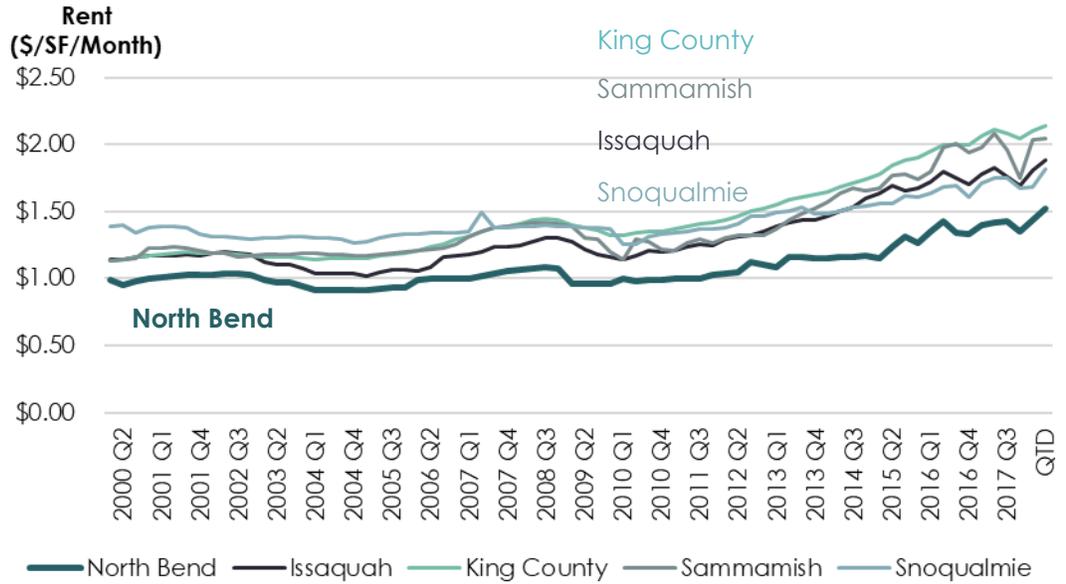


Source: CoStar, 2018

Multifamily

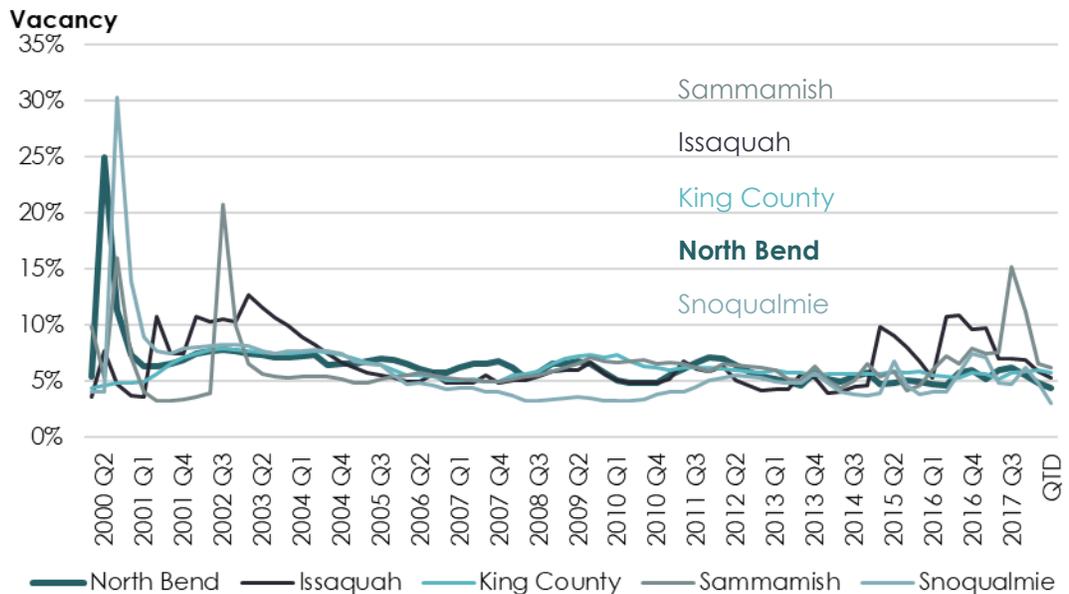
Multifamily rents are rising in North Bend, but still lag behind the region. Vacancy is very low, as it is across the region.

Exhibit 34. Multifamily Lease Rates, City of North Bend and Comparison Jurisdictions, 2000-2018



Source: CoStar, 2018

Exhibit 35. Multifamily Vacancy Rates, City of North Bend and Comparison Jurisdictions, 2000-2018



Source: CoStar, 2018

Commercial Land Use Review

The North Bend Municipal Code identifies four commercial zoning designations: Neighborhood Business (NB), Downtown Commercial (DC), Interchange Commercial (IC) and Interchange Mixed Use (IMU). The following is a description and assessment of each of these commercial zones. Summary statistics for each zone are presented in **Exhibit 36**.

Exhibit 36. Summary Characteristics of Commercial Zones, City of North Bend

Zone	Parcels	Land Area (SF)	Percent Vacant Parcels	Total Built Square Feet	Avg. Parcel Size (Acres)	Avg. Bldg. Size (SF)	Total Improvement Value	Avg. Improvement Value/SF Land
Neighborhood Business	125	7,269,000	26%	354,800	1.34	3,810	\$35,587,000	\$7.04
Downtown Commercial	207	2,637,000	11%	650,600	0.29	3,540	\$65,150,200	\$28.39
Interchange Commercial	30	3,331,000	33%	310,400	2.55	15,520	\$27,506,000	\$11.21
Interchange Mixed-Use	10	1,579,000	50%	112,100	3.62	22,420	\$8,236,000	\$12.51

Source: King County Assessor (2018); Community Attributes Inc. (2018)

North Bend's commercial zones differ in purpose, and therefore each allows a unique range of uses and intensities. The matrix on the following page (**Exhibit 37**) identifies allowed use types, key regulations on intensity and form, and observed building patterns.

For the purposes of **Exhibit 37**, land use types are either permitted (P), conditionally permitted (C), or not permitted (X). Because there are many specific uses identified in the North Bend Municipal Code within these larger use categories, this assessment is based on the general intent of the zone, and in some cases certain specific uses within each use category may be treated differently in the code than described in the evaluation matrix.

