

December 27, 2004

To Honorable City Council Members Adelstein, Bode, Burns, DeValois, Kuiken, Laninga, and Vis;

RE: Economic Development and Impact Fees

In the next twenty years, Lynden is anticipating more than eight thousand new residents within the community. Each year Lynden and Lynden Christian High Schools graduate more than three hundred students from the two high schools combined. In the current update to Lynden's Comprehensive Plan, the City is considering where these new residents and students may live and work and developing a land use plan that will insure there is adequate land area to meet those needs.

In addition to planning for the residential growth, the Comprehensive Plan works to make certain that there will be sufficient land for future commercial and industrial growth. However, planning for the land area is only one step of the process. Filling that property is also essential to Lynden's balanced growth and economic future. While the policies of the Comprehensive Plan and the goals of the Economic Development Plan, all champion creating new jobs through either business retention or new business attraction, there is a lack of positive strategies to implement these goals.

To encourage balanced growth within the community and to improve the City's self-sufficiency, more must be done to make Lynden a competitive place to do business. The City's distance from I-5, limited rail service, restricted border crossing hours and the cost of land all work against the City when trying to attract new industrial business. These are factors that the City can not change.

What the City can do to make Lynden competitive is to consider the structure for certain fees that business and industry pays to the City when they apply for their permits. The table below shows what certain types of businesses might currently pay in transportation and park impact fees at the time of their building permit.

Type of Business	Park Impact Fees	Transportation Impact Fees
70,000 sq. ft. Manufacturing Facility	\$6,580	\$94,483
10,000 sq. ft. Warehouse Facility	\$940	\$8,573
5,000 sq. ft. General Office Building	\$1,170	\$13,589
5,000 sq. ft. Medical/Dental Building	\$1,170	\$33,926
50,000 sq. ft. Retail Building	\$7,000	\$155,897

Many times, these fees are in addition to other development requirements, such as utility extensions or frontage improvements. While the impact fees may be a small portion of the total project cost, they can often serve as an indicator as to how the community responds to business.

My recommendation to the City Council is that the Council considers designating the land use zones I-1, I-2 and CS-3 as economic development assistance areas by resolution and citing how development in this area will economically benefit the Lynden community. Some examples of those benefits include:

1. Increased property taxes. Most properties are currently in open space taxation and the City is receiving very minimal property taxes. (For example, one parcel in the designated area is currently paying approximately \$360 per year in property taxes - total. Taken out of open space, the same property undeveloped would contribute approximately \$8,000 per year)
2. Stronger employment base to support the growing residential population. Families would not have to leave town in order to find employment, increasing the social benefit within the City.
3. Development activity spurs other types of funding opportunities like Whatcom County's Economic Development Initiative and CERB grants/loans.
4. Financial investments in the community through job creation, vocational training, sales tax revenue (people shop where they work), as well as social investments, are important to Lynden's future.

Providing the incentive across the industrial zoning spectrum (I-1, I-2 and CS-3) ensures that regardless of where the property is located, the incentives will apply to the type of development needed most within the Lynden community: job creating, manufacturing and assembly types of growth. The City has experienced very strong residential growth, as well as strong commercial growth. Now is the time to continue to balance the growth equation with new "industrial" jobs.

I recommend that the City provide a 50% reduction in Park and Transportation impact fees for these specific zones. The transportation mitigation fund will be reduced by approximately \$415,500 and the parks mitigation fund approximately \$22,000 by taking this action, but I contend that if we work with the County and State for Economic Development monies, we will be able to adequately provide the infrastructure needs of the community using these outside sources of potential money. The City Administration

and Staff are committed to work aggressively to find other revenues to support the proposed projects financed with mitigation funds. Partners such as the Port of Bellingham, Whatcom County (through the EDI program) and the State of Washington CURB and CERT programs are direct examples of potential revenue enhancement sources.

Attached is a draft resolution I'm asking you to consider adopting to take the first step in making this incentive for job creation possible. If the resolution is adopted, staff will then proceed in drafting potential amendments to the various ordinances and resolutions as needed. These amendments would include changes to the Park Impact Fee Ordinance and the Transportation Impact Fee ordinance as well as the Transportation Impact fee resolution.

