

City of Burlington

Economic Development

Prepared by the Center for Economic and Business Research

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About the Authors

The Center for Economic and Business Research is an outreach center at Western Washington University located within the College of Business and Economics. In addition to publishing the Puget Sound Economic Forecaster, the Center connects the resources found throughout the University to assist for-profit, non-profit, government agencies, quasi-government entities, and tribal communities in gathering and analyzing useful data to respond to specific questions. We use a number of collaborative approaches to help inform our clients so that they are better able to hold policy discussions and craft decisions.

The Center employs students, staff and faculty from across the University as well as outside resources to meet the individual needs of those we work with. Our work is based on academic approaches and rigor that not only provides a neutral analytical perspective but also provides applied learning opportunities. We focus on developing collaborative relationships with our clients and not simply delivering an end product.

The approaches we utilize are insightful, useful, and are all a part of the debate surrounding the topics we explore; however, none are absolutely fail-safe. Data, by nature, is challenged by how it is collected and how it is leveraged with other data sources. Following only one approach without deviation is ill-advised. We provide a variety of insights within our work – not only on the topic at hand but also the resources (data) that inform that topic.

We are always seeking opportunities to bring the strengths of Western Washington University to fruition within our region. If you have a need for analysis work or comments on this report, we encourage you to contact us at 360-650-3909 or by email at cebr@wwu.edu.

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Introduction

The City of Burlington has experienced a period of economic change stemming in part from the rapid shift in consumer behavior throughout the Covid-19 pandemic. This economic shock has followed a longer economic trend in consumer behavior towards e-commerce or hybrid format retail. These factors have proven to be significant to Burlington's economy, this is due to the city's industrial composition being heavily concentrated within retail. In Burlington, this decline in retail is evident through the recent closure of the Cascade Mall in 2020. This is due to challenges to retail shopping during the COVID-19 pandemic as well as a decline in retailers in the mall itself over the past decade.

Despite these challenges, the City of Burlington has seen recent growth in other sectors. Namely transportation and warehousing, which has experienced 10% annual growth over the past five years. This growth holds promise for the future of economic conditions as climate factors in Burlington are advantageous for investment in expanding transportation, warehousing, and logistics. The City of Burlington has a number of unique advantages including local tax rates, geographic location, real estate, available workforce and workforce composition.

The first section of the report summarizes the economic environment of the City of Burlington and provides comparison of these conditions to peer cities. The next section provides analysis of how the City of Burlington has changed over time. This section contains forecasts and projections for several economic variables, including a population infill model to help the city plan for future growth in accordance with the Growth Management Act. The final section of the report provides policy recommendations for the City of Burlington based on current economic conditions, projected trends, and the unique characteristics of the City of Burlington.

Current Economic Conditions

In this section, we present the current economic conditions of the City of Burlington. We also discuss the impacts of the COVID-19 pandemic on the various aspects of Burlington’s economy. This section also provides comparisons of economic data to three other peer cities: Fredericksburg, Texas; Sedro-Woolley, Washington; and Union Gap, Washington.

Although Fredericksburg is not geographically close to Burlington, this city was selected as a peer city because of similarities in its economy. Fredericksburg presents an example of a city which transitioned from a highly retail-dependent economy towards one which diversified into other industries such as manufacturing and tourism.

Sedro-Woolley was selected as a peer city as it shares similar characteristics such as county policies, geography and economic conditions that allow us to compare the two cities while controlling for other factors. Union Gap was selected because it is a peer city already identified by the City of Burlington. Union Gap shares Burlington’s low tax rate and strong retail economy. However, Union Gap faces unique challenges because it is located within the Yakama Reservation and therefore has significantly more economic barriers due to federal jurisdiction.

Population

Population data comes from the US Census Bureau’s American Community survey for 2015-2019. Data from the 2020 Census will become available soon. However, 2020 Census data may not be especially accurate due to sampling issues related to the COVID-19 pandemic.

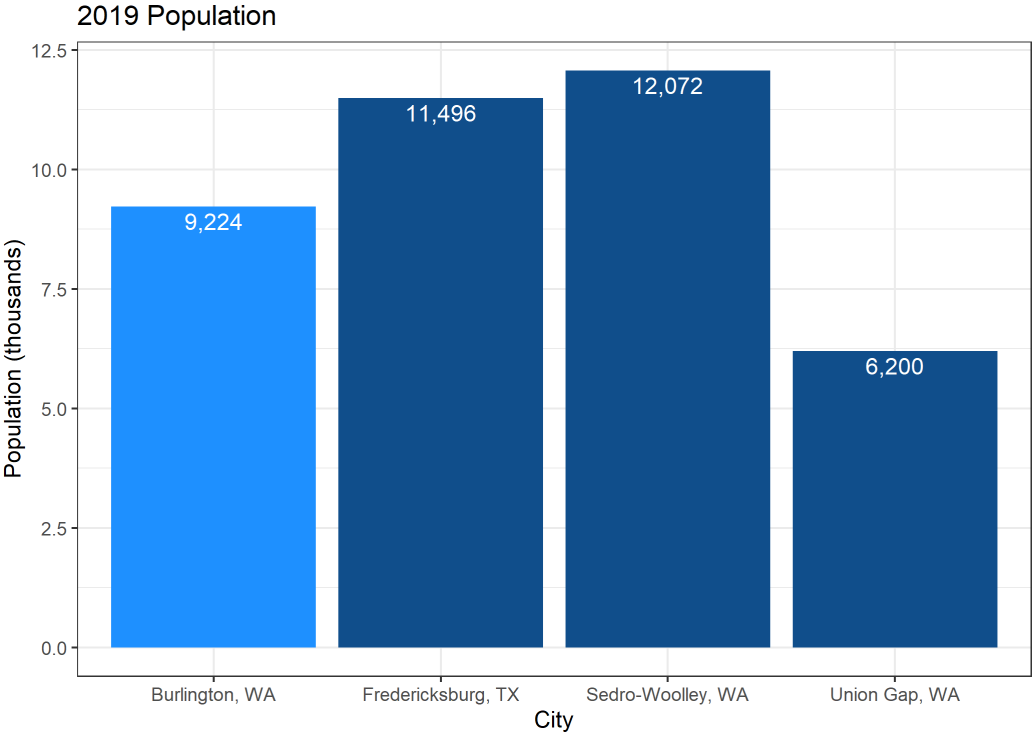


Figure 1: Population (2019)

As of 2019, Burlington’s population 9,224. Comparing to the peer cities, Burlington has the second lowest population, with Fredericksburg’s population at 11,496; neighboring Sedro-Woolley’s population is 12,072; and Union Gap’s population is lowest at 6,200. The Covid-19 pandemic has had a significant impact on where people live, so we can expect that the population today is not exactly what it was when the data was collected.

Labor Force

Labor force data comes from the US Census Bureau’s American Community survey for 2015-2019. The data visualized below is an estimate of each city’s labor force in 2019. The labor force is defined as the population of adults (16+) who are either employed or are looking for work. This figure does not count people who are retired, perform unpaid work at home, are incarcerated, or anyone who is otherwise able to work but chooses not to.

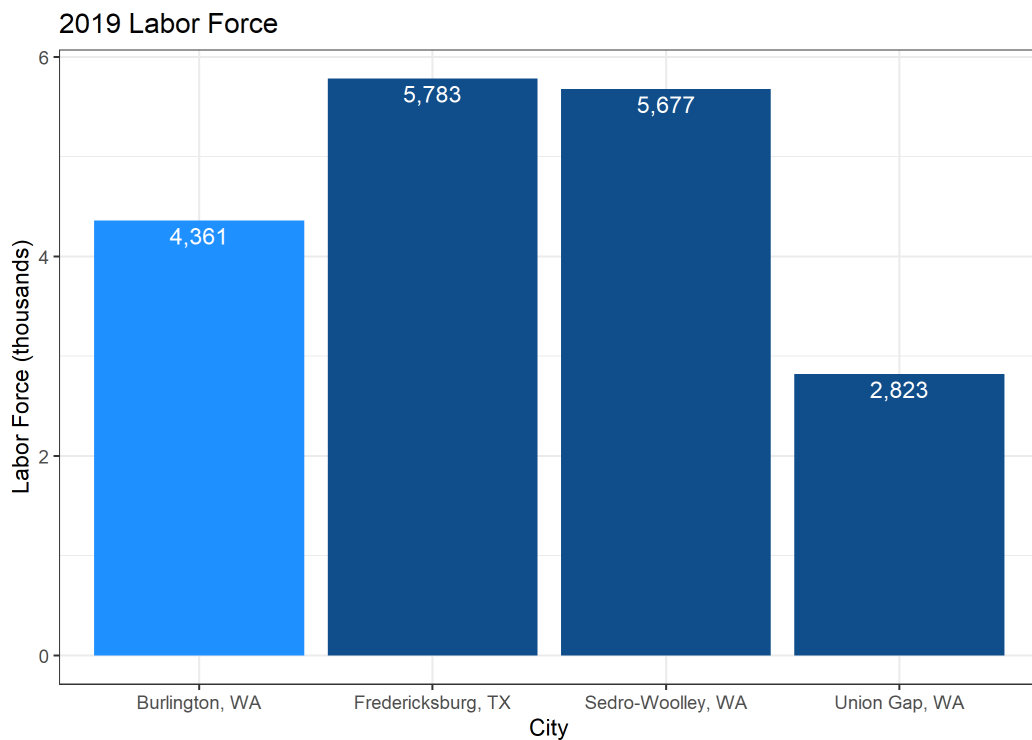


Figure 2: Labor Force (2019)

Burlington’s labor force was 4,361 as of 2019. Comparing to the peer cities, Burlington has the second lowest labor force, which is to be expected because Burlington also has the second lowest population. Above Burlington, Fredericksburg’s labor force is 5,783; neighboring Sedro-Woolley’s labor force is 5,677; and Union Gap’s labor force is the smallest at 2,823.

To better understand the labor force metric, we also consider the labor force participation rate (LFPR). This metric measures the percentage of the population that is in the labor force. Burlington’s LFPR is 47.3%, well below the US LFPR which was 63.1% in 2019. For comparison, Fredericksburg’s LFPR is 50.3%; Sedro-Woolley’s LFPR is 47.0%; and Union Gap’s LFPR is 45.5%. While Burlington’s LFPR is relatively low, it is similar to peer cities. A low LFPR is common in more rural regions and is not

necessarily a bad thing. Low LFPR indicates a higher population of retired people and can indicate that the cost of living is such that only one income is needed to support the household.

The COVID-19 pandemic has had a significant impact on the labor force, and we should expect big changes to this data in the coming census. The pandemic caused many people to leave the labor force for a variety of reasons, especially women who had to leave work to care for children or elders. Many have not sought new employment due to challenges finding child or elder care, fears about contracting the virus, or choosing to seek work in a new field or further their education. The loss in the labor force has hit low-wage sectors especially hard, which will have a significant impact on Burlington’s economy.