Exhibit 37. Commercial Zones Evaluation Matrix, City of North Bend

Zone	Code	Uses Allowed								
		SF Residential	MF Residential	Retail	Office	Light Industrial	Heavy Industrial	Public/Quasi-Public	Utilities	Resource
Neighborhood Business	NB	X	P	P	P	C	X	P	P	P
Downtown Commercial	DC	P	P	P	P	C	X	P	P	X
Interchange Commercial	IC	X	X	P	P	X	X	P	P	X
Interchange Mixed-Use	IMU	X	P	P	P	X	X	C	P	X

		Max. Bldg. Height	Max. Bldg. Coverage	Max. Impervious Coverage	Max. Lot Size	Max. MF Units per Bldg.	Total Land Area	Vacant Land	Observed Avg. FAR	Observed Max. FAR
Neighborhood Business	NB	35'	N/A	N/A	N/A	10	7,269,000	30%	0.07	0.68
Downtown Commercial	DC	35' - 45'	N/A	N/A	N/A	10	2,637,000	13%	0.28	2.00
Interchange Commercial	IC	35'	N/A	N/A	N/A	N/A	3,331,000	26%	0.13	0.46
Interchange Mixed-Use	IMU	30' - 35'	N/A	N/A	N/A	10	1,579,000	58%	0.17	0.26

Notes or Exceptions

Except in flood plain; other standards apply in certain circumstances to obtain maximum allowable height

Building coverages apply for residential uses, ranging from 35% - 60%; other performance standards apply

65% - 75% limits for residential uses, depending on project type

Max. Lot Size regulations apply only to residential uses in commercial zoning districts, and range from 4,000sf - 9,000sf per dwelling unit

Excludes mixed-use buildings with a retail or office component

Sources: CAI, 2018; City of North Bend, 2018

Neighborhood Business

The Neighborhood Business (NB) designation includes 125 parcels and approximately 7.3 million square feet (167 acres) of land, primarily located on the northwest and southeast of the downtown area along major transportation (road and rail) infrastructure. The North Bend Municipal Code describes the purpose of the NB designation as follows:

Neighborhood business (NB) districts are intended to be general commercial areas; however, buildings are expected to be smaller in scale, and applicable businesses to operate on less than a 24-hour basis. The NB district will accommodate a variety of residential and other land uses, including limited fabrication and light manufacturing when conducted in locations isolated from residential zoning districts.



Key Characteristics

- The NB zone covers more total land area than any other commercial zone, accounting for 49% of total commercially-zoned lands.
- The NB zone is characterized by moderate levels of land vacancy, with 26% of parcels and 30% of land area currently assessed as vacant. On average, vacant NB-zoned parcels are larger than occupied NB-zoned parcels.
- Development intensity is lower, on average, on NB-zoned parcels, as measured by floor-area-ratio (FAR). Occupied (built) NB-zoned parcels have an average FAR of .07, lower than the average in North Bend's other commercial zones. The current maximum observed FAR on an NB-zoned parcel is 0.68.
- Structures tend to be smaller in NB zones than on many of North Bend's commercial parcels, with an average building size of about 3,800 square feet.
- Structures in NB zones are assessed at lower values, on average, for the purposes of taxation. The average improvement value per land square foot for occupied parcels is \$7.04, lower than the average for any other commercial zone in North Bend.

Challenges and Opportunities

- Improve performance of the NB zone and magnify the fiscal impacts of NB-zoned land by decreasing vacancy and increasing intensity
- Continue to encourage a broad mix of uses and find opportunities for innovative approaches to mixing light- or craft industrial with consumer-facing commercial and limited residential uses in the vein of urban- or mixed-industrial zones

Downtown Commercial

The Downtown Commercial (DC) designation includes 207 parcels and approximately 2.6 million square feet (61 acres) of land, primarily located in North Bend's downtown core. The North Bend Municipal Code describes the purpose of the DC designation as follows:

The downtown commercial (DC) district is intended to provide specialty retail goods, as well as a range of business, professional, and other services consistent with historic uses and scale of the downtown area. Buildings in the DC district are also expected to be smaller in scale; however, there is a provision for commercial buildings up to 10,000 square feet if they are "anchors." Building sizes and floor area ratios may be increased in certain portions of the DC zone



by use of transferred development rights. The DC district will also incorporate residential development, as well as encouraging upper floor dwelling units above commercial uses.

Key Characteristics

- The DC zone covers 18% of all commercially-zoned land area in North Bend, third-most of the City's four commercial zones.
- The DC zone is characterized by a lower rate of vacancy (11%) than any other commercial zone in North Bend.
- Development intensity is higher, on average, on DC-zoned parcels, as measured by floor-area-ratio (FAR). Occupied (built) DC-zoned parcels have an average FAR of .28, higher than the average in any of North

Bend's other commercial zones. The current maximum observed FAR on an NB-zoned parcel is 2.0.

- Structures tend to be smaller in DC zones than on many of North Bend's commercial parcels, with an average building size of about 3,500 square feet.
- Structures in DC zones are assessed at more than twice the value per square foot of structures in North Bend's other commercial zones, on average, for the purposes of taxation. The average improvement value per land square foot for occupied parcels is \$28.39. The DC zone generates 48% (\$61.2M) of the total assessed improvement value on North Bend's commercially-zoned lands.

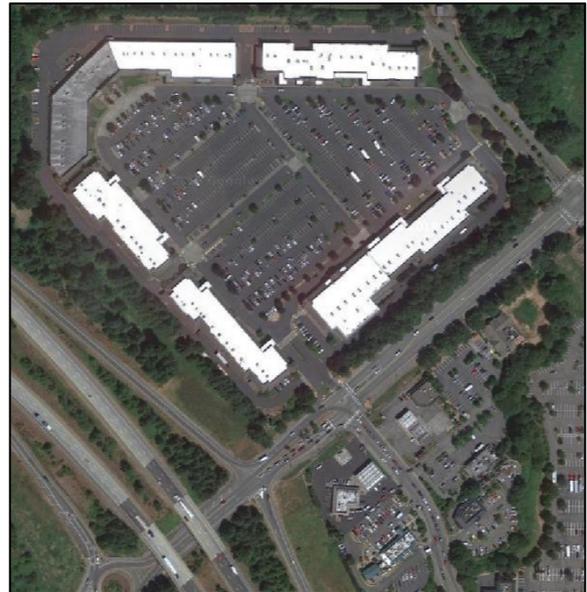
Challenges and Opportunities

- Continue to maintain low vacancy rates and high assessed improvement values for fiscal stability.
- Incorporate additional mixed-use development that provides walkable housing opportunities and increases development intensity.

Interchange Commercial

The Interchange Commercial (IC) designation includes 30 parcels and approximately 3.3 million square feet (76 acres) of land, located on the north side of I90 at the intersection of Bendigo Boulevard S. The North Bend Municipal Code describes the purpose of the NB designation as follows:

The interchange commercial (IC) district is intended to accommodate businesses that typically serve passerby travelers and tourists, while also supplying goods for Upper Valley residents typical of larger-scale commercial development. Primary access to the IC is anticipated to be vehicular; however, pedestrian amenities and circulation, including linkage to the historic downtown area, will be promoted. Buildings are permitted to be larger in scale relative to other commercial districts, and select businesses are permitted to operate on a 24-hour basis.



Key Characteristics

- The IC zone covers 22% of all commercially-zoned land area in North Bend, second-most of the City's four commercial zones.
- The IC zone is characterized by moderate levels of land vacancy, with 33% of parcels and 26% of land area currently assessed as vacant. On average, vacant IC-zoned parcels are smaller than occupied IC-zoned parcels.
- Development intensity is lower, on average, on IC-zoned parcels, as measured by floor-area-ratio (FAR). Occupied (built) IC-zoned parcels have an average FAR of .13, the second lowest of North Bend's commercial zones. The current maximum observed FAR on an IC-zoned parcel is 0.46.
- Structures tend to be larger in IC zones than on many of North Bend's commercial parcels, with an average building size of about 15,500 square feet.
- Structures in IC zones are assessed for the purposes of taxation at less than half of those downtown, on average. The average improvement value per land square foot for occupied parcels is \$11.21. The IC zone generates 20% (\$27.5M) of the total assessed improvement value on North Bend's commercially-zoned lands.

