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From: Don Goldberg  
(Port of Bellingham)

2019

# Whatcom County Regional Economic Partnership



Prepared by the Regional Economic Partnership Team at the Port of Bellingham

# Contents

- Letter from the Director ..... iii
- Executive Summary ..... iv
  - Partnerships..... v
  - Business Retention, Expansion and Recruitment..... v
  - Growing our Economy ..... vi
    - Broadband ..... vi
    - Foreign Trade Zones ..... vi
    - Opportunity Zones..... vi
    - Infrastructure ..... vii
    - Sectors ..... vii
- Regional Economic Development ..... 1
  - Building a Foundation for the Future..... 1
    - Funding..... 2
    - Our Vision ..... 2
    - What We Do ..... 2
    - Associate Development Organization..... 2
  - Partnerships throughout Whatcom County ..... 3
    - Higher Education ..... 3
    - Economic Stakeholders..... 4
    - Boards and Commissions ..... 7
  - Business Retention and Expansion, Business Assistance, and Recruitment..... 8
    - Revolving Loan Fund..... 9
    - Business Assistance ..... 9
    - Recruitment ..... 10
    - Marketing ..... 10
    - Capacity Building ..... 11
  - Moving Forward with Growing our Economy ..... 12
    - Broadband ..... 12

Foreign Trade Zones .....	13
Opportunity Zones.....	14
Infrastructure .....	16
Housing.....	17
Cherry Point .....	17
Our Canadian Partners .....	18
Sectors .....	19
Industrial Agglomeration.....	19
Conclusions .....	20
References.....	
Appendix .....	
Figures A-C .....	

## Letter from the Director

As the 100<sup>th</sup> anniversary of the Port approaches our region faces many economic challenges and even more economic opportunities. Recognizing this, the city, county, and Port of Bellingham are making strides to enhance and grow the economy for all of Whatcom County. The work we have already accomplished in 2018 involved building our economic development team, a lot of organizational planning, and making connections with the government, business, higher education, and non-profits. This document describes how our Team at the Port was created, the partnerships we made in just one short year, as well as the major challenges and projects that our team will be working on in 2019. To keep our partners up to date, we will be amending this document regularly and going forward it will focus on deliverables, actions, and strategies.

We will also be authoring a dynamic quarterly newsletter that will provide readers with up-to-date information on the economic challenges and opportunities in Whatcom County, Bellingham, and our Small Cities.

I am very proud of the foundation that we have built and I am grateful to our many partners, including our Port Commissioners and other government representatives, who are committed to regional economic development and sustainability. Together I am confident that we can take steps to building a diversified, resilient economy in Whatcom County.

Sincerely,

A handwritten signature in blue ink, appearing to read "Don Goldberg", with a stylized flourish at the end.

Don Goldberg  
Director of Economic Development  
Port of Bellingham

# Executive Summary

The Economic Development Division of the Port of Bellingham (POB) has been tasked with economic development for all of Whatcom County. This report outlines the vision of the Economic Development Division, the foundational steps already taken, what we do as an organization, and our plans for the future.

Our vision is to strive to be programmatic and opportunistic in order to retain and attract livable wage jobs and to assist businesses, entrepreneurs, and local organizations to thrive for the entire Whatcom County region. We work with our partners to create a thriving community for all.

There have been many well authored studies and strategies that present a roadmap for a strong, diversified, and sustainable economic ecosystem. Rather than reinventing the wheel, the Economic Development division has examined existing studies on economic development and from them have found shared goals and recommendations.

Some of the goals include:

- Support the retention, growth and attraction of business in the region
- Build and maintain a positive competitive business friendly climate that will retain growth and attract high-quality business.
- Support the efforts of Whatcom County's smaller communities to grow their economies while retaining the rural character cherished by their residents
- Encourage and support efforts to address problems regarding housing across the income spectrum in Whatcom County
- Encourage local governments, citizen groups and businesses to work together in developing economic strategies and plans
- Advocate for and support the region's educational institutions
- Prioritize and identify the most critical infrastructure challenges, including but not limited to broadband, power, water, stormwater, and transportation connectivity
- Recognize and enhance the economic linkage between Whatcom County and our partners in lower British Columbia

How we implement the achievement of these goals and how we promote economic development for Whatcom County and for the region is very diverse and strategic. We actively:

- Promote Whatcom County as a great place to live, work and do business

- Connect businesses with economic development services and skilled workforce resources
- Assist businesses with the creation of Federal Trade Zones (FTZs), site identification, and selection
- Work with our partners in Canada to help enhance and grow cross border trade opportunities
- Work collaboratively with our local and regional partners to create a vibrant community that includes higher education learning, prosperous agriculture lands, high tech businesses, marine manufacturing and trades, and local food processing

Before a plan is implemented, it is important to build a solid foundation that includes a strong team and staff dedicated to work on economic development. In 2018 the Port, County and City of Bellingham hired Don Goldberg as the director of the Regional Economic Development Division. Don brings a wide breath of experience and knowledge of businesses development, planning, and a holistic vision of economic development. The team now also includes two Project Managers and a Research and Communications Coordinator. This new team has increased the capacity of the department, thus enabling growth and diversification of the economic base of Whatcom County.

## Partnerships

We work closely with many partners and economic development stakeholders. These partnerships are key in creating a diverse and sustainable economic ecosystem.

It is important to have a highly skilled and educated workforce. In our region, we have five higher learning institutions totaling 36,000 students, including Western Washington University, Bellingham Technical College, Whatcom Community College, Northwest Indian College, and Trinity College.

It is important for us to be at the table when important decisions are made, we are active members on a variety of boards, commissions, and committees. We also work on a variety of projects and programs to grow our economy. The regional economic development team works closely with many of our local businesses to ensure that as they expand and grow they have access to the facilities, infrastructure, and workforce they need to stay and prosper in the region.

## Business Retention, Expansion and Recruitment

Business retention and expansion (BRE) and recruitment are the third leg of what we do when working with businesses. As the designated Associate Development Organization (ADO) for Whatcom County and the economic development driver, our division reaches out to a variety of industry sectors in order to attract them to our region. We use a variety of methods to promote and attract business to our region, including but not limited to acting on referrals from existing sectors

and businesses within the region, marketing what our local area offers, holding public events, and providing a consistent message that Whatcom County is a great place to live, play, and work.

## Growing our Economy

### Broadband

In order to be able to attract or retain business we need to have a resilient economic environment. Many of our business and communities rely on technology and the internet. However, in Whatcom County many of our rural cities are unserved or underserved when it comes to broadband. In 2017, the Washington State Legislature passed a Capital Budget that authorized the Economic Development Board (CERB) to provide grants to local governments for the purpose of expanding broadband to Washington's most rural communities.

The Port, County, and seven regional cities recognize the importance of having a high-speed reliable network. The first step to building a network is to develop a design and implementation plan. Our division has applied for, and was awarded, a grant from CERB in conjunction with local funding to do a feasibility study. With this grant a consultant was vetted and hired and began work on the study in January 2019.

### Foreign Trade Zones

The federal government created Foreign Trade Zones (FTZs) in 1937. FTZs are secured, designated locations around the United States in or near a U.S. customs Port of Entry where foreign and domestic goods and materials are considered to be international commerce and outside of the United State territory. FTZs have economic benefits that include job creation and retention, increased exports/imports, additional business for the Ports marine operations. The POB works with companies who are creating and have interest in participating in FTZs. There are currently two designated FTZs: No. 128, granted to the Lummi Nation and No. 129 granted to the POB, which is managed by our division. As the grantee of FTZs for all of Whatcom County we assist businesses with the application process and furnish information to establish the zones.

### Opportunity Zones

Congress created Opportunity Zones in 2017 as a way to dedicate all or a portion of capital gains into enterprises that are located in distressed area throughout the country. In exchange, investors will be eligible for certain tax incentives. Various indexes were measured to determine if an area qualified as an Opportunity Zone including housing prices, unemployment, and the poverty rate.

There are three designated Opportunity Zones in Whatcom County and Bellingham (see Attachment A). They include property in Bellingham's Waterfront District, Western Washington University, and the Lummi Nation Reservation.

Opportunity zones are still relatively new and we are working to determine the best strategy to invest in these areas. We are working closely with the federal government, local government, investors, businesses, and non-profits to ensure these investments turn into opportunity and jobs for these communities. We will achieve this by holding a public stakeholder meeting and engage the local community to determine their needs and to develop a plan.