Many companies who have lost their labor force have turned to offering higher wages or accepting applicants with less experience in order to fill positions. This is beneficial to a strong economy as wages increase, boosting spending in the region. However, this can also force companies out of business if their margins were too small or encourage companies to get by on a smaller staff. Overall, higher wages for low earners are typically positive for the economy, leading to better upward mobility and reducing income inequality.

Cost of Living

Cost of living data comes from the Council for Community and Economic Research (C2ER) and is an average of the first three months of 2021. When C2ER data was not available cost of living data proxy inputs were imputed from Chmura.

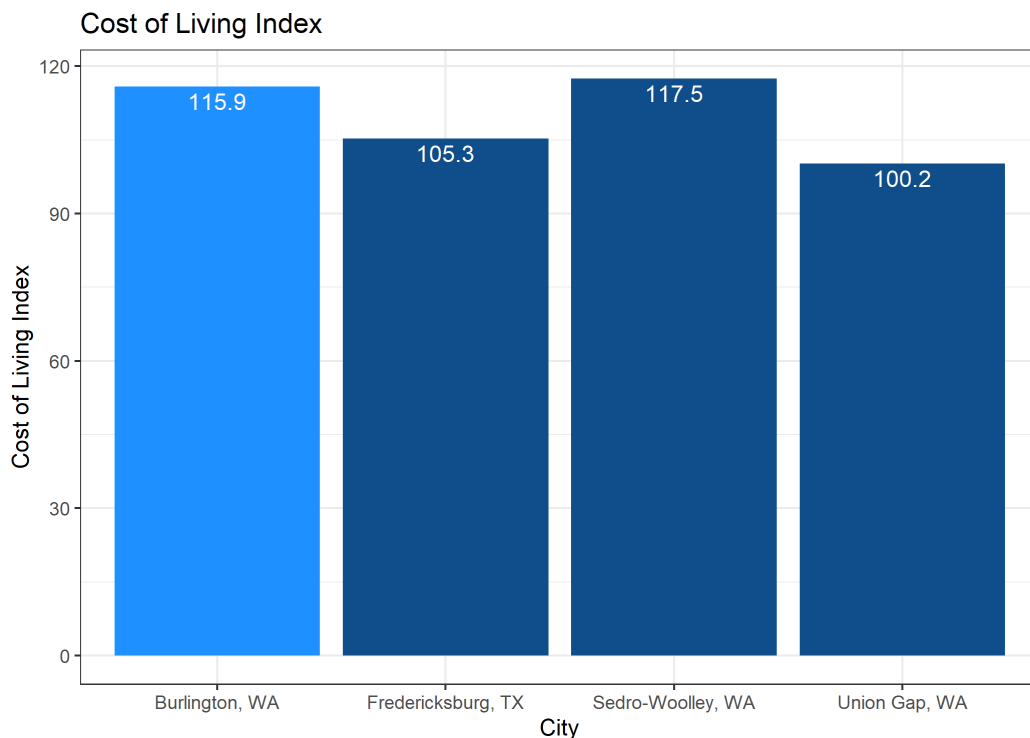


Figure 3: Cost of Living (2021Q1)

C2ER cost of living data is organized into six categories: food, housing, utilities, transportation, health care, and miscellaneous goods and services. Items that are relatively more important to consumers are weighed more heavily towards the composite index number which is displayed in Figure 3. Figure 3 shows estimates of the relative price levels for consumer goods and services for people in locations compared to the national average. When applied to wages and salaries, the result is a measure of relative purchasing power of a consumer. The national average equals 100 and each location's index is read as a percentage of the average for all places. For example, this means that in Burlington the cost of living is 15.9% higher than the U.S. average.

The median house value in Burlington costs \$240,800 whereas the value for the U.S. is \$217,500 and for Washington state is \$339,000 according to American Community Survey from 2015-2019. In 2020, the median mortgage payment on a home in Skagit County was approximately \$1,678 per month. In this case, a household would need an annual income of at least \$60,408 to afford a home if a living wage is defined as an income at which one-third of a household's gross income is allocated to housing expenses. The median household income in Burlington is \$49,641 (see next section), so a household with the median income would not be able to afford the median home in Burlington.

According to data from Zumper, the median price of a 2-bedroom apartment in Burlington is \$1,700, so the median income household would not be able to afford a median two-bedroom apartment either. The median household size in Burlington is 2.38, so many residents would not necessarily need a two-bedroom apartment. The median rent payment in Burlington is \$1,092 according to census data, and the median rent for a one-bedroom apartment is \$1,100 per month. The median rent would require an income of about \$40,000 per year, so the median household would be able to afford the median rent for a one-bedroom apartment.

Income and Wages

The figure below shows average wages by occupation for the City of Burlington. This data is provided by JobsEQ as an average for 2020, so there may be some discrepancies because of the COVID-19 pandemic. In March 2020, higher earners were kept on staff while lower earners were laid off resulting in an increase in median wages. Because the data is reported by occupation, this effect is less significant, but may still bias the data.

Burlington's occupation group with the highest wage is for "Management," followed by "Computer and Mathematical" and then "Healthcare Practitioners and Technical." Burlington's lowest earning occupations were "Healthcare Support," "Fishing, Farming, and Forestry," with workers in "Food Preparation and Service Related" earning the least.

Average Wage by Occupation 2020

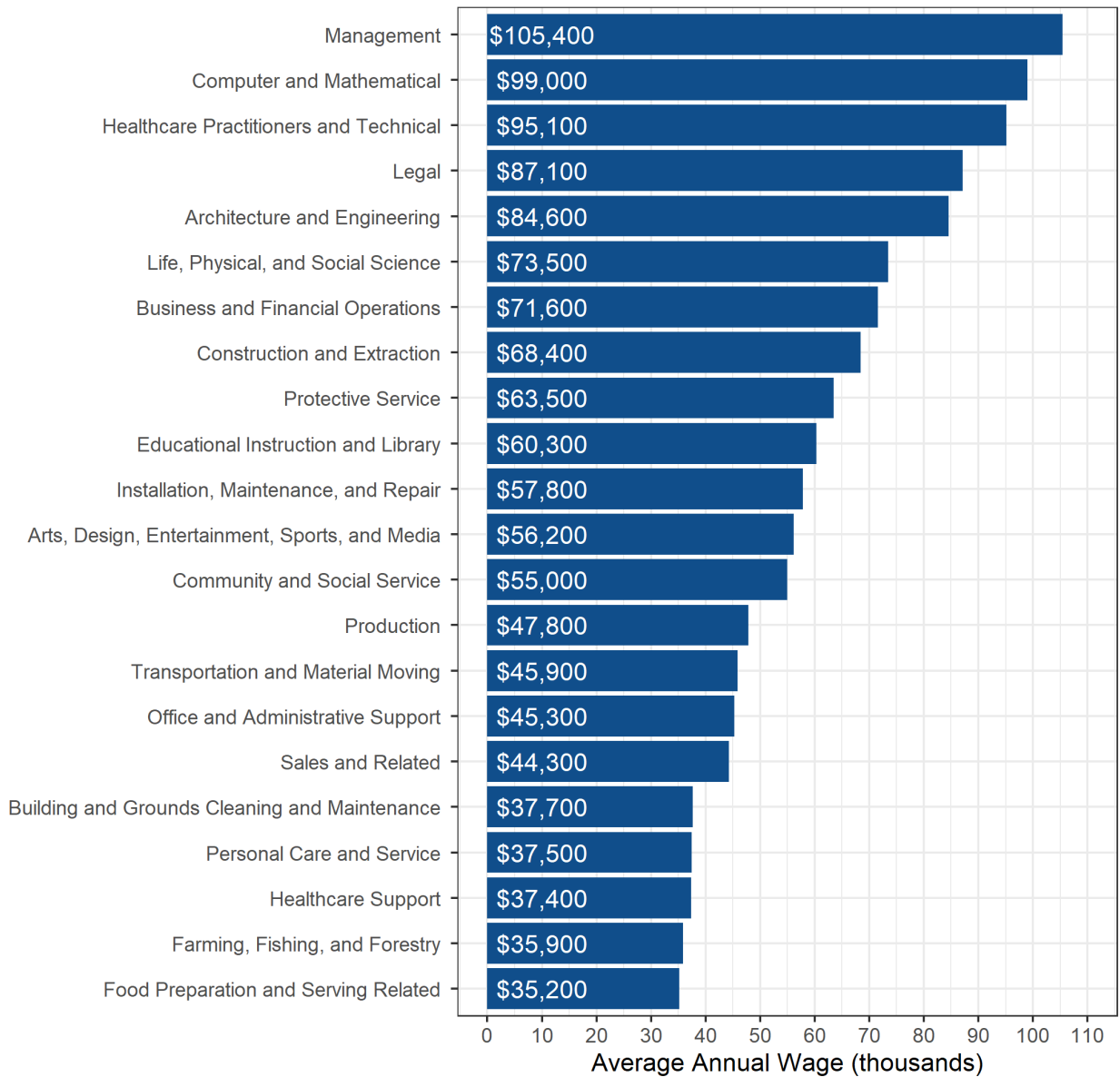


Figure 4: Burlington Average Annual Wages by Occupation

Average wage by occupation in the City of Burlington is mostly proportional to the U.S Bureau of Labor statistics’ 2020 estimates for annual mean wage in Washington state. However, Burlington’s average wage by occupation falls behind the state averages across all occupations. And in contrast to the statewide average, ‘Sales and Related Occupations’ underperform ‘Office and Administrative Support’ as well as ‘Transportation and Material Moving Occupations.’ Similarly, ‘Healthcare Practitioners and Technical Occupations’ disproportionately outperform ‘Legal Occupations’ in comparison to the state average.

Median household income comes from the US Census Bureau’s American Community Survey from 2015-2019. The data was then calculated by weighted averages of the median values from the composing counties that make up the location.