Challenges and Opportunities

- Identify ideal uses and barriers to development for vacant IC parcels

Interchange Mixed-Use

The Interchange Mixed-Use (IMU) designation includes 10 parcels and approximately 1.6 million square feet (36 acres) of land, located on the east side of the IC zone with a second smaller area across I90. The North Bend Municipal Code describes the purpose of the IMU designation as follows:

The interchange mixed use (IMU) zoning district is intended to provide a transitional area between interchange commercial (IC) zoning and residential (LDR, HDR) zoning.

The zoning accommodates permitted residential, interchange commercial and other commercial development to minimize adverse impacts on and



maximize compatibility with adjacent land uses. Buildings in the IMU district are expected to be smaller in scale than buildings in the IC district, with select businesses permitted to operate on a 16-hour basis or less, closed between 10:00 p.m. and 6:00 a.m.

Key Characteristics

- The IMU zone covers 11% of all commercially-zoned land area in North Bend, smallest of the City's four commercial zones.
- The IMU zone is characterized by high levels of land vacancy, with 50% of parcels and 58% of land area currently assessed as vacant. On average, vacant IMU-zoned parcels are smaller than occupied IMU-zoned parcels.
- Occupied (built) IMU-zoned parcels have an average FAR of .17, the second highest of North Bend's commercial zones. The current maximum observed FAR on an IMU-zoned parcel is 0.26. While this zone has the second highest average FAR, it has the lowest maximum observed FAR.
- Structures tend to be larger in IMU zones than on many of North Bend's commercial parcels, with an average building size of about 22,416 square feet.
- Structures in IMU zones are assessed for the purposes of taxation at less than half of those downtown, on average. The average improvement value per land square foot for occupied parcels is \$11.21. The IMU zone generates 20% (\$27.5M) of the total assessed improvement value on North Bend's commercially-zoned lands.

Challenges and Opportunities

- Identify ideal uses and barriers to development for vacant IMU parcels

STAKEHOLDER ENGAGEMENT

CAI engaged stakeholders through a series of interviews and surveys to inform with profile with local perspectives. Nine interviews were conducted with local retailers, real estate developers, contractors, and other stakeholders with a deep understanding of North Bend's economy. Two surveys were distributed, one focused on the City's business owners and the other to the community at large.

Key Interview Themes

Assets and Strengths

When asked about what attracted them to North Bend, interview participants referenced family history, the city's affordability and the area's natural splendor. Four participants said that they moved to the city over 10 years ago. Two of these had originally intended on operating their businesses in Issaquah, but they found North Bend more economically feasible. As one participant said, someone can buy a home on a generous piece of land for much cheaper than in one of the cities farther west. Three others mentioned outdoor opportunities, like kayaking and mountain biking, as major pull factors of the area.

Interview participants were also asked about what they considered were North Bend's greatest assets. Most cited was Interstate 90, which allows business activity, residents and visitors to travel between the city and the Greater Seattle area. One participant commutes to Seattle, and traffic on the interstate was compared favorably with that along Interstates 167 and 405, which can be more congested. Trucking affiliated with the Ports of Seattle and Tacoma brings a large portion of business to local restaurants. Another participant highlighted repair, parts and fueling facilities in North Bend as well-located for commercial trucking along the interstate.

Participants also believed that the city has potential for greater business activity, particularly as Seattle and Bellevue grow and industrial users look for cheaper land near North Bend. One celebrated the revitalization of the North Bend Downtown Foundation and the building of the Visitors Information Center, praising the employees in the city planning department. Another expressed that Meadowbrook Farm, an open space with over 400 acres, could be used more than it is currently.

Challenges

Interviewees raised several concerns regarding the city's growth and government. These sentiments were expressed:

- It is difficult to find labor for the service industry, as many of the workers find living in North Bend unaffordable.
- Traffic impact fees are too high for single-family homes.
- There is not enough traffic downtown to support significant retail.
- There is poor communication from the city government, and city staff has “a culture of no” regarding the permit process for new projects.
- Property requirements have made development difficult.
- Public utilities require new and expanded infrastructure to accommodate growth.
- Water and sewer rates are high. Their infrastructure also needs improvement, specifically the odorous facility.
- Floodplains and other physical obstacles restrict new businesses and industrial areas.
- Local industry actors and workers often clash with anti-growth residents, and the city government too often sides with the latter's interests.

Opportunities

Interview participants had many ideas about North Bend's potential for economic growth. New residential housing has been built and it has attracted new residents to the city. These people bring demand for restaurants, retail stores and other new businesses. All interview participants supported attracting new businesses to North Bend, and many of them envisioned downtown as a hub for increased commercial activity. In addition, one interview participant emphasized that merchants should take increased responsibility in welcoming new businesses.

To draw new businesses to North Bend, interview participants also suggested that the city government take certain actions.

- It was suggested that the density of downtown housing be dramatically increased and building height limits raised to 40 feet.
- Another participant expressed support for the expansion of the truck stop, which could attract new economic activity.
- The city government could publish an infographic or guide for new businesses.
- It was also suggested that to encourage commercial development the city government should expedite permitting and eliminate prohibitively expensive traffic impact fees.

- To capture tourist dollars, one participant suggested leaving coupons at Mount Si Trailhead or promoting businesses electronically, such as through a North Bend smartphone app.
- Parking ratios should be more flexible, such as for studios.
- The maximum number of units in one structure should be increased given some design characteristics, such as low rent and providing services.
- One participant said that the city should support new manufacturing; another argued that residential development should be the focus first.
- One participant promoted extending the sewer, as well as upgrading other infrastructure.
- Another participant considered the west side of North Bend as the city's greatest opportunity for new development.
- One participant emphasized that the city needs more residents before more retail, but suggested that specialty businesses, like luxury budget hotels or assisted living, could find demand.

Future of North Bend

According to interview participants, North Bend is on track for more growth and the impacts that typically accompany growth. In the next 5 to 10 years, they imagine, there will be a large influx of people and downtown businesses, driven by the growth of large regional cities like Seattle. One participant predicted that in that timeframe 800 homes will be built and downtown will see 4,000 more vehicle trips per day on its streets. It was expected by many that downtown will transform, perhaps tripling in size, and this will bring worsened traffic and an increased strain on public services.

Nearly all interview participants expressed that North Bend's growth can be positive if the city adapts while protecting some of its rural qualities. One supported the arrival of large manufacturers; others welcomed diverse restaurants and large chain retail stores. It was suggested that the city allocate more funding to traffic infrastructure and, as an example of maintaining its rural character, preserve old trees rather than plant new nonnative ones. It was also envisioned that greater density will make development more feasible. Multiple participants praised the new city planning director and the city administrator for taking a rational approach to growth and government revenue, although one considered the attitudes of the city council and city administrator as negative to North Bend's future.

Overall, growing pains are expected as new residents and business activity create changes to North Bend. A balance of commercial and industrial users will be needed to provide the costs of infrastructure that single-family homes cannot cover alone. However, with proper shifts to the permitting process, city upkeep and the general attitude of city government on new development, interview participants predict that North Bend will thrive.

Survey Response Summary

Two online surveys were distributed throughout the month of August, one aimed at the general public assessing shopping habits and preferences, and another aimed at the local business community assessing attitudes about doing business in North Bend. Information on responses to each question for both surveys is provided in the appendix, and summarized below.