### Infrastructure

Modern and widely distributed infrastructure is key to economic development. Water, power, stormwater, sewer, and roads need to connect throughout Whatcom County in order for business expansion, recruitment, and economic and social development more generally. Currently we do not have reliable information on the region's infrastructure needs, particularly to encourage business recruitment and address the ongoing workforce problem related to affordable housing. The economic development group will therefore facilitate an assessment of our industrial and residential zoned areas along the I-5 corridor to identify the gaps and needs for infrastructure and development.

### Sectors

We are working with our partners to create a vibrant economy in Whatcom County. Our focus is currently on key sectors that we believe can sustainably grow our economy including agriculture, energy, higher education, healthcare, food processing, marine trade, manufacturing, real estate, recreation, retail, and technology.



# Regional Economic Development

Economic development is not just about business retention, expansion and attraction. It is about looking at the economic development ecosystem as a whole and collaborating across all sectors. This includes working on investment, entrepreneurship, housing, education, workforce, infrastructure, regulatory and policy issues, as well as international business and foreign direct investment (FDI).

Our strategy is driven not only by our vision of a successful economic ecosystem but also by the vision that was conceptualized in the City of Bellingham and Whatcom County's comprehensive strategic plans. Both provide vision statements that prioritizes and highlights their commitment to support the growth of the region's businesses through retention, growth, and attraction. These statements are in line with what our division is working on and trying to achieve.

This strategy document highlights the goals and accomplishments of the Economic Development Division for the past six months, which includes the development of our team and laying the foundation to achieve future success.

## Building a Foundation for the Future

The Washington Economic Development Commission's (2013, 1) strategy for Driving Washington's Prosperity referred to the transformative process of economic development as "*building an innovation ecosystem* – an economic environment in which strategy, collaboration, creativity, and leadership coalesce to help grow business – and jobs."

### Building a state of the art department

Before you can implement a plan, you need to set the foundation on which to build. For us, these steps included hiring three new members of the team, moving into a new office space to accommodate the new team and to establish a professional area to invite partners and conduct meetings.

Another important foundational building block for our team was to identify and implement a Client Relationship Management (CRM) system. After extensive research, we identified Insightly as our primary system. With Insightly we can track leads, including where they originated from such as the Department of Commerce, our partners, or direct contact via our websites. In addition, we use Insightly to track our opportunities with local BRE work. Due to its flexible structure, we can also adapt the system to track various projects. Maintaining up to date records is critical in ensuring the entire team has the same information in order to more efficiently manage our endeavors. This also means that information is held in a central data system available for future users to access it.

## Funding

The Port of Bellingham, City of Bellingham, and Whatcom County are the primary funders of our division. In addition, as the designated Associate Development Organization (ADO) for the county, we receive funding from the Washington State Department of Commerce. Special projects, such as broadband and infrastructure, are funded through grants and matching funds from strategic partners. To achieve our broader goal of a strong and diverse economic economy we need to be able to obtain stable long term funding sources enabling us to do long term strategic planning. We are working closely with our funders and partners to create a strategy that will achieve this goal.

## Our Vision

We strive to be highly programmatic and opportunistic in nature to retain and attract livable wage jobs and to assist businesses, entrepreneurs, and local organizations to thrive for the entire Whatcom county region. To work with our partners to create a thriving community for all.

## What We Do

Our division is diverse in our activities to promote economic development for all of Whatcom County and our regional businesses. We actively:

- Promote Whatcom County as a great place to live, work, and do business
- Connect businesses with economic development services and skilled workforce resources
- Assist businesses with the creation of Federal Trade Zones (FTZ), site identification and selection
- Work with our partners in Canada to help enhance and grow cross border trade opportunities
- Work collaboratively with our local and regional partners to create a vibrant community of higher education learning, prosperous agriculture lands, high tech businesses, marine manufacturing, and local food processing

Our goal is to promote the economic benefits of Whatcom County as well as our quality of life via newly formed economic development alliances.

## Associate Development Organization

Washington State is composed of 39 counties, most of which are represented by an Associate Economic Development (ADO) organization that furthers the county or region's economic development goals. Our division at the Port of Bellingham is the designated ADO for Whatcom County and as such we receive partial funding from the Department of Commerce. We report our performance measures on a quarterly basis to Commerce and annually provide a summary of our best practices. Our performance measures are outlined in this section.