Thanks for the opportunity to present this to you. As always, I would encourage committee review prior to adoption of a resolution, so I would suggest this be remanded to the Community Development , Parks and Public Works committees and be brought back to Council later for consideration. If you have questions, please contact Administrator Verwolf, Planning Director Harksell, or me.

Respectfully Submitted by,

Jack Louws

RESOLUTION NO. 709

A RESOLUTION OF THE COUNCIL OF THE CITY OF LYNDEN DECLARING THAT ECONOMIC DEVELOPMENT EFFORTS SERVE BROAD PUBLIC PURPOSE AND PROVIDING INCENTIVES FOR ECONOMIC GROWTH

WHEREAS, the City of Lynden desires for its citizens a quality of life that includes aesthetic quality, a strong sense of community and economic health; and

WHEREAS, the City of Lynden seeks a balance between residential growth and employment opportunities within the City; and

WHEREAS, the City of Lynden has adopted a Comprehensive Economic Development Plan that declares the public benefits of economic development and growth within the community; and

WHEREAS, the mission of the Economic Development Plan reads, ***"To work with business owners and citizens throughout the City to ensure the future economic health of the City by working to maintain and attract responsible businesses and industries that are compatible with the Communities values."***

WHEREAS, the public benefits of economic growth include an increased property tax base to support municipal services, schools, and other taxing authorities, the creation of jobs to gainfully employ the citizens of the community, increased sales tax revenues, and

WHEREAS, the public benefits of economic growth within the city also include less traffic congestion on outlying roads and highways, reduction in urban sprawl, investment within a municipal area that is able to provide the services needed for business and industry; and

WHEREAS, economic development within the City is supported by the goals and objectives of the Growth Management Act; and whereas,

WHEREAS, providing incentives for economic development is consistent with the Growth Management Act and the City's own goals for encouraging infill development; and

WHEREAS, there are obstacles to Lynden's economic growth that the City can not resolve, such as the distance of the City from Interstate 5, the limited border crossing, the cost of land within the community, all of which have affected Lynden's ability to retain existing businesses and attract new industrial development; and

WHEREAS, within the City limits there is land zoned appropriately for commercial and industrial development to provide opportunity for economic growth; and

WHEREAS, the areas zoned as CS-3, I-1 and I-2 provide land area specifically targeted for agricultural business, and industrial growth: land uses which are targeted for support within the Comprehensive Economic Development Plan; and

WHEREAS, since 1998 the City of Lynden has lost several employers within the City to areas that are ready to develop, are closer to I-5 and are more economical to expand; and

WHEREAS, Lynden needs additional incentives to encourage businesses within those areas to expand and to attract new business to the city and to counter the obstacles to economic growth within the City; and

WHEREAS, mitigation fees for transportation improvements and park and open space facilities may affect a business's decision to locate in the West Lynden Industrial Area; and

WHEREAS, revenue from transportation and park mitigation fees reduced as an incentive for locating within the West Lynden Industrial Area may be recouped through grants for economic development purposes, increase real estate excise tax, removal of property from the open space taxation program and general public benefit;

NOW THEREFORE BE IT RESOLVED by the Council of the City of Lynden to declare that economic development efforts serve a broad public interest to the citizens of Lynden by increasing the property tax base, and creating new jobs within the city; and

NOW THEREFORE BE IT ALSO RESOLVED by the Council of the City of Lynden to declare the zoning designations of I-1 (Industrial), I-2 (Light industrial), and CS-3 (Commercial Services) as economic assistance areas; and

NOW THEREFORE BE IT FURTHER RESOLVED by the Council of the City of Lynden to consider economic incentives, such as the reduction in mitigation fees for park facilities and transportation facilities, for new development in those areas declared as economic assistance areas.

PASSED by the City Council of the City of Lynden, Whatcom County, Washington on the 7th day of February, 2005 and signed and approved by the Mayor on the same date.


MAYOR
Jack Louws

ATTEST:


CITY CLERK
William Verwolf

APPROVED AS TO FORM:


CITY ATTORNEY
Robert Carmichael