Community Stakeholders

There were 565 responses to the community stakeholder survey, and 79% of the respondents finished all questions.

Demographics

Half of the respondents were between age 35 and 54, with slightly more in the range between 35 and 44. The next largest group were those age 55 to 64, 18%, followed by those age 25 to 34, 14%. 64% live in North Bend, and 22% both live and work in North Bend. The smallest group, 4%, work in North Bend. 92% own their home.

Shopping Preferences

Respondents tend to do at least some of their shopping in North Bend, but not all. While very few said they did no shopping locally, about a third each said they either did less than 25% or 25-50% of their shopping in North Bend.

Respondents also tend to do at least some of their shopping online, but not all. The largest share, 40%, do less than 25% of their shopping online. Very few either did none or 75-100% online.

Consistent with taxable retail sales numbers, nearly all of the respondents do most of their shopping in either North Bend or Issaquah. The most common types of products purchased in the place where they do most of their shopping are groceries, followed by hardware, clothing, and housewares.

North Bend Shoppers

96% of respondents who stated that they do most of their shopping in North Bend say that they do so because it is closer to home. No other reason drew more than 13% of responses, but the second most commonly stated reason was the ability to do all of their shopping at once. 12.5% of North Bend shoppers selected “Other”, and nearly all of those individuals cited a preference for supporting local businesses.

Issaquah Shoppers

81% of respondents who stated that they do most of their shopping in Issaquah say that they do so because there is wider variety. 50% cited the ability to do all of their shopping at once, and 39% cited

better prices. The most common types of items and services they purchase in Issaquah are hardware, housewares, groceries, and clothing.

Local Business Stakeholders

There were 32 responses to the local business stakeholder survey, and 75% of the respondents finished all questions.

Business Characteristics

The most common industry represented was retail, with 32% of respondents, followed by real estate, with 14%. The automotive; entertainment and leisure; and nonprofit sectors captured 11% each.

Most of the respondents have been operating in North Bend for a long time, with 43% of respondents stating more than 20 years. Another 33% have operated in North Bend for 10 to 20 years.

Expansion Plans

62% of respondents plan to expand their business in the next five years, and 68% of those planning to expand hope to do so in North Bend. Respondents planning to expand both in and out of North Bend cited similar decision factors, including space availability, cost, and demographics.

Local Strengths for Business

Respondents were asked to select up to 3 of North Bend's greatest strengths for business. 69% referenced growth potential, and 58% referenced recreation opportunities. Quality of life and community attitudes were also popular choices.

Local Challenges for Business

Answers about North Bend's most significant challenges for business were more varied. The most selected challenge for local business was affordable housing, referenced by 56% of respondents. Several challenges were selected by 24-28% of respondents, including availability of commercial real estate, the cost of doing business, community attitudes, permitting requirements, and infrastructure.

Overall, respondents rated North Bend as average (35%) to above average (42%) as a place to do business. More positively, 58% of respondents said that the local business climate has improved over the past five years, while 12% said that it has gotten worse.

STRATEGIC FOCUS AREAS

Based on the analysis contained in this report and stakeholder feedback, several items have emerged as key focus areas in which the City of North Bend can consider concentrating its economic development efforts. For each focus area, several appropriate actions have been recommended for consideration. This list is not intended to be exhaustive.

1. Continue to foster an open, collaborative spirit with North Bend's community

Stakeholders referenced past tensions with City staff as a barrier to working in North Bend. Several also stated that new efforts to reach out to the business community, such as monthly breakfasts, have been helpful in repairing trust. These efforts should continue, and expand to encourage a dialogue between City residents, staff, and the local development community.

Potential Actions:

- Continue and expand outreach efforts with the local business community
- Pursue opportunities to connect City residents with the local development community

2. Prepare for population growth and embrace it as an opportunity to support a vibrant Downtown

Population growth and residential development are coming to North Bend. An increased population can help support the viability of the local and specialty businesses many residents value.

Potential Actions:

- Increase maximum housing densities and height limits downtown.
- Identify strategies to attract visitors downtown who are either moving through the City or stopping off the freeway.

3. Ensure development standards are clear and predictable

While allowing flexibility in development is beneficial, the use of flexibility should be tied to clear policy goals. Providing more clear standards in the development code can encourage more desirable development. Before building, developers should be able to have a clear idea of what is permitted on a property in terms of use, and what physical limitations on development are required.

Potential Actions:

- Develop a “roadmap”-style tool clearly outlining the process required to develop a site or establish a business in the City
- Select standards that are more responsive to the neighborhood and site, such as using standards related to building size and bulk rather than a blanket cap on the number of housing units.
- Allow for greater flexibility in requiring required open space in denser areas, with a focus on amenities and usability of space provided.

4. Provide more housing opportunities near employment

In North Bend, there is a mismatch between the types of jobs currently available and the types of homes currently available. Despite having a relatively high ratio of jobs to housing, only 11% of employed residents also work in North Bend. Actions could focus on expanding the overall supply of housing, the variety of unit types and sizes, and encouraging affordable housing.

Potential Actions:

- Allow multifamily housing in more zones, particularly downtown and in the immediate vicinity.
- Revisit the scope and application of first floor commercial requirements, particularly as a condition to build a multifamily development with more than 10 units. Focus these requirements only where they are most critical to the streetscape to avoid disincentivizing development.
- Eliminate owner occupancy requirement for homes with accessory dwelling units.
- Consider a multifamily tax exemption downtown with an affordability requirement.
- Conduct a visual preference survey for areas like downtown for community members to select the types of development they would like to see in North Bend.

5. Develop a more diverse tax base

North Bend has strong retail sales, but retail sales are vulnerable to impact by economic downturn or competition from neighboring communities. By encouraging more types and quantities of commercial development, including multifamily, the City can grow its property tax base and also add more diverse sources of sales taxes.

The ease of access to I-90 was cited by multiple stakeholders as a significant asset for local business. In North Bend access is particularly good as there are multiple exits in the City, which is not the case in many other small cities.

Potential Actions:

- Pursue opportunities to draw more types of commercial businesses to North Bend that are not currently abundant, such as hotels and restaurants.
- Evaluate barriers to types of industrial development that benefit from access to I-90.
- Actively market available commercial and industrial properties to potential developers or occupants.

APPENDIX: SURVEY RESPONSES

Community Stakeholders

Exhibit A1. What is your age?

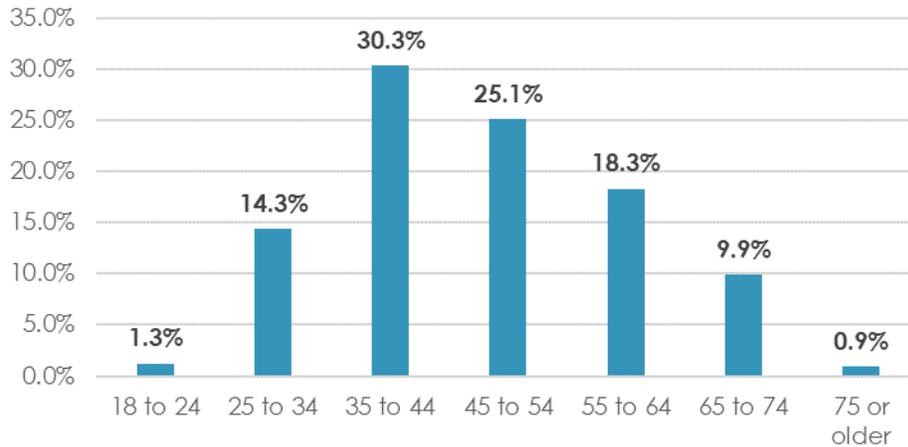


Exhibit A2. Do you live or work in North Bend?