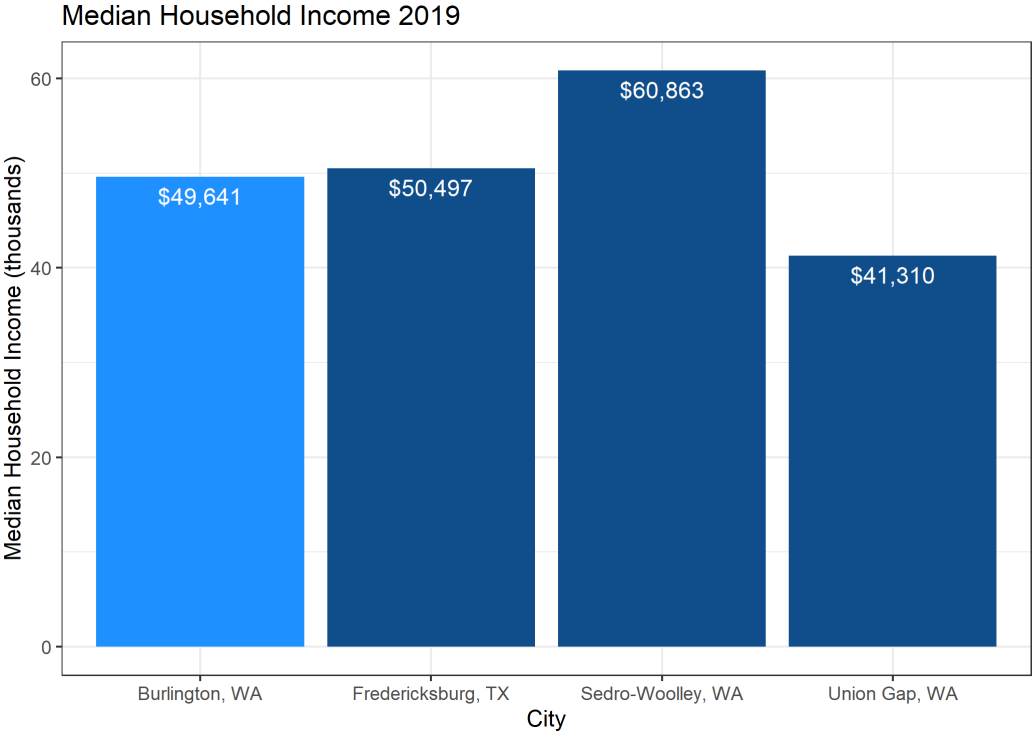


Figure 5: Median Household Income (2019)

As of 2019, the median income of a household in Burlington was \$49,641. Comparing to the peer cities, Burlington has the third lowest median household income, with Fredericksburg’s median household income as \$50,497, neighboring Sedro-Woolley’s median household income is \$60,863, and Union Gap’s median household income is \$41,310. The Covid-19 pandemic and the resulting government programs have had a significant impact on the incomes of people, so we can expect that incomes are likely *higher* today than they were when they were calculated in 2019.

Although Burlington and Sedro-Woolley are close geographically, there is a significant difference in median incomes. Part of the difference is due to the small sample size. Even one multi-millionaire in either city could significantly skew the data. One reason that Sedro-Woolley’s median income is higher may be that a few CEOs and business owners (for example, Janicki Industries) live in Sedro-Woolley.

Poverty rate data also comes from the US Census Bureau’s American Community Survey from 2015-2019. The poverty rate is the percentage of individuals or households who earn less income than the poverty threshold. The poverty threshold is dependent on the household size and number of children. For example, the 2020 poverty threshold for a family of two adults and two children is \$26,246. The poverty threshold is defined for the US overall and does not account for differences in cost of living.

Because Burlington’s cost of living is 15.9% higher than the national average, we can expect that more people are truly living in poverty conditions than what is reported.

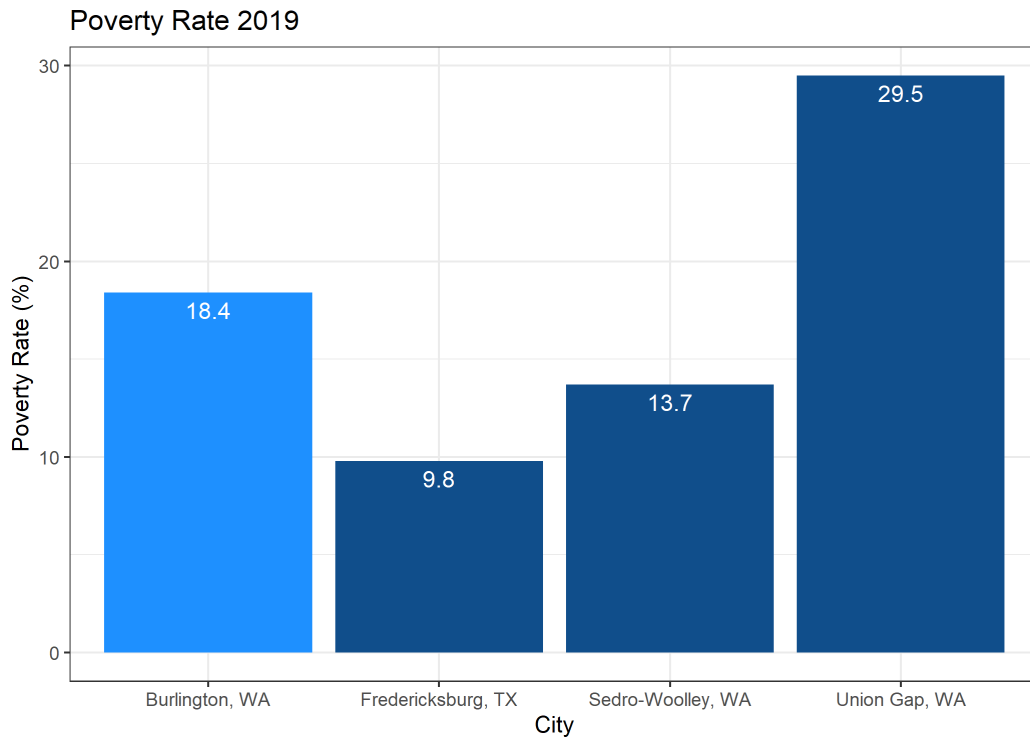


Figure 6: Poverty Rate (2019)

As of 2019, Burlington’s poverty rate was 18.4%. This is significantly higher than peer cities Fredericksburg and Sedro-Woolley which had poverty rates of 9.8% and 13.7% respectively. Union Gap had the highest poverty rate of 29.5% in 2019. Because Union Gap is located within a reservation, the city faces significantly more barriers to economic development and has a poverty rate similar to the average for reservations, 28.4%.

The COVID-19 pandemic has had a significant impact on the number of individuals and households facing poverty. While stimulus payments, unemployment benefits, and the child income tax credit have lifted many households out of poverty, other households have entered poverty as a result of the pandemic. On net, we can expect that the poverty rate today is lower than it was in 2019.

Employment

The largest employers of Burlington residents are displayed in Table 1 below as found by the Economic Development Alliance of Skagit County and data collected by CEBR in 2018. Data was supplemented during Fall 2021. The human resources department for each business below was called to obtain the total number of employees (which includes non-full-time employees) per company as displayed below. Note that companies with an asterisk are not physically located within Burlington but are close enough to be a source of employment for Burlington residents.

Table 1: Burlington Top Seven Employers

| Company | Number of Employees |
|--|---------------------|
| Burlington-Edison School District | 700 |
| Fred Meyer | 380 |
| Costco Wholesale | 359 |
| KarMART Chrysler-Jeep-Dodge | 104 |
| *PeaceHealth United General Medical Center | 2,500 |
| *Hexcel | 200 |
| *Walmart Supercenter | 150 |

Employment numbers by sector comes from quarter two in 2021 data for JobsEQ. Employment numbers are expected to increase as the region recovers from the COVID-19 pandemic.

Number of Employees by Sector

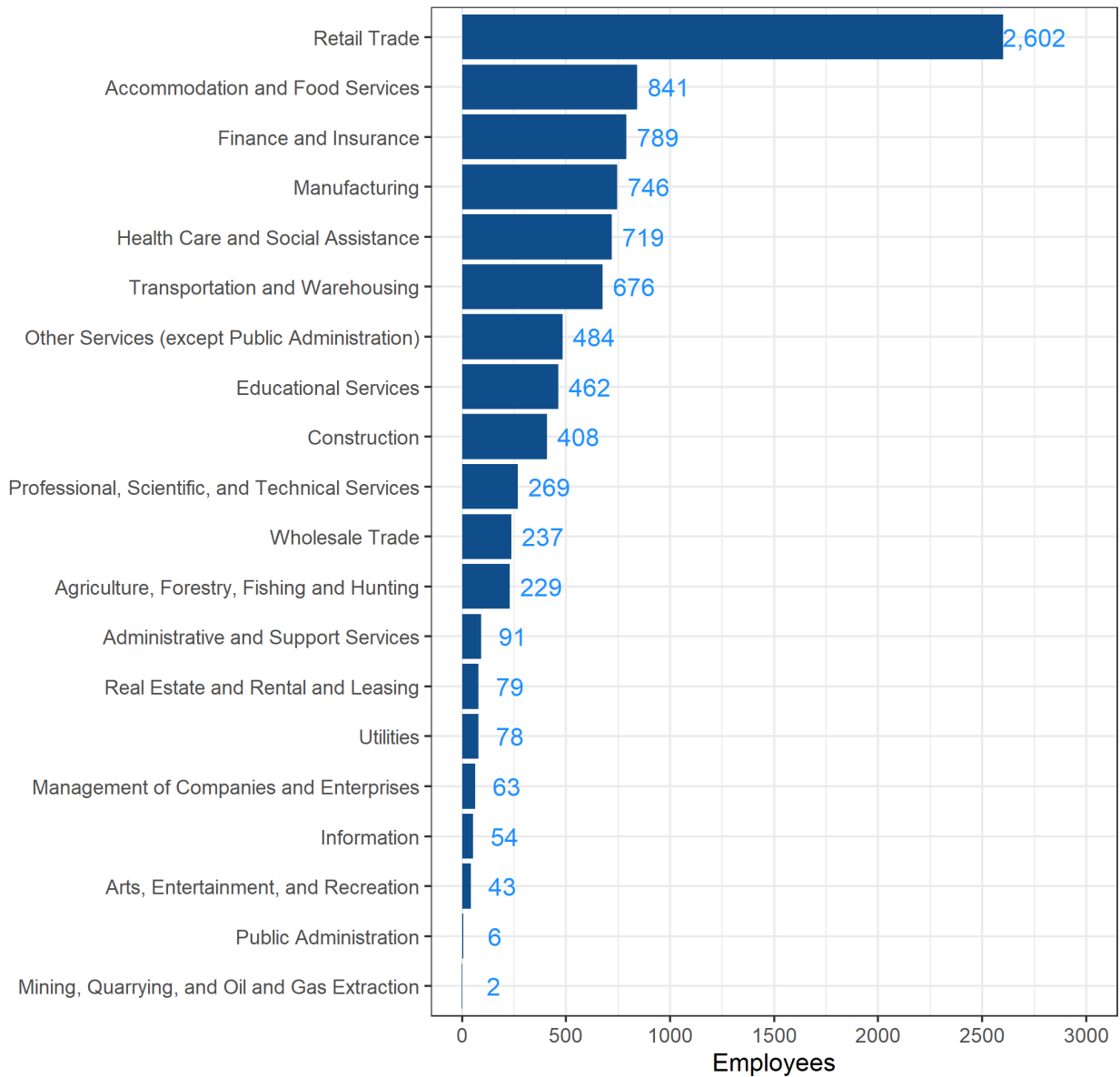


Figure 7: Burlington Employees by Sector (2021Q2)

Some of the top sectors include retail which is by far the largest employer by sector employing 2,602 people, followed by accommodation and food services which employs 841 people, finance and insurance with 789 people, manufacturing with 746 people, 719 health care and social assistance, and transportation and warehousing with 676 people. As mentioned above, the COVID-19 pandemic continues to force retail stores to close so we can expect that the number of employees today is not exactly what it was when the data was collected.