## Partnerships throughout Whatcom County

*"Supporting efforts of Whatcom County's smaller communities to grow their economies while retaining the rural character cherished by their residents" (Whatcom County 2016, 69).*

*"Encourage local governments, citizen' group and businesses to work together in developing economic strategies and plans" (Whatcom County 2016, 69).*

*"Advocate for and support the region's educational institutions, especially its university and colleges" (Whatcom County 2016, 69).*

We work closely with many of our partners throughout the county and actively participate on several boards and committees as part of our strategy to work collaboratively to achieve mutual economic development goals.

### Higher Education

One of the main building blocks for a successful economic ecosystem is to have an educated, talented workforce. This is highly dependent on having quality educational institutions as a resource that meets the needs of businesses. In the next decade, workforce projections in Washington indicate that two-thirds of the jobs in Washington will require some form of post-secondary education. Washington currently ranks 46<sup>th</sup> in the nation in college continuation rates with 61 percent of students graduate in six years and 44.1 percent for graduate in four years. Delaware was 50<sup>th</sup> with 73 percent for six years and 59.3 percent for four years (The Chronicle of Higher Education, 2018).

In Whatcom County, we have some of the highest quality higher education institutions in the country; however, they recognize that we need to do more to increase graduation rates and provide educational opportunities that fit with the ever-changing economic ecosystem. According to the Washington Roundtable (2018) there will be 740,000 job openings in Washington in the next five years, yet only 31 percent of Washington high school seniors go on to earn a postsecondary credentials.

### Western Washington University

WWU is a nationally recognized four-year liberal arts college for providing world-class education on the caliber of a large campus but in a smaller learning environment where students have direct access to their professors. It is a 15,000-student campus with an average class size of 29 students and over 160 majors.

We are currently working with Western's International Business Department Professor Tom Roehl, Ph.D., and his students to collaborate on a cross-border research project. The students will be researching what elements a Canadian business evaluates and prioritizes when considering expanding or relocating into our region. Tax structure, permitting process, land cost, and cost of living will be some of the elements looked at in this study. This will be a great opportunity to work with one of our higher education partners and develops a practical education experience for

students who will soon be entering in our workforce. It will also provide a baseline we can use when discussing relocating and siting decisions with prospective Canadian clients.

### Bellingham Technical College

BTC is a two-year college recognized as an engineering hub, which understands the ever-growing need of this profession in the workforce. Some of their degrees include civil engineering, clean energy, electronics, geometrics, and mechanical design. They recently added a Bachelor Degree of Applied Science in Operations and Management meaning that students at BTC can build upon their two-year associate's degree without transferring schools.

The Technology Development Center (TDC), located at 1000 F Street in Bellingham, is a result of the ongoing collaboration between the Port, WWU and BTC. It is a unique hub for applied research and technical training that combines the private sector needs of industry, entrepreneurs and makers with practical applications in technologies and workforce training. The TDC is also home to the WWU and BTC engineering programs, the IDEA institute, and The Foundry MakerSpace.

### Whatcom County Community College

WCCC is one of the nation's leaders in cybersecurity education. The National Security Agency (NSA) identifies Whatcom as a National Cyberdefense Resource Center, and it is the host institution of two National Science Foundations (NSF) grants to assist community colleges and universities with cybersecurity education program development. WCCC has developed a Cybersecurity Center to provide access to Information Security and Information Assurance (IA) resources. Cybersecurity is a growing market and we are working with WCCC to explore how we can support this program and the college's eventual need for expansion.

### WorkSource

The mission of WorkSource is to help train or re-train workers in the skill sets needed today and get them connect back into the work place. Many of our businesses are in need of a skilled workforce however; the skills needed today are very different from those that were in demand merely five years ago. WorkSource does this in a variety of ways including E-learning to training benefits, as well as connecting workers them with colleges and universities. We collaborate with WorkSource in order to connect businesses with a pool of skilled employees necessary to make their business grow.

## Economic Stakeholders

### Team Whatcom

This group represents a collaboration of government entities, the Lummi Nation, higher education, non-profits, and economic development agencies. Our primary goal is to share information about our organizations efforts around economic development, providing an understanding of all the work being done in the region as well as identifying opportunities to partner.