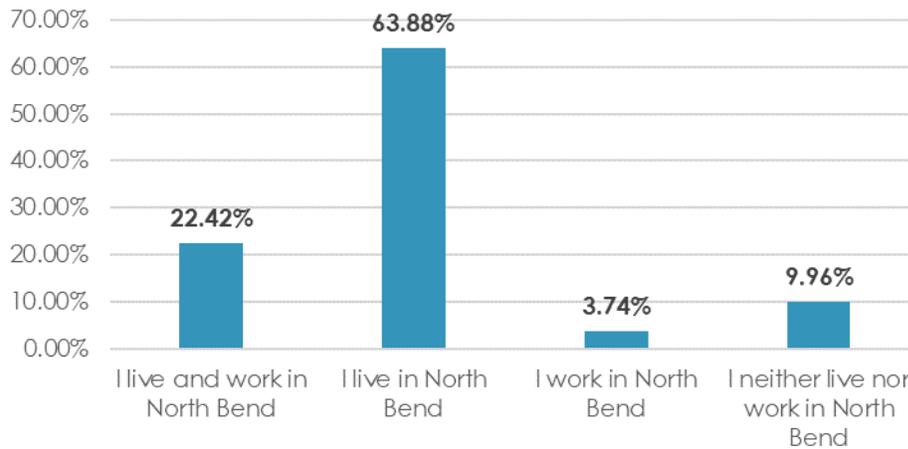


Exhibit A3. Do you own or rent your home?

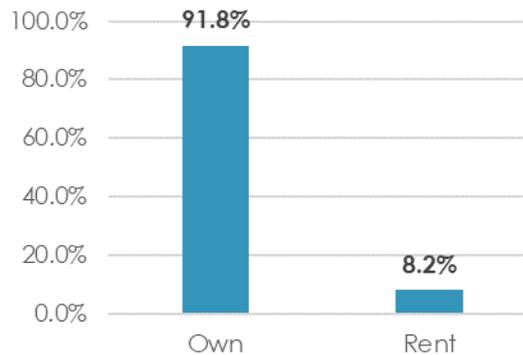


Exhibit A4. How much of your shopping is done in North Bend?

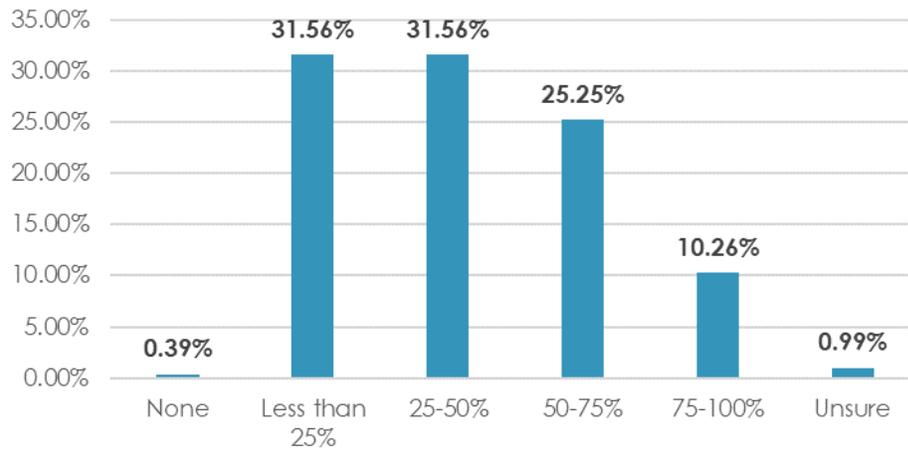


Exhibit A5. How much of your shopping is done online?

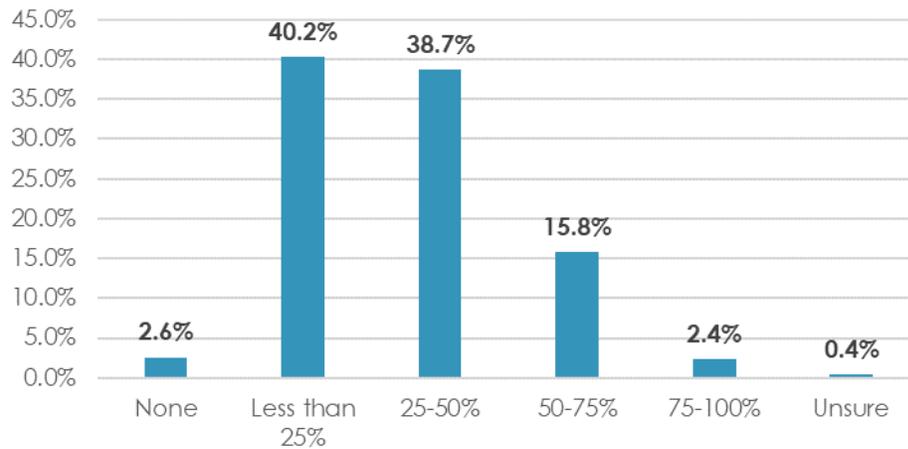


Exhibit A6. Where do you do most of your in-store shopping?

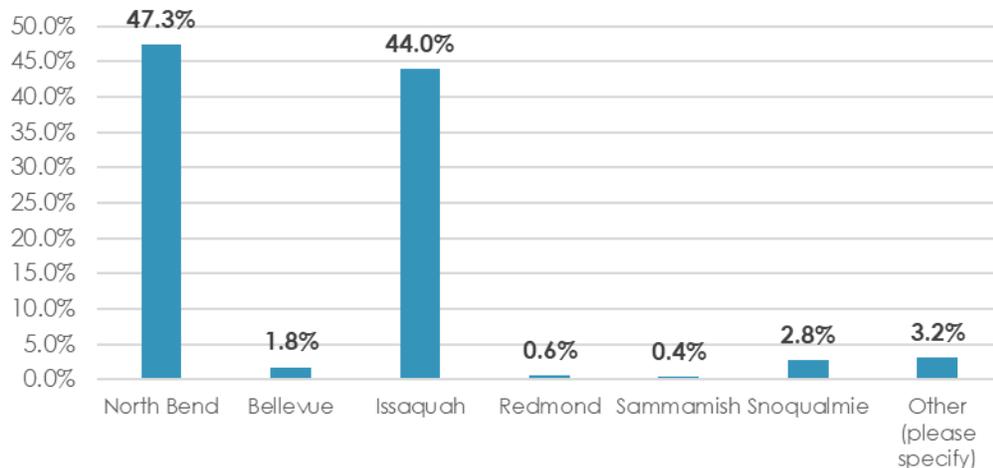


Exhibit A7. What types of retail products and services do you currently purchase in the place where you do most of your shopping?