Unemployment data at the County level comes from the Bureau of Labor Statistics for August 2021, the most recent data available. Unemployment rate data is not available at a municipality level.

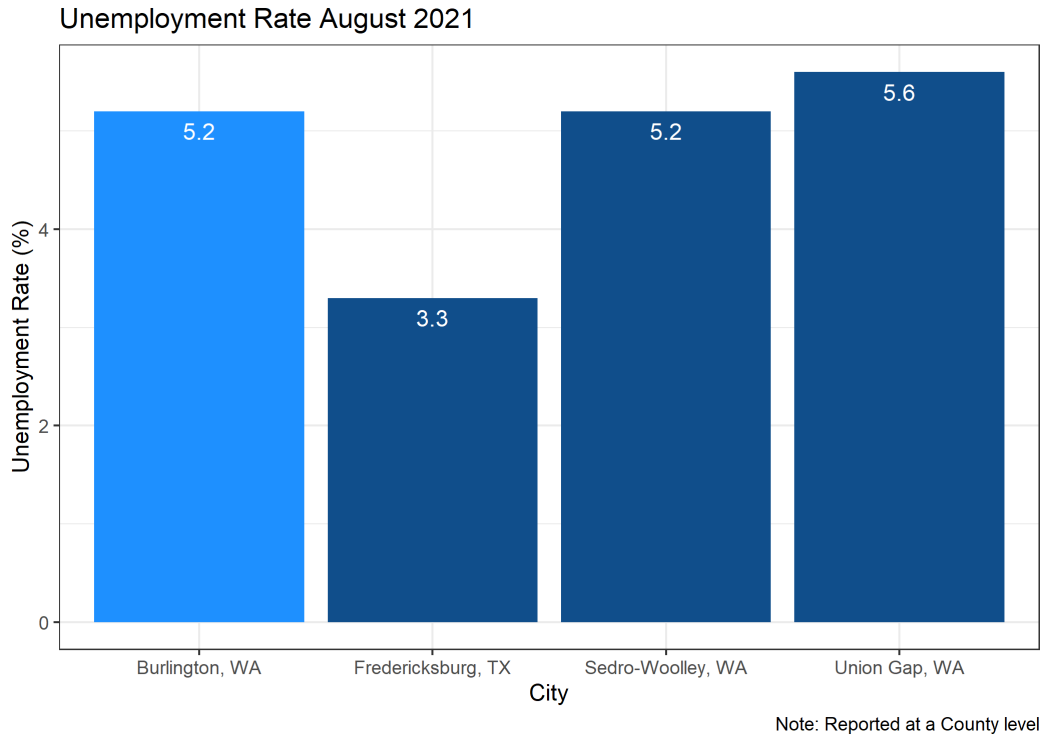


Figure 8: Unemployment Rate (August 2021)

As of August 2021, Burlington’s unemployment rate was 5.2%. Comparing to the peer cities, Burlington is tied for the second highest rate with Sedro-Wooley because all data is reported at a county level, with Fredericksburg’s unemployment rate at 3.3%, and Union Gap’s unemployment slightly higher at 5.6%. The Covid-19 pandemic has had a significant impact on how many people are employed with many people still having still not returned to the labor force, so the unemployment rate appears more optimistic than is truly the case.

Workforce Qualifications

To measure the qualifications of Burlington’s workforce, one useful metric is the skill gap. The skill gap evaluates the number of job listings versus candidates from the region who applied for the job. Data comes from JobsEQ and was only available at the county level, so the graph below shows the skill gap for Skagit County. Data was collected in January 2021, so this represents a snapshot of the skill gap while the local economy was still heavily affected by the pandemic.

Skill Gap in Skagit County

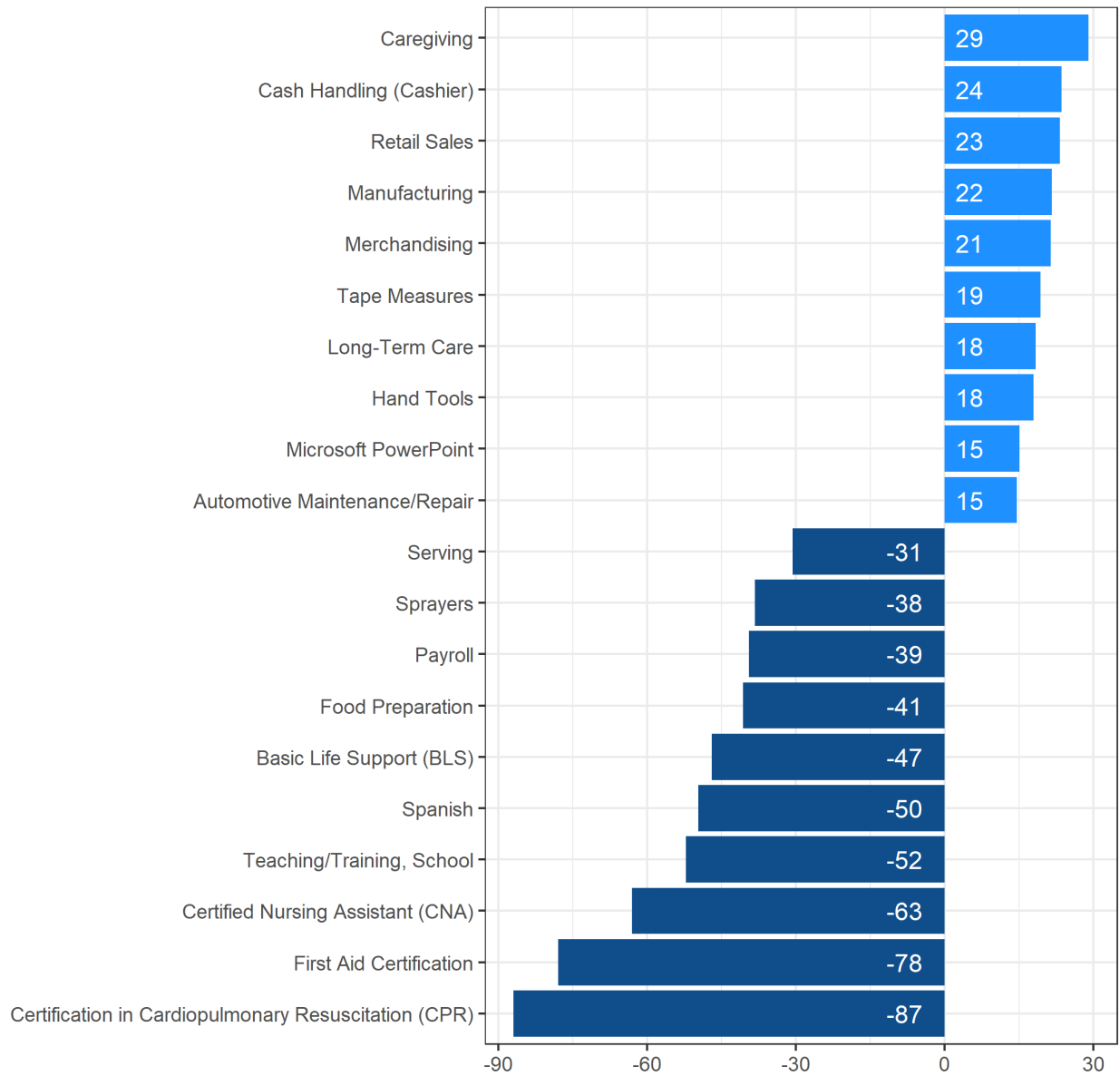
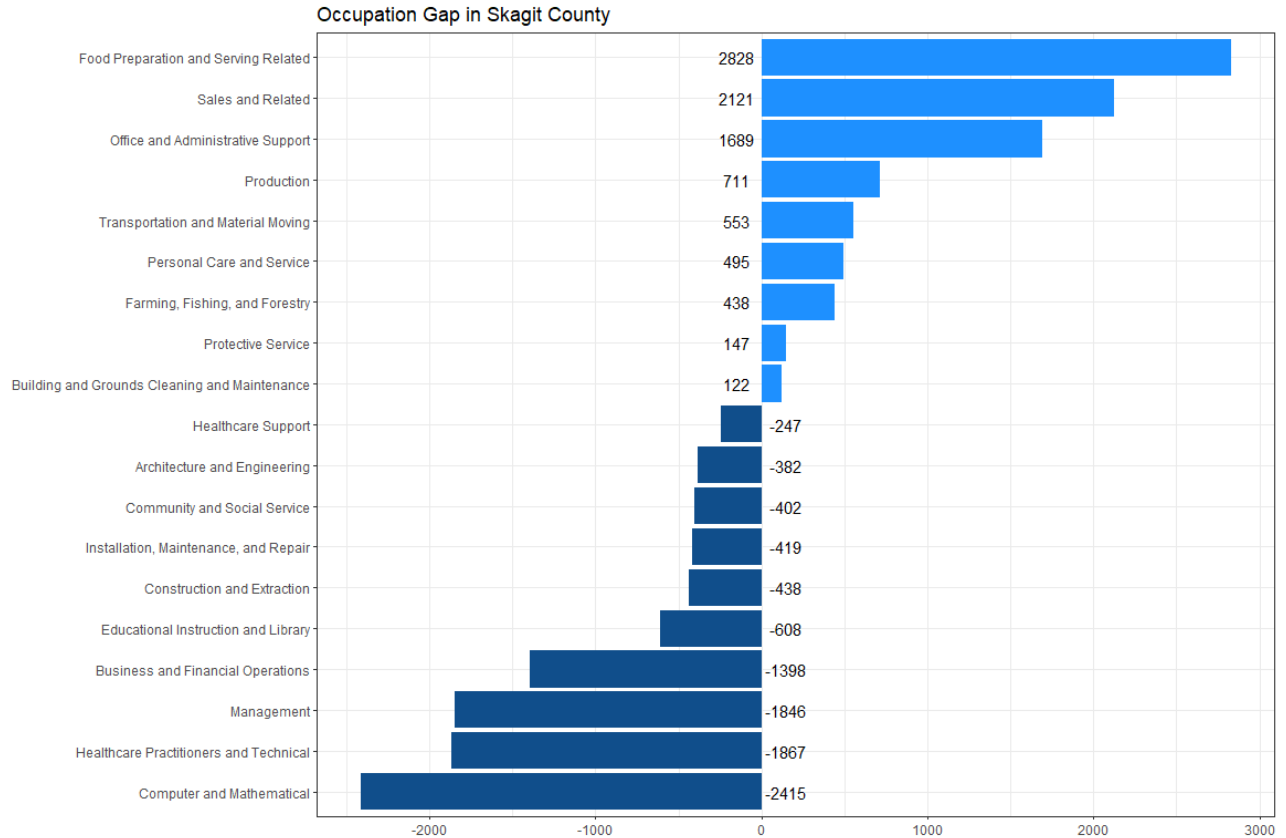


Figure 9: Skill Gap for Skagit County (January 2021)

The skills where there was the greatest gap were primarily in the healthcare fields. Counterintuitively, the COVID-19 pandemic had a negative impact on the healthcare sector because many elective services and procedures were postponed. According to the data, workers in Skagit County are most lacking in entry-level healthcare certifications including CPR, first-aid, CNA, and BLS. Workers could also benefit from teaching certifications and learning Spanish.