Team Whatcom created “Choose Whatcom” a website that serves as an economic development resource for businesses whether they are looking to start, grow, or relocate. It is unique in its make up in that it provides businesses with specific personal contacts whether they are seeking information regarding financing, real estate, or small business support. This site is hosted, updated, and maintained by our division. Staff in our department are actively working to create a print and electronic brochure highlighting the diverse opportunities in Whatcom County.

#### The Lummi Nation

Cooperating and collaborating with local indigenous groups is vital to our county’s economic development strategy. The Lummi Nation has 5,242 enrolled Tribal members, of which 50 percent live on the reservation. They employ over 2,100 people making them one of the largest employers in the county. We have begun partnering with the Lummi Nation to identify potential economic projects we can collaborate on.

#### Small Business Development Center

The SBDC provides tools, training and resources to help small businesses grow. They provide assistance with marketing and sales, commercial and SBA loans, strategic planning, and business management. As a partnering agency, we refer start-up businesses to SBDC and their services.

They receive funds in part from the U.S. Small Business Administration (SBA), the City of Bellingham, the Port of Bellingham, Whatcom County, and the City of Blaine.

#### SCORE

SCORE is supported by the SBA and is a non-profit association of thousands of volunteer business counselors throughout the United States. They connect local startup businesses with experienced business owners who can help develop business plans, provide information on how to manage a workforce, and share tips that will help a business succeed. We work with our local SCORE office as a part of Team Whatcom and connect them with local business that would benefit from their services.

#### Sustainable Connections

Sustainable Connections is a non-profit dedicated to working with the community, local business and farmers to promote clean energy, buying local products, and affordable housing. They encourage locally based food production, distribution, and choice through the support of community gardens, farmers markets, and other small-scale initiatives as an identified goal to achieve suitable economic development. We work with Sustainable Connections on a variety of initiatives such as their “Eat Locally First” and “The Food and Farming Program,” which supports local farmers and connects food buyers to local farms and artisans. We are also a partner and sponsor of their housing week, which highlights the impact and importance of affordable housing as part of the economic ecosystem.

### Whatcom Business Alliance

The WBA is a membership-based organization consisting of local businesses and public entities. They help businesses who are working on growing, starting-up, or looking to relocate to our region. They produce and publish Pulse magazine, which features articles about local businesses and economic trends.

### Bellingham and Whatcom County Technology Alliance Group

TAG was formed in 1999 to address the needs of a growing technology business sector in Whatcom County. They are a member-based organization that works with local tech companies providing opportunities to network, gain industry insight, and support. TAG is a member of Team Whatcom, and as an economic development alliance we work with them on a consulting basis and sponsor some of their events. Technology is one of the fastest growing industries and as we explore the role it will play in our economic ecosystem, it is important to have strong partnerships with the technology.

### Whatcom Council of Governments

WCOG was created by the Washington State Legislature in 1966. It is the state-designated and federally recognized transportation planning agency for Whatcom County. They are designated as the Metropolitan Planning Organization (MPO) and the Regional Transportation Planning Organization (RTPO). In addition, as a result of a contract with Whatcom County Council WCOG, under guidance of its steering committee, developed and produced our current Comprehensive Economic Development Strategy (CEDS). They also request and collect infrastructure projects proposal from governmental entities and submit them to the County Council for approval to be included as part of the annual CEDS project list.

### Downtown Bellingham

This non-profit organization is dedicated to furthering the vibrancy and growth of Bellingham's downtown. They work hard to promote and advocate for a vibrant city center through development, promotion, support, and celebration. They coordinate Bellingham's Downtown Sound during the month of July bringing a wide array of individuals and families to the downtown area supporting local musicians, food vendors, and businesses. We hope to further collaborate with this organization for community outreach and public events related to economic development.

### Bellingham and Whatcom County Tourism

They are a non-profit organization with over 300 members including us representing a variety of tourism and community-related business. They are a strong partner whom we collaborate with on a variety of economic development projects. We are currently working with them and the Bellingham Regional Chamber of Commerce on a publication that will feature the economic and business climate in Whatcom and Bellingham.