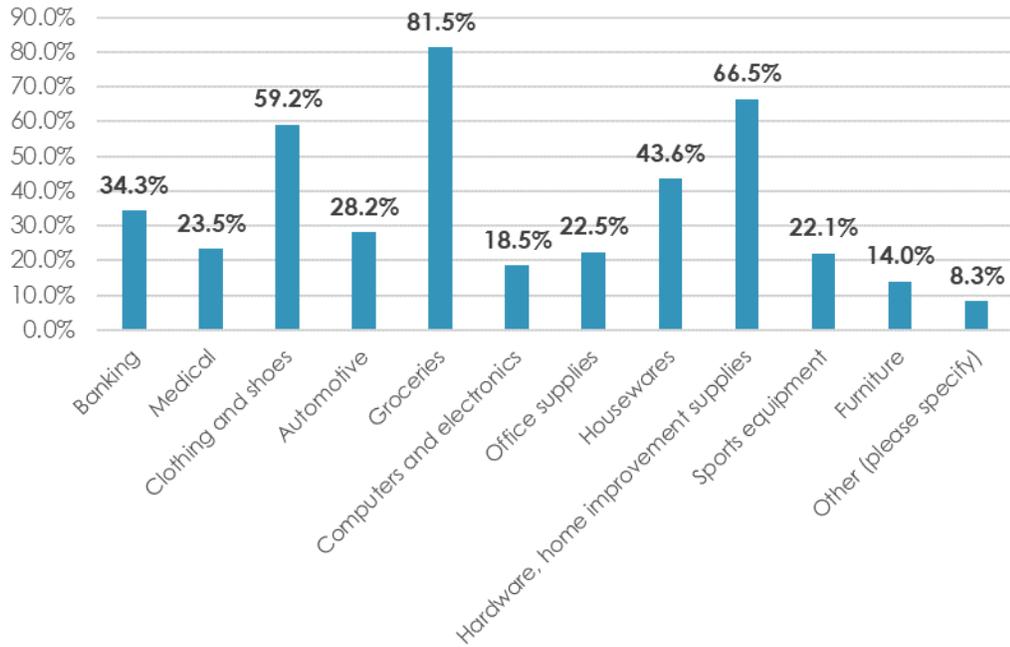


Exhibit A8. Why do you do most of your shopping in that location?

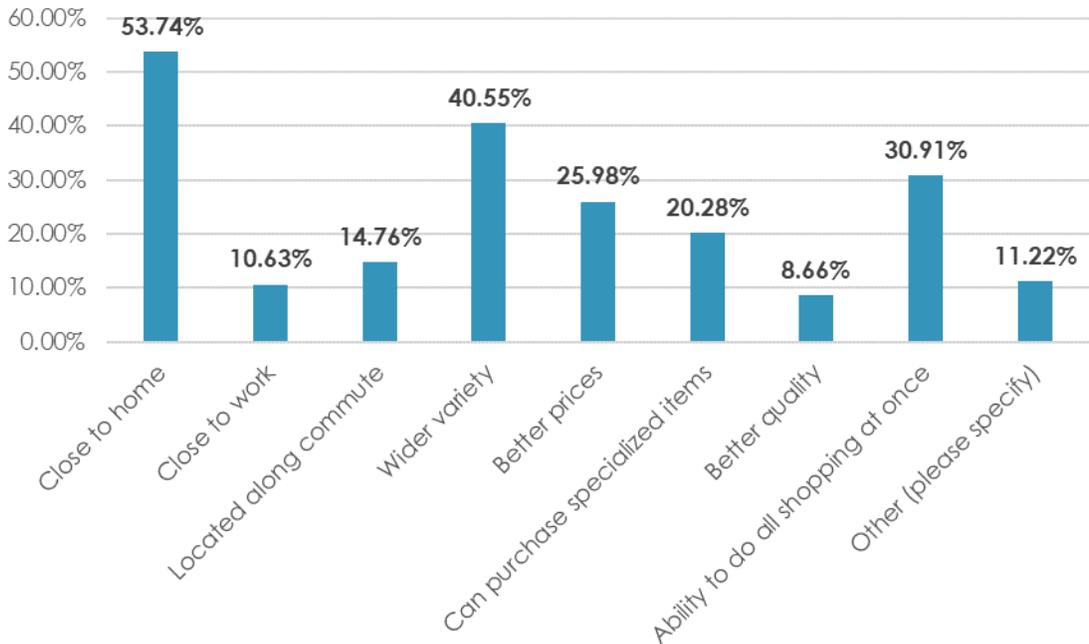


Exhibit A9. What types of retail products and services would you like to see come to North Bend that are not already here?