Surprisingly, there were too many workers with caregiving skills, despite the gap for other healthcare-related skills. There was also an abundance of workers with retail skills such as cash-handling and merchandising. Due to the timing of data collection, the skill gap should be used with discretion.



Current Retail Locations

The map on the following page shows current commercial vacancies as of September 2021. Much of the vacant commercial space is located within the Cascade Mall and other shopping centers in the area. From this pattern, we can see that vacancy tends to spread as an area becomes undesirable due to an increase in vacancies. The success of businesses in a shopping center often depends on the success of nearby businesses which draw in shoppers for a variety of retailers. Later in this report, we provide a retail suitability index which quantifies which areas may be best suited for commercial success.

Note that much of Burlington’s commercial space is also zoned for residential use. This is especially apparent on the north side of the city where many commercially zoned plots are used for residential purposes.

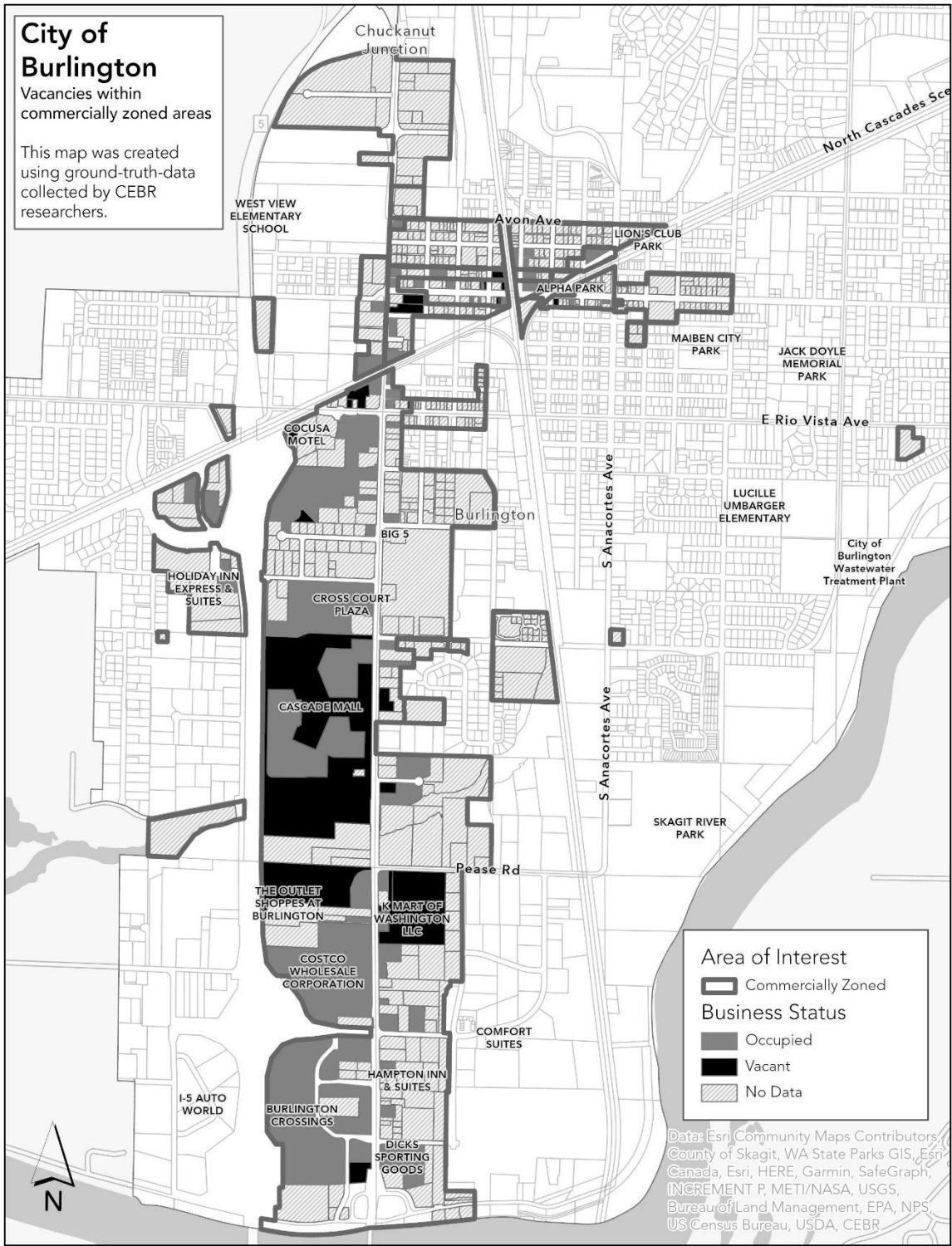
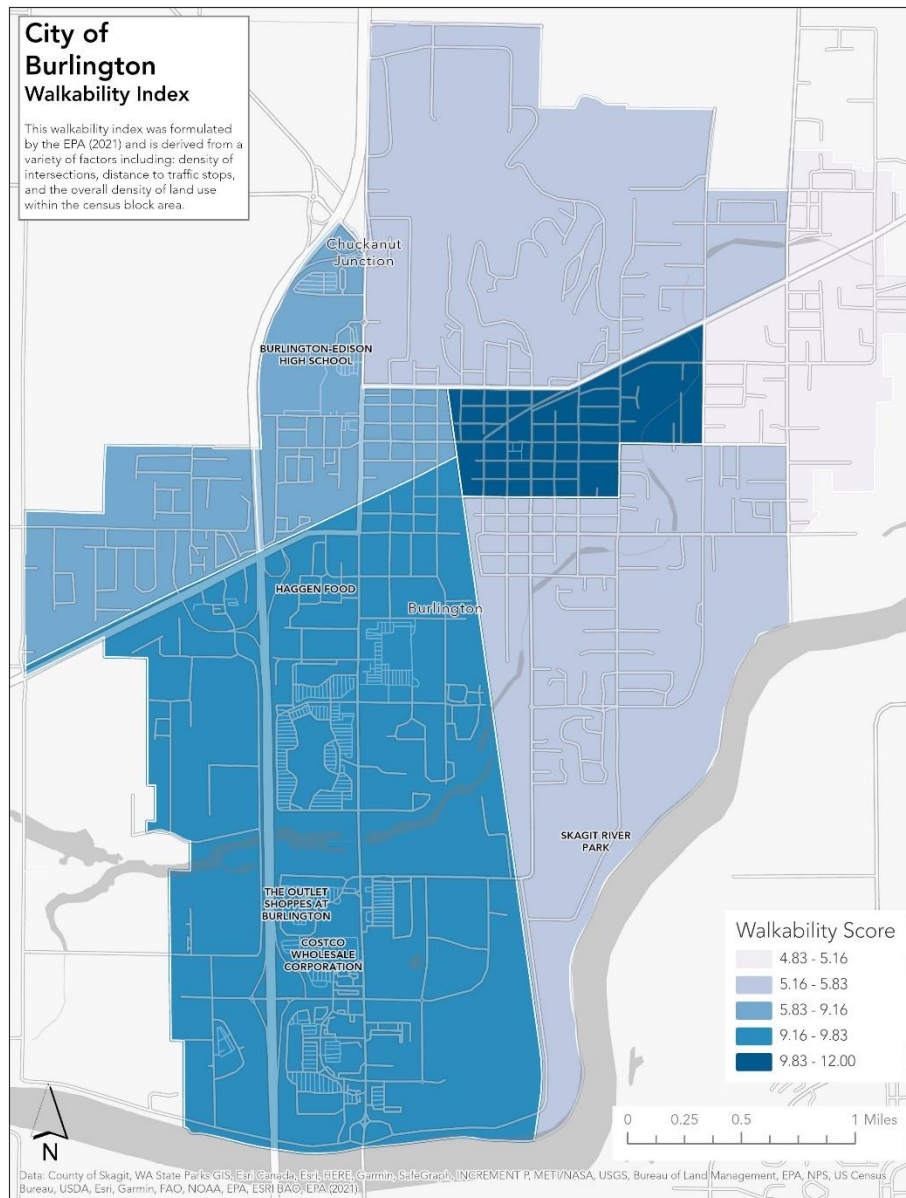


Figure 10. Commercial Vacancy Map

Walkability Index

The map below shows the City of Burlington by “walkability.” The walkability index is defined by variables such as intersection density, proximity to transit stops, and diversity of land uses. The walkability of a city is considered an important amenity for many Americans and can have a substantial impact on how people make transportation choices. According to the EPA, walkable communities help encourage healthy behaviors, reduce air pollution, and improve a sense of community¹. The figure below shows that Burlington’s walkability ranges from 4.83 to 12. A score of 1 to 5.75 is considered least walkable and a score of 15.26 to 20 is considered most walkable. So, Burlington’s neighborhoods range from least walkable to above average, but no area is considered most walkable.



¹ <https://www.epa.gov/smartgrowth/smart-location-mapping#walkability>

Future Economic Conditions

In this section, we provide time series data for the City of Burlington which allow us to analyze trends in the data. For several economic variables, we also provide forecasts of future economic conditions. The forecast period depends on the volatility of the variable. Some measures—for example, population—are relatively stable over time and can be forecasted reliably for many years in the future. Other measures—such as income—are more volatile and can only be reliably forecasted a few quarters or years into the future.

Population

Burlington’s population forecast comes from the City’s existing estimates developed by the Skagit Council of Governments (SCOG). SCOG’s numbers are based on forecasts developed by the Washington State Office of Financial Management. Based on this forecast, Burlington’s population is expected to grow at an average rate of 2.12% per year through 2036. This places Burlington’s 2036 population at 14,272 individuals.

Population forecasts are fairly reliable because with the exception of catastrophic events, population growth rates are relatively stable. However, with smaller populations, more variability can be expected. Burlington’s population most recently shrunk as a result of the Great Recession. Because many of Burlington’s residents are dependent on retail jobs, economic recessions are likely to have a notable, negative impact on the city’s population.