### Northwest Agriculture Business Center

NABC was established in 2006 and helps northwest Washington farmers with the skills and resources required to supply their products to consumers, retailers, wholesalers, foodservice operators, and food manufacturers in an efficient and profitable manner. Its main office is located in Mount Vernon, the heart of Washington's Skagit Valley farm region. We regularly collaborate with our local NABC office in support of our agricultural sector businesses here in the county.

### Northwest Innovation Research Center

NWIRC is an organization that works with entrepreneurs and inventors in Northwest Washington to identify strategies, tools, and community resources needed to bring their products and business ideas to life. Our role is to assist these innovators in building effective customized business strategies that will help navigate the difficulties that occur when starting or building a business.

### Boards and Commissions

We believe it is important to be engaged in the community and to participate in the discussions when important decisions are being made. One way that we do that is by participating in a variety of Boards and Commissions.

### International Mobility Transportation Corridor

IMTC is a U.S.-Canadian coalition of business and government agencies that identifies and promotes improvements to mobility and security for the four border crossings that connect Whatcom County and the Lower Mainland of British Columbia, together are known as the Cascade Gateway. The Cascade Gateway ports of entry are among the busiest and most economically important along the entire border.

### Surrey Board of Trade

The Surrey Board represents 6,000 employees and 2,600 businesses. They are a not-for-profit organization with a common goal of furthering the interests of businesses in our region. They have demonstrated, through their projects and initiatives, a commitment to enhancing the cross border economy.

### Economic Development Investment Board

The EDI was formed to make recommendations to the Whatcom County Council to invest in economic development and public facilities that further the goals of promoting business in Whatcom County. Their goals include:

- Increasing the number of family wage jobs
- Retaining existing businesses within the county
- Facilitate the expansion of existing businesses
- Attract new businesses to Whatcom County
- Sustain the EDI program through the repayment of EDI loans

### Business and Commerce County Committee

We created this board, with support of the County Council, with the goal of retaining businesses here in Whatcom County. There should be open and regular dialogue between business owners and local and county officials in a spirit of cooperation, along with a recognition that a healthy business climate is essential to maintaining Whatcom's quality of life (Whatcom County 2016). Its purpose is to provide a platform for local business and industry leaders to discuss the needs and identify the gaps of economic development efforts in our county and to provide solutions.

### Bellingham Climate Action Taskforce

The Whatcom County Council created the Taskforce to inform the Council on various impacts and benefits that will accompany aggressive targets regarding emissions reduction developed to mitigate the effects of climate change as laid out in the 2018 Climate Action Plan. One of our goals is to determine the feasibility, costs, and impacts of the 100 percent renewable energy ambitions, to identify funding mechanisms, and develop a plan to achieve this goal.

### Washington Economic Development Association

WEDA is a state-wide non-profit association consisting of private businesses, economic development councils, ports, governments, and other entities committed to enhancing the state's climate for economic development. Their mission is to serve as a statewide professional association for the development of economic and employment opportunities in our state. Their primary way of doing that is by having a presence in the state legislature and regulatory venues. As a member, we actively participate in their meetings as an opportunity to connect with other economic development agencies around the state and learn about their legislative policy planning.

### International Economic Development Council

This national non-profit, non-partisan membership organization serves economic developers who promote economic well-being and quality of life for their communities, by creating, retaining, and expanding jobs that facilitate growth, enhance wealth, and provide a stable tax base.

## Business Retention and Expansion, Business Assistance, and Recruitment

*"Support the retention, growth and attraction of businesses in the regions" (Whatcom County 2016, 69).*

*"Build and maintain a positive competitive business-friendly climate that will retain, grow and attract high-quality businesses" (City of Bellingham 2016).*

BRE is an integral part of any economic development strategy. These programs are designed to 1) retain or keep existing businesses in the community and 2) provide assistance for businesses to expand.



This year we have worked with a variety of businesses to help retain them in our region. Without our direct involvement, some of these businesses may not have been able to continue to do business in Whatcom County.

### Revolving Loan Fund

Part of being able to retain businesses is to help them with financing during a time of expansion.