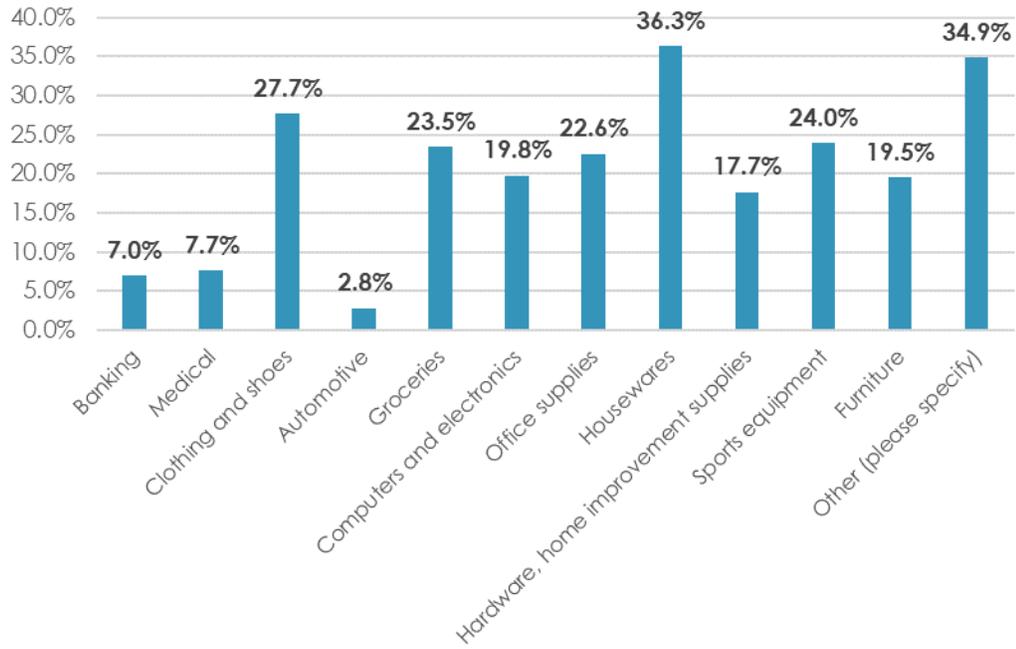
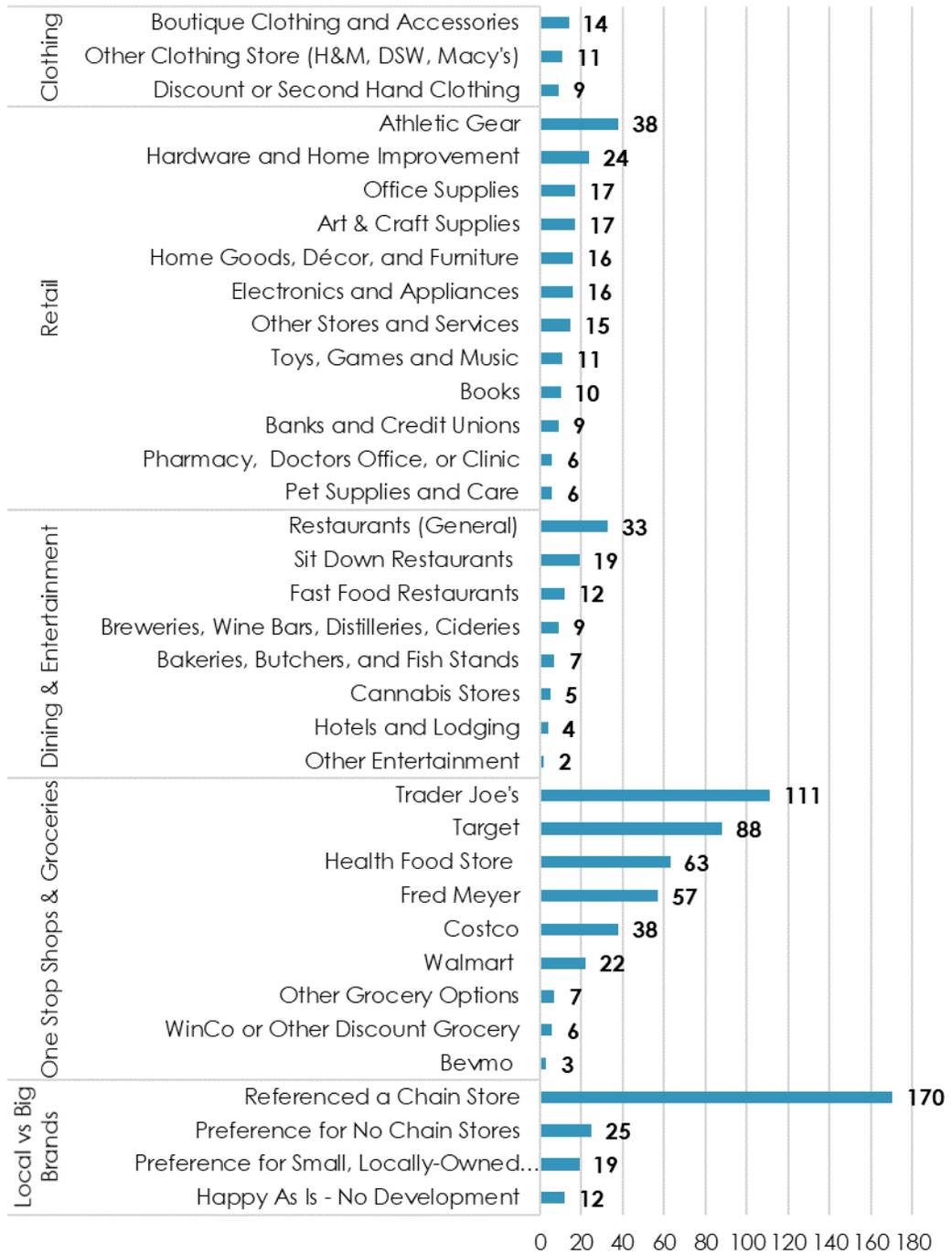


Exhibit A.10. What stores do you wish were located in North Bend?



Business Stakeholders

Exhibit A10. Which of the following best describes the principal industry of your business?

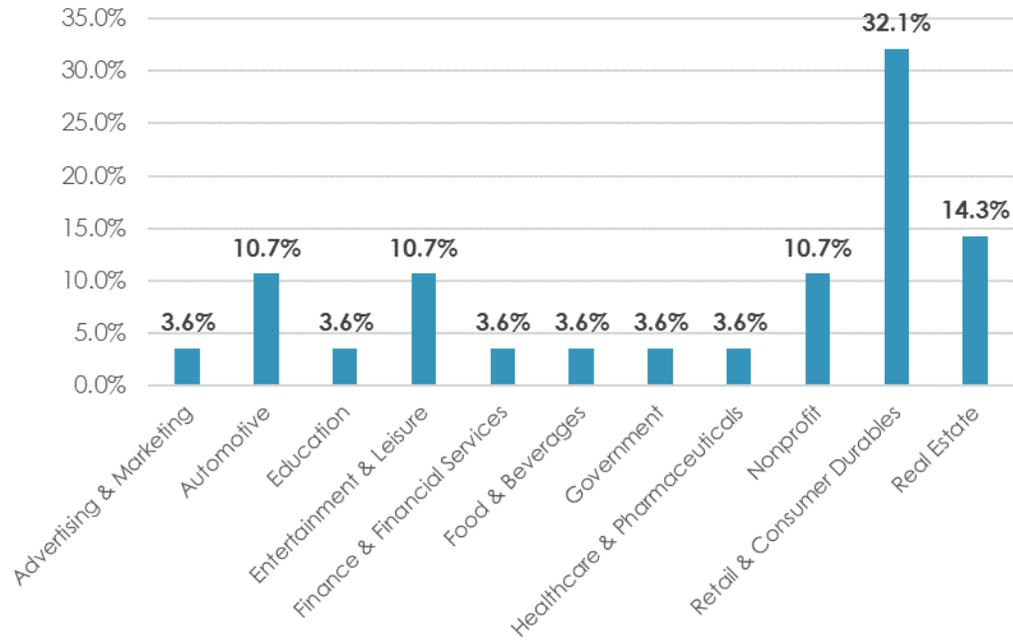


Exhibit A11. How long have you operated in North Bend?

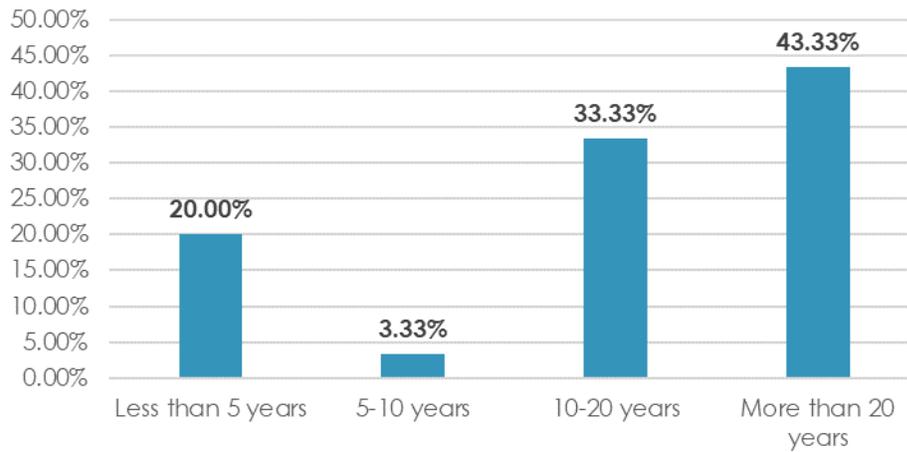


Exhibit A12. Do you plan to expand your business in the next five years?

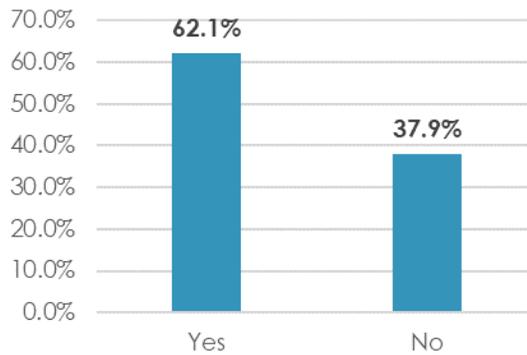


Exhibit A13. If you plan to expand your business, where are you planning to expand?