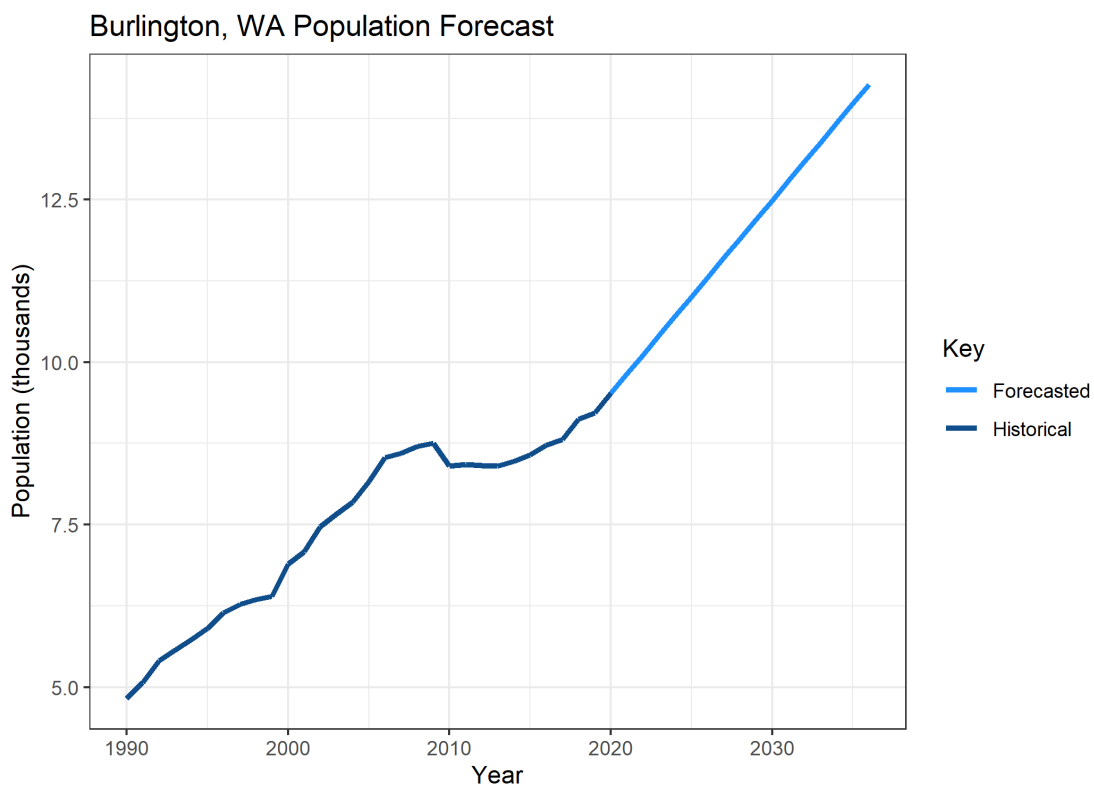


Figure 12: Burlington Population Forecast (1990-2036)

The figure below shows a map of household trends in Burlington by census block. The map shows the areas of Burlington that have experienced growth recently and may continue to grow in the future.

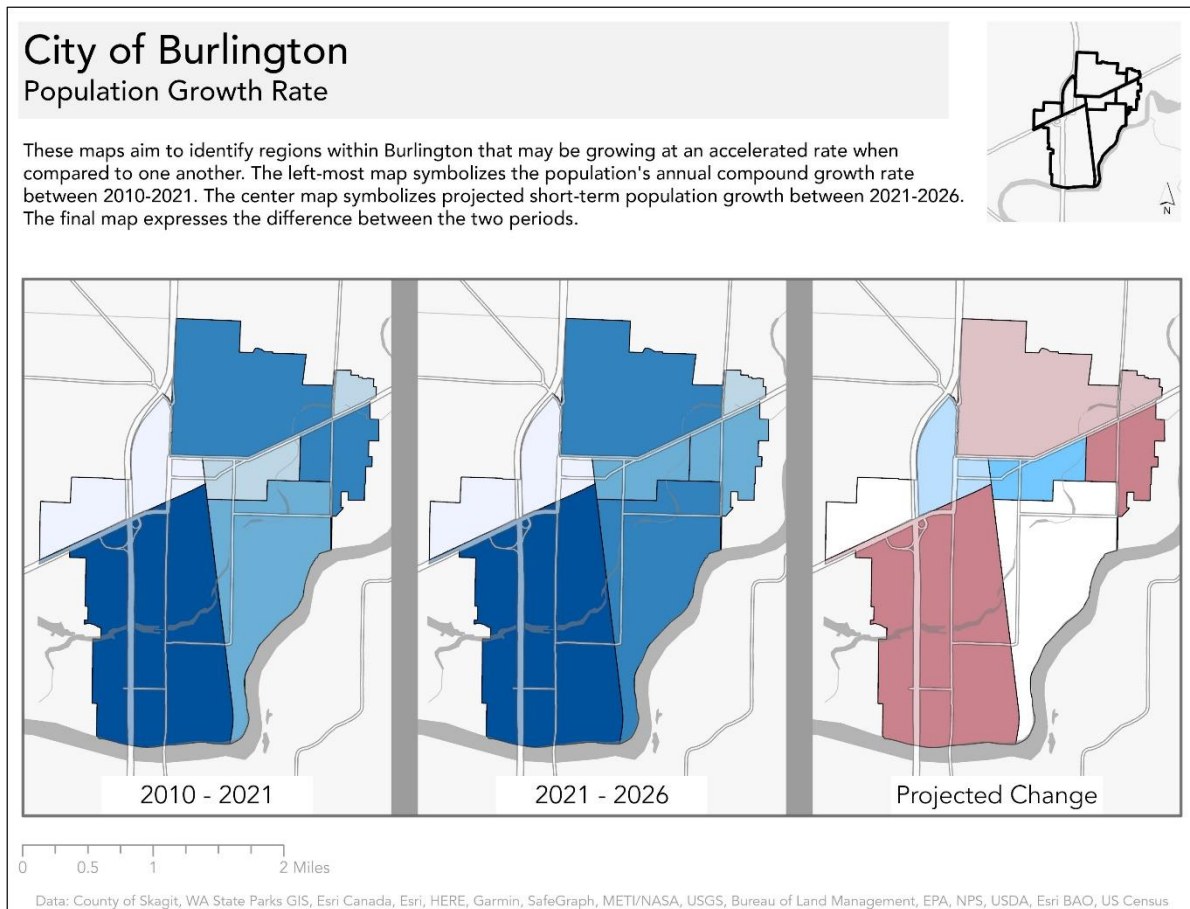


Figure 13. Population Growth by Census Block

Population growth is most rapid in the southwest area of the city and slowest just north of I-20. Annual population growth is not especially high in any one area, and the city likely has the capacity to facilitate this level of growth without significant changes to zoning. Burlington's population is expected to grow in a similar geographic pattern over the next 5 years as it has in the past 10 years.

Employment

Forecasts for employment trends come from JobsEQ. These forecasts are based on a combination of recent trends, expected trends, and regional impacts. While this forecast is specific to the City of Burlington, it is based on a forecast for Skagit County extrapolated to the city-level using industry characteristics. Data is updated as of Q2 2021.

Table 2: Employment Trends by Industry

| Industry | Current Employment | 5-Year Past Employment Change | Annual % | 5-Year Future Employment Growth | Annual % |
|--|--------------------|-------------------------------|--------------|---------------------------------|-------------|
| Retail Trade | 2,602 | -403 | -2.8% | 34 | 0.3% |
| Accommodation and Food Services | 841 | -198 | -4.1% | 47 | 1.1% |
| Finance and Insurance | 789 | 15 | 0.4% | 39 | 1.0% |
| Manufacturing | 746 | 103 | 3.0% | 9 | 0.3% |
| Health Care and Social Assistance | 719 | 66 | 2.0% | 94 | 2.5% |
| Transportation and Warehousing | 676 | 256 | 10.0% | 27 | 0.8% |
| Other Services (except Public Administration) | 484 | 205 | 11.6% | 22 | 0.9% |
| Educational Services | 462 | -37 | -1.5% | 26 | 1.1% |
| Construction | 408 | 76 | 4.2% | 17 | 0.8% |
| Professional, Scientific, and Technical Services | 269 | 29 | 2.3% | 12 | 0.9% |
| Wholesale Trade | 237 | -56 | -4.1% | 2 | 0.2% |
| Agriculture, Forestry, Fishing and Hunting | 229 | -44 | -3.5% | 9 | 0.8% |
| Administrative and Support and Waste Management and Remediation Services | 91 | -55 | -9.0% | 5 | 1.0% |
| Real Estate and Rental and Leasing | 79 | -4 | -1.0% | 1 | 0.3% |
| Utilities | 78 | 11 | 3.0% | -1 | -0.3% |
| Management of Companies and Enterprises | 63 | -15 | -4.3% | 3 | 1.0% |
| Information | 54 | -21 | -6.3% | -2 | -0.8% |
| Arts, Entertainment, and Recreation | 43 | -16 | -6.3% | 3 | 1.4% |
| Public Administration | 6 | -111 | -45.6% | 0 | 0.1% |
| Mining, Quarrying, and Oil and Gas Extraction | 2 | -1 | -6.2% | 0 | 0.8% |
| Total - All Industries | 8,879 | -200 | -0.4% | 352 | 0.8% |

The forecasted figures in table 2 uses baseline assumptions which do not consider the impacts of the COVID-19 pandemic. Table 3 applies a COVID-19 scenario for growth rates in Skagit County to the employment levels in Burlington. Table 3 should be considered the more likely model.

Table 3: Employment Forecast by Industry (COVID Model)

| Industry | Current Employment | 5-Year Future Employment Growth | Annual % |
|--|-------------------------------|--|---------------------|
| Retail Trade | 2,602 | 114 | 1.1% |
| Accommodation and Food Services | 841 | 141 | 4.2% |
| Finance and Insurance | 789 | 32 | 1.0% |
| Manufacturing | 746 | 30 | 1.0% |
| Health Care and Social Assistance | 719 | 60 | 2.1% |
| Transportation and Warehousing | 676 | 35 | 1.3% |
| Other Services (except Public Administration) | 484 | 48 | 2.5% |
| Educational Services | 462 | 46 | 2.5% |
| Construction | 408 | 20 | 1.2% |
| Professional, Scientific, and Technical Services | 269 | 14 | 1.3% |
| Wholesale Trade | 237 | 10 | 1.1% |
| Agriculture, Forestry, Fishing and Hunting | 229 | 7 | 0.8% |
| Administrative and Support and Waste Management and Remediation Services | 91 | 6 | 1.6% |
| Real Estate and Rental and Leasing | 79 | 4 | 1.3% |
| Utilities | 78 | 0 | 0.0% |
| Management of Companies and Enterprises | 63 | 4 | 1.7% |
| Information | 54 | 2 | 1.0% |
| Arts, Entertainment, and Recreation | 43 | 8 | 4.6% |
| Public Administration | 6 | 0 | 0.6% |
| Mining, Quarrying, and Oil and Gas Extraction | 2 | 0 | 1.1% |
| Total - All Industries | 8,879 | 604 | 1.7% |

The primary difference between the two models is that the COVID-19 scenario appears more optimistic due to the higher growth rates. However, growth rates are especially high because they are comparing to a baseline that is especially low. This makes growth rate appear optimistic although the levels of growth are not as remarkable. While the first model utilizes recent growth rates, the COVID model

considers that recent trends are not normal trends and makes adjustments based on the assumption that employment levels return to pre-pandemic levels by Q1 2022.