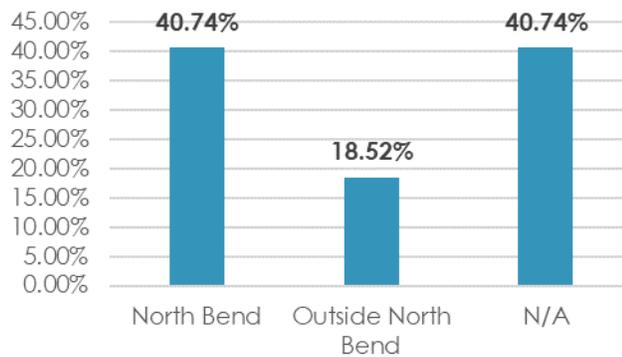


Exhibit A14. What influences your decision on where to expand?

Categorized Factors	Responses
Availability of Suitable Real Estate	8
Population Growth and Potential Customer Base	8
Traffic and Accessibility (Parking, walkability, visibility)	6
Property and Redevelopment Costs and Taxes	6
Business Climate and Government Support	2
Government Restrictions and Zoning	2

Exhibit A15. What factors impact the growth of your business or your decision to develop here?

Categorized Factors	Responses
Population Growth and Potential Customer Base	13
Traffic and Accessibility (parking, walkability, visibility)	8
Government Restrictions, Zoning, and Investment	6
Property Costs, Taxes, and Cost of Living	5
Availability of Suitable Real Estate	4

Exhibit A16. What are North Bend's top 3 strengths for business?

Answer Choices	Responses	
Recreation opportunities	57.7%	15
Quality of life	38.5%	10
Environmental quality	3.9%	1
Community safety	19.2%	5
Growth potential	69.2%	18
Availability of vacant land	3.9%	1
Availability of commercial real estate space	3.9%	1
Population density	7.7%	2
Cost of living	0.0%	0
Cost of doing business	7.7%	2
Community attitudes	34.6%	9
Access to suppliers	0.0%	0
Local government attitudes	3.9%	1
Land use policies	0.0%	0
Permitting requirements	0.0%	0
Local taxes	0.0%	0
Infrastructure	0.0%	0
Traffic	0.0%	0
Skilled workforce	0.0%	0
Affordable housing	0.0%	0
Local education system	7.7%	2
Other (please specify)	11.5%	3
	Answered	26
	Skipped	6

Exhibit A17. What are North Bend's top 3 challenges for business?

Answer choices	Responses	
Recreation opportunities	0.0%	0
Quality of life	0.0%	0
Environmental quality	4.0%	1
Community safety	0.0%	0
Growth potential	8.0%	2
Availability of vacant land	0.0%	0
Availability of commercial real estate space	24.0%	6
Population density	8.0%	2
Cost of living	16.0%	4
Cost of doing business	24.0%	6
Community attitudes	28.0%	7
Access to suppliers	0.0%	0
Local government attitudes	8.0%	2
Land use policies	16.0%	4
Permitting requirements	24.0%	6
Local taxes	4.0%	1
Infrastructure	28.0%	7
Traffic	16.0%	4
Skilled workforce	12.0%	3
Affordable housing	56.0%	14
Local education system	0.0%	0
Other (please specify)	16.0%	4
	Answered	25
	Skipped	7

Exhibit A18. How do you rate North Bend as a place to do business?

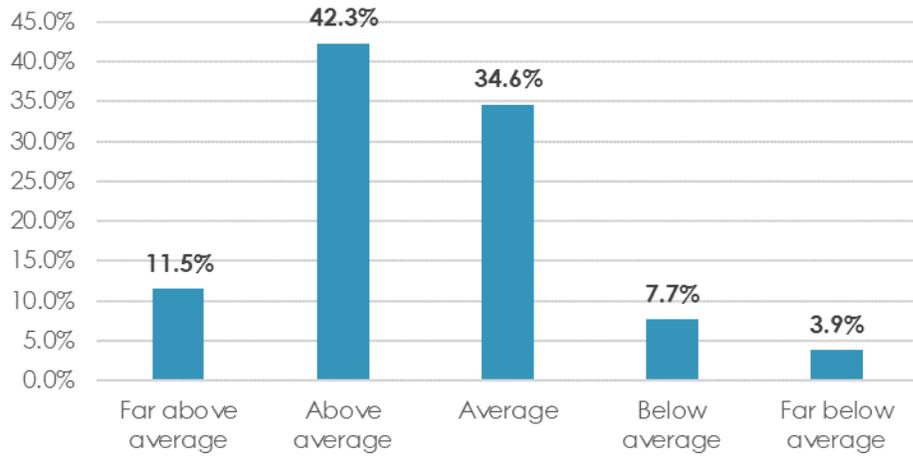


Exhibit A19. Why did you give North Bend this rating? (Categorized responses by rating given)

	Far above average	Above average	Average	Below average	Far below average
Community Shops Local and is Business Friendly		5			
Support from City Council and Government	2	3			
Demographic and Geographic Benefits of the Area	1	2			
Issues with Regulations and Policies that Impede Growth		1	2	1	1
Not Enough Support from the Community			2		
Issues with Infrastructure and Resources for Business			2	1	

Exhibit A20. How has the business climate changed over the past five years?

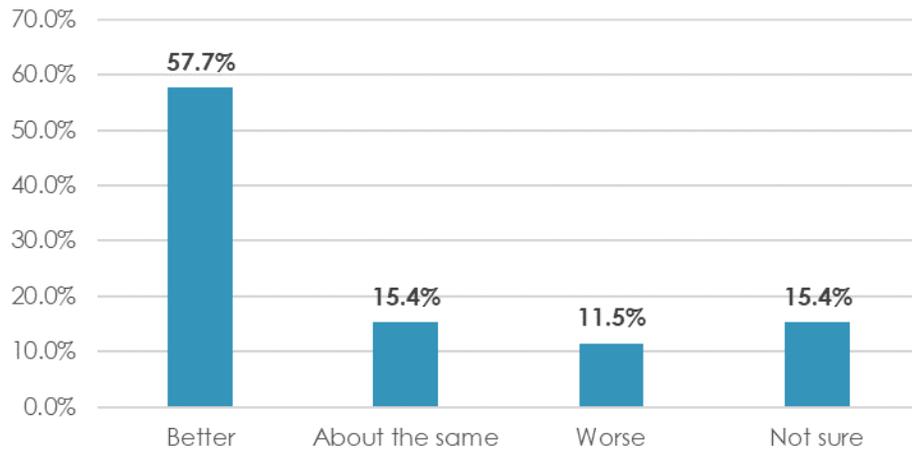


Exhibit A20. What do you think has caused this change? (Categorized responses by rating given)

	Better	About the Same	Worse	Not Sure
Growing population	8	0	0	0
Business friendly city staff	4	0	0	0
Community support	3	0	0	0
Downtown improvements, community branding and tourism	3	0	0	0
Strategic planning for growth	3	0	0	0
Local politics that are not business friendly	0	0	1	0
Negative community attitudes	0	0	3	0