Neither model predicts future decline of any industry. It appears that the retail sector has settled into a new, lower equilibrium. The models show very modest growth in almost all sectors over the next 5 years. The higher growth rates shown in the COVID model (see Accommodation and Food Services) are due to increases from especially low numbers during the pandemic. Overall, many of these industries may show a decline since pre-pandemic levels depending on how significantly they have been impacted by covid-related, economic changes.

Due to Burlington’s strong retail presence, we also provide a breakdown of retail sector trends by subsector. The forecasts for the table below follow the same methodology as the table above.

Table 4

| Industry | Current Employment | 5-Year Past Employment Change | Annual % | 5-Year Future Employment Growth | Annual % |
|---|---------------------------|--------------------------------------|-----------------|--|-----------------|
| General Merchandise Stores | 964 | -36 | -0.7% | 5 | 0.1% |
| Motor Vehicle and Parts Dealers | 504 | -168 | -5.6% | 15 | 0.6% |
| Clothing and Clothing Accessories Stores | 234 | -167 | -10.2% | 9 | 0.7% |
| Building Material and Garden Equipment and Supplies Dealers | 197 | 23 | 2.6% | 4 | 0.4% |
| Miscellaneous Store Retailers | 130 | 20 | 3.5% | -1 | -0.2% |
| Food and Beverage Stores | 118 | -30 | -4.5% | 1 | 0.2% |
| Sporting Goods, Hobby, Musical Instrument, and Book Stores | 117 | 11 | 1.9% | 3 | 0.5% |
| Electronics and Appliance Stores | 85 | -60 | -10.1% | -3 | -0.8% |
| Health and Personal Care Stores | 80 | 4 | 1.0% | -1 | -0.1% |
| Gasoline Stations | 70 | -3 | -0.7% | 0 | 0.1% |
| Furniture and Home Furnishings Stores | 56 | -7 | -2.3% | 1 | 0.5% |
| Non-store Retailers | 49 | 8 | 3.7% | 1 | 0.3% |
| Retail Trade | 2,602 | -403 | -2.8% | 34 | 0.3% |
| Total - All Industries | 8,879 | -200 | -0.4% | 352 | 0.8% |

Over the last 5 years, the retail sectors that showed the greatest decline were ‘Electronics and Appliance Stores’ and ‘Clothing and Clothing Accessories Stores.’ The sectors that grew the most were ‘Miscellaneous Store Retailers’ and ‘Non-store Retailers.’ Over the next 5 years, nearly all retail sectors are expected to experience modest changes whether growth or decline, indicating that Burlington’s retail economy will settle into a lower equilibrium in the coming years.

Comparison to SCOG

The Skagit Council of Governments (SCOG) also provides estimates of employment levels for the City of Burlington based on forecasts developed by the Washington State Office of Financial Management. According to these estimates, Burlington can expect to add 3,516 jobs by 2036. This is a job growth rate of approximately 1.7% annually from 2015 to 2036. SCOG estimates place baseline employment levels at 9,986 as of 2015, bringing total expected employment to 13,412 by 2036.

Our baseline scenario projects annual employment growth at .8% over the next five years. Whereas our COVID scenario projects employment to grow at a rate of 1.7% annually over the next five years, exactly in line with SCOG estimates. The baseline estimate places Burlington's employment at 10,006 by 2036. The COVID scenario places Burlington's employment at 11,433 by 2036. However, these scenarios are built for a five-year time period and may not accurately project into 2036.

Employment figures can vary significantly, especially since the labor market has changed as a result of the COVID-19 pandemic. Longer-term forecasts may be useful, but they are often unreliable far into the future. Most forecasts tradeoff between accuracy and length of forecast period. Users of this data should use discretion choosing between the different models in this report and SCOG estimates.

Retail Suitability

To determine the most suitable locations for commercial investment, a variety of socio-spatial factors were combined into comparable relative scales (0-5) in raster format for the purpose of aggregation. These scores were weighted and added together; the mean score of the cells within each parcel is calculated and assigned as the parcel's suitability score. Commercial parcels were first identified using data directly from Burlington city planners as well as parcel data from the county. These are considered zones of interest for this suitability index.

The first variable created is for Cost Accumulation (35% weight), which aims to consider multiple factors (road type, amount of intersections passed through, and slope) when determining distance from major highways. Cells closer to major transit routes received a 5 while cells further away received a lower score. The second variable, the Vacancy Variable (15% weight) is determined by whether the property is currently vacant or occupied. This ground-truth data was acquired by CEBR researchers driving around Burlington to visually identify businesses within the commercially zoned districts that were vacant or occupied. Vacant properties received a max score of 5, while occupied businesses received a one. Many parcels in that dataset were omitted due to some seemingly being a place of residence rather than a business and were left null for this attribute. The next variable is the Walkability Index (20% weight) created by the EPA and distributed by census block. The data was broken into 5 separate classes and ranked 1-5; areas with higher walkability received a 5, while areas with lower walkability receive a 1. The fourth variable is the Population Growth Rate Variable (10% weight) broken up by census block. This data is obtained from ESRI's Business Analyst online tool, which derives much of its data from the US Census as well as other surveys. This aims to identify census blocks that may be growing at a faster rate when compared to surrounding areas. Like the others, this data was also aggregated into a scale of 1-5 to allow for relative comparison. The final variable, Empty Lot Variable (20% weight), was obtained from Landsat-8 data using ArcGIS software to identify bare land parcels within the commercial zoned areas. Bare land was given a score of 5, grass a score of 4, urban areas a score of 2, and dense vegetation a score of 1. This would create a break between open lots and occupied or forested lots.

After these scores were all added together in a raster format, zonal statistics were run using the commercially zoned parcels to find the average score of the cells within each parcel. The result is the suitability score for each parcel. The map below shows the retail suitability index for the City of Burlington.

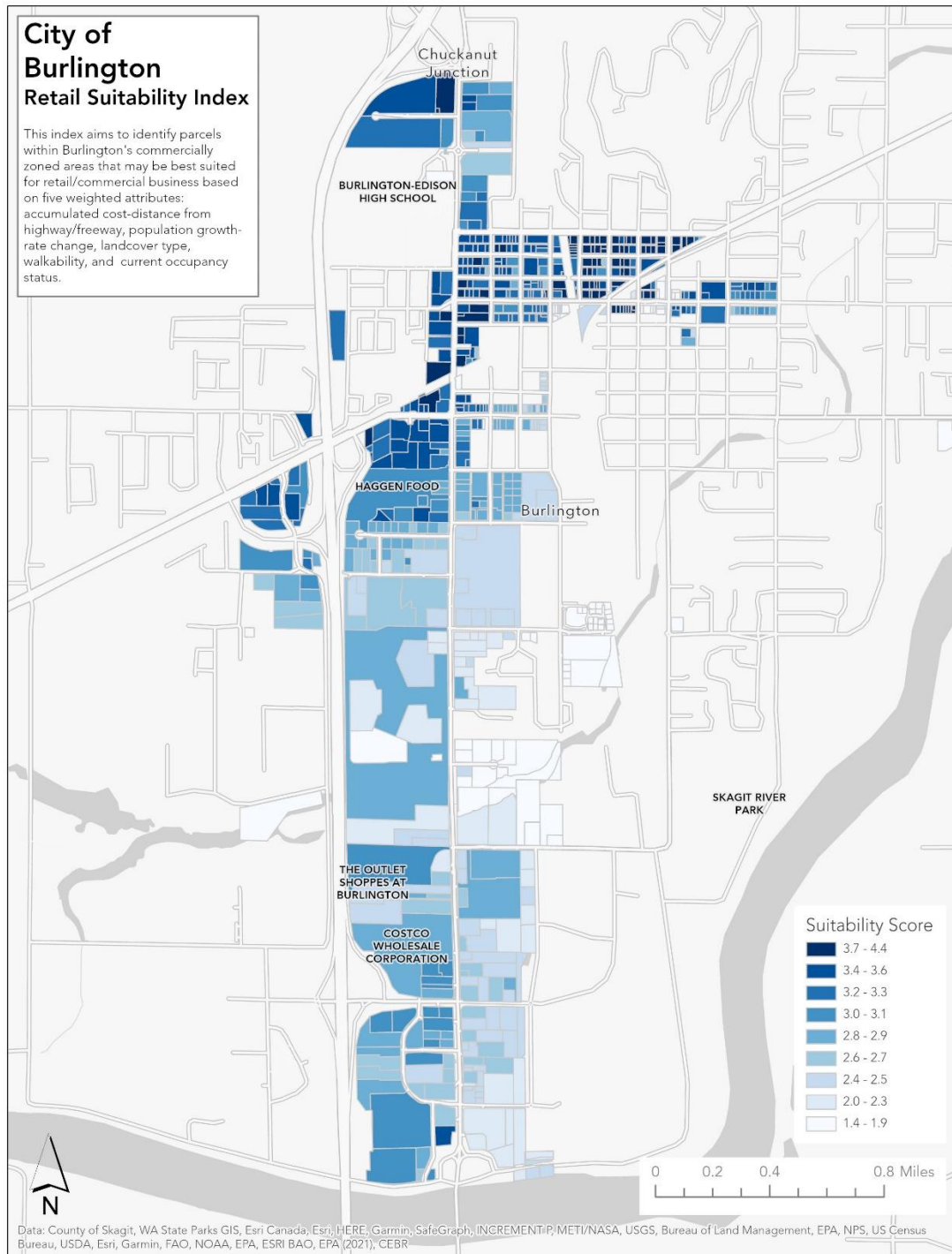


Figure 14. Retail Suitability Map

Policy Recommendations

The primary issue facing the City of Burlington is the declining retail sector. The COVID-19 pandemic has worsened the existing issue, causing the Cascade Mall to shut down. However, the causes of the decline are largely external. For example, the Seattle Premium Outlets near Marysville attract shoppers from Seattle while shopping in Bellingham stops Canadians short of Burlington.

Many economic development strategies are based on ideas or narratives that have little theoretical or empirical foundation. We offer the following thoughts about economic development to provide context for our recommendations and to minimize the chance that you will pursue strategies that offer little chance for success.

- Economies are not confined to defined political boundaries; they interact with other regions. As such, it is important to consider the effects of larger, external forces when pursuing economic development.
- Economic development is organic in the sense that it has a life of its own. Community leaders can set the stage for development but cannot say which companies should expand or select the entrepreneurs they want to be successful.
- Economic development takes decades and often development initiatives take years before communities see a return on the investment.

In general, economies benefit from identifying the characteristics that give them an advantage and then capitalizing on industries that benefit from those characteristics. We identify the following assets that Burlington possesses:

- Proximity to I-5
- Low sales tax rate
- Relatively affordable real estate
- Abundant workforce

The City of Burlington may—and should—identify additional strongpoints to take advantage of. Our general recommendation is to focus on what the City of Burlington is already good at, and work to develop around those characteristics. More specifically, we offer the following policy recommendations:

- Work to retain what retailers remain, do not emphasize attracting new retailers
- Identify and support lacking industries, such as transportation and warehousing
- Support quality of life for low-income workers

We elaborate on each policy recommendation in the following sections.

Retain Existing Retailers

Research indicates that less than 1% of US companies are able to relocate for a variety of reasons. The takeaway message is that business attraction can be a low return endeavor. Of course, businesses do periodically move, and businesses can expand into your area. The trick is to recognize that all businesses need many of the same things. Focus on making your area appealing for business in general and to work with existing business owners to be your champions; doing so will make your area more appealing to businesses looking to relocate or expand.

This report provides some analysis of which locations are best suited for retailers. We encourage the City of Burlington to continue to identify which retail locations have had the most success and which

locations may need revitalization or re-zoning. Identifying ideal retail locations may include studying traffic patterns to determine which locations see the most traffic.

Keep in mind that our forecasts do not anticipate significant growth in the retail sector. However, we do anticipate Burlington continuing to maintain a higher number of retailers compared to cities of the same population.

Identify and Support Lacking Industries

Burlington has long had a strong retail economy; however, this has created gaps in other sectors. By identifying which sectors are lacking, the City of Burlington can support the industries which are most likely to thrive.

At the end of this report, we provide two graphs which show historical and forecasted labor quotients, respectively. A labor quotient is an index which represents the concentration of jobs in that sector. A labor quotient (LQ) of 1 is average for the US. A lower LQ means that the industry is under-represented in the economy and a higher LQ means that the industry is overrepresented. According to this analysis, the health care sector has been historically severely underrepresented (LQ=.55) and is forecasted to continue to be underrepresented. Education (LQ=.79) and Construction (LQ=.82) are also underrepresented in Burlington's economy.

In our analysis, we also identify that warehousing and transportation has been a historically lacking industry that has begun to thrive in Burlington. The city is uniquely suited to the warehousing, distribution, and transportation industry because of its proximity to major highways, affordable land, and abundant workforce.

The City of Cheyenne has had success in supporting the warehousing and distribution industry by developing land to suit these industries, and then providing the locations at a subsidized cost to major retailers such as Walmart.² The City's development entity, Cheyenne LEADS, has been able to fund this project by membership dues from local businesses. The program has had a strong return on investment as Cheyenne has become a hub for distribution centers.

Support Quality of Life

Research shows that investing in locals' quality of life can have a significant impact on economic development.³ The City of Burlington should work to identify which amenities their residents value so that the City can make the most effective investments.

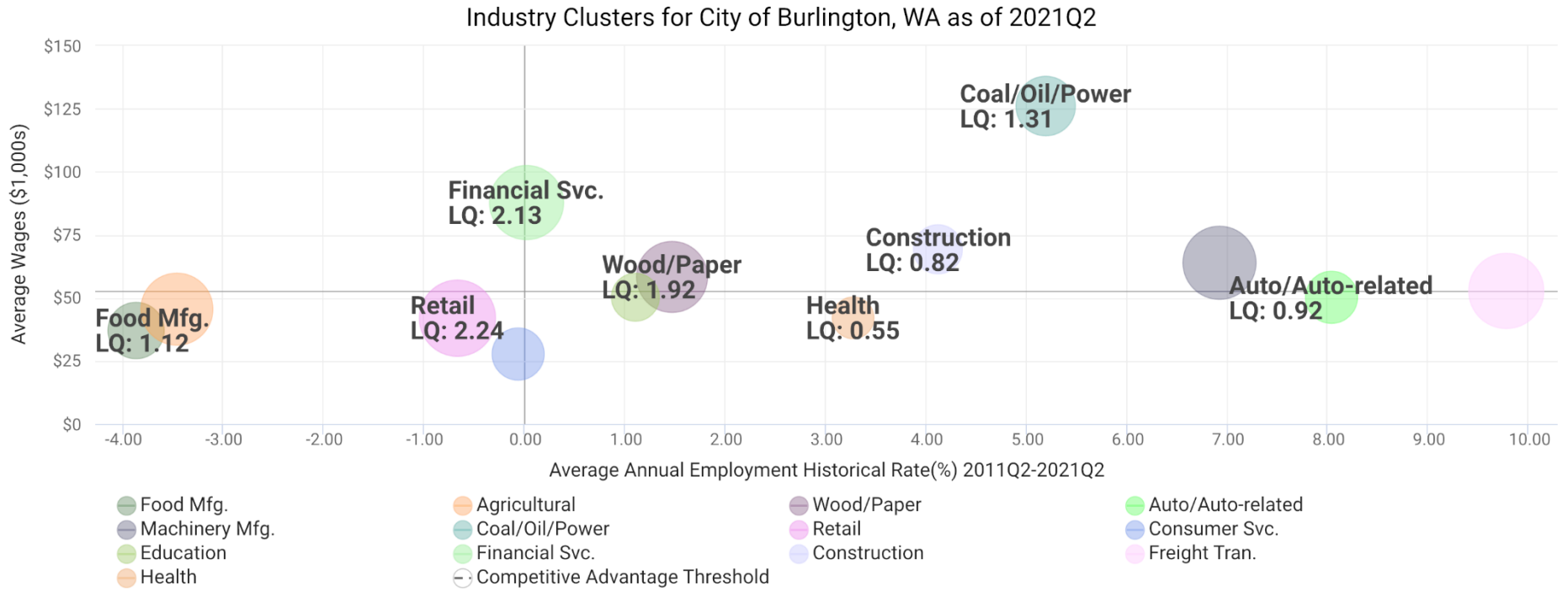
Generally, supporting education goes a long way in improving quality of life. Investments in afterschool programs and childcare can help parents in their own career development. For children, these programs create lifelong skills and help children become successful adults. Trade school programs for high school students can help them build careers without the expense of a university education. Education is considered a primary driver of economic class mobility and should be considered a top priority.

² See Cheyenne LEADS

³ Environmental Protection Agency. (2015, May). How small towns and cities can use local assets to rebuild their economies: Lessons from successful places (EPA231-R-15 002) https://www.epa.gov/sites/default/files/2015-05/documents/competitive_advantage_051215_508_final.pdf

Residents of Burlington benefit from the city's relatively low cost of living compared to surrounding areas. This is a key benefit to living in Burlington that should be maintained as much as possible. Despite this, many of Burlington's residents are below the poverty line or otherwise still face high housing costs compared to their incomes. Therefore, we recommend that the City of Burlington does *not* use a higher property tax to fund any initiative that would improve quality of life.

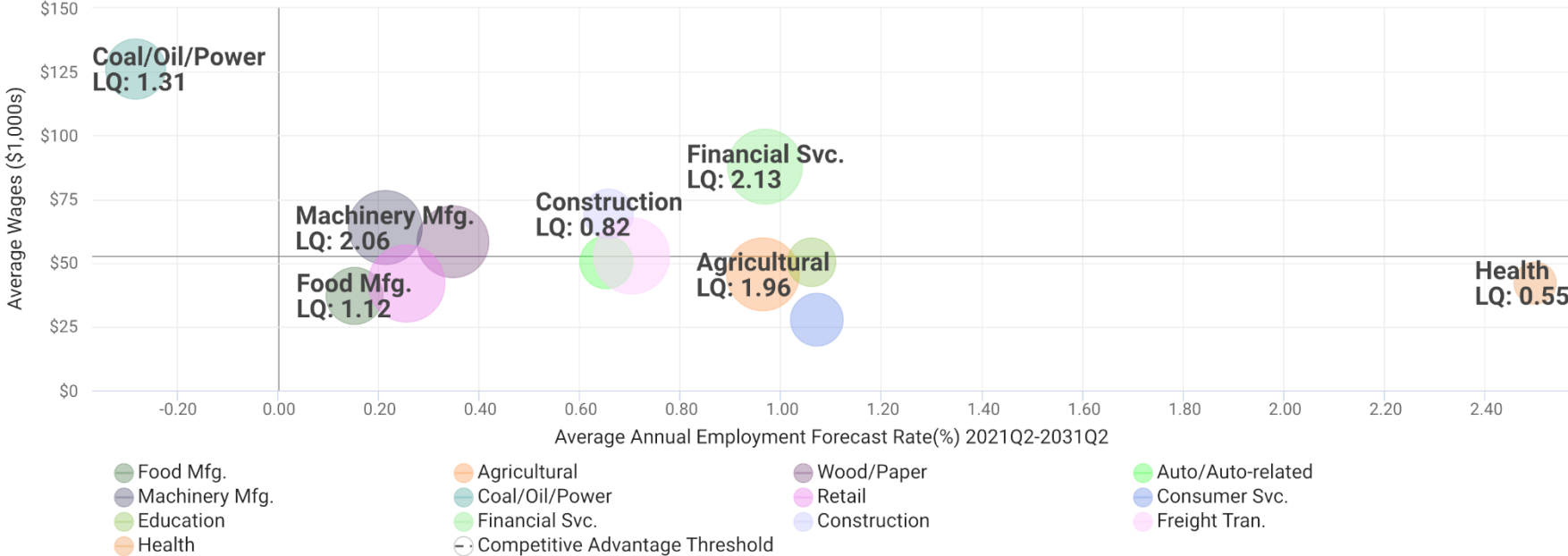
We also recommend investments in affordable housing development. Burlington can be an excellent place to live for not only those who work in Burlington, but also for those who work in more expensive cities such as Bellingham or Everett. Because of Burlington's proximity to I-5, the City could be an affordable commuter town if low housing prices are maintained.



Source: JobsEQ®, Data as of 2021Q2

Figure 15. Historical Labor Quotients

Industry Clusters for City of Burlington, WA as of 2021Q2



Source: JobsEQ®, Data as of 2021Q2

Figure 16. Forecasted Labor Quotients