One of our best tools is the Port's RLF, which is subject to the following parameters:

- It must be determined that the business will have a chance of succeeding
- The business must be engaged in job creation or retention
- The average pay for the employee should be above the minimum wage
- Preference will be given to those businesses that add to the economic diversity
- The applicant is unable to secure a full conventional loan from a financial institution
- The applicant must contribute at least 20 percent of the financing
- The maximum of the RLF share is 30 percent

Due to this loan program a local businesses was able to manage their working capital needs allowing them to:

- Invest \$745,000 into their company in a four month period
- Lease a second 6,000 sq. ft. facility
- Exported over 40 metric tons of product to Canada
- Hire three new full-time employees at well above the minimum wage
- Fulfill a major order to a large retailer

As part of our BRE program, we often work with businesses in and out of our region who are looking to expand by either building on to their existing location or purchasing an additional facility. We assist these clients with their siting decisions by connecting them with local brokers, landowners and developers. We also assist with permitting, workforce, infrastructure and financing issues.

This year we were able to facilitate a conversation and solution between a local business and the City of Bellingham. The two were engaged in conversation around the company's expansion efforts but had come to an impasse about how to move forward. Through our division's involvement, the two parties were able to identify a mutual solution that was adopted by both. If a solution had not been found the company would have instead put their expansion efforts into their other out of state facility and potentially completely relocated out of the region. Instead, they have started construction and have plans to relocate employees into the region.

### Business Assistance

Small and emerging businesses generate wealth and provide significant source of employment in today's high technology global economy. Small businesses make up more than 75 percent of U.S.

private sector employment and contribute nearly 45 percent annually to American GDP (Small Business Administration 2017; Kobe 2012). Unfortunately 48.9 percent of small businesses fail after five years, a number that is remarkably consistent over time (JPMorgan Chase & Co. 2018). It is therefore critical that communities' economic development strategies dedicate resources to developing and promoting new business start-ups and establishing effective support systems so these new businesses can grow successfully.

Our division aids business before, during, and after they are established. In addition to working with our partners SBDC, SCORE, TAG, WBA and the NWC we also help sponsor networking and workshops that serve as a resource to small and emerging businesses. This past July, for the second time, we helped sponsor a Procurement Technical Assistance Center (PTAC) event. PTAC provides education to businesses about how to procure government contracts.

### Recruitment

As the ADO for Whatcom County we are expected to utilize marketing techniques to reach targeted audiences and to attract potential investors. This includes advertising (electronic media, mailings, or magazines), publicity (public speeches, news release, or public relations) or personal selling (trade shows and events).

Since the beginning of the year we have worked closely with our partners such as the Department of Commerce to bring businesses into our region.

When looking to expand in a new region, site selectors and businesses will contact the State Dept. of Commerce for assistance. Commerce then passes these siting requirements on to those ADOs that meet the project's initial geographic needs. When we receive these inquiries, we reach out to the commercial broker community, local jurisdictions, and any other partners or agencies that could potentially help with a successful location for the project. We aggregate the information outlined in the request and send it back to Commerce who presents it to the client. If our information meets the requirement requested and the company is interested in our regions we are provided the contact information and follow up on the lead.

For example, with assistance from our team, Nanak Foods, the flagship brand of Punjab Milk Foods Inc., the largest and most innovative Indian dairy in North America, is setting up a manufacturing facility in space leased from Bellingham Cold Storage. Nanak's considerable investment will allow them to install production, packaging and wastewater handling equipment. The total number of new jobs has yet to be determined as they are still working to finish construction of their new production facility.

### Marketing

Online presence plays a large role in achieving our goal of branding our unique identity, sharing what we do, and providing a direct path for the community to reach us. [Choose Whatcom](#) and the

Port of Bellingham Economic Development Division are the two websites we maintain and are one of primary conduits to the public. Neither site was updated for several months prior to 2018. We are currently updating both sites to reflect our new vision and goals. We are also working on making both sites more engaging by providing access to additional resources. It is our intent as we move forward to not only maintain the sites but to keep them fresh with relevant content, including current news about our activities, videos, and resources. Each site has direct contact information making it easy to reach us and we are developing a more specific contact form for businesses to fill out and let us know what exact services need. This will serve as an important tool in tracking what businesses reach out to us and what services hold the most value for them. In addition, the Port also administers and pays the fees for the Whatcom Prospector website. This site maps out commercial buildings and property available in the county as well as information about demographics and countywide infrastructure.

We are in the drafting stage of a new county wide brochure that will have an electronic and print version. The brochure will highlight the many economic attributes that Whatcom County has to offer. The concept is to provide an opportunity for each municipality and township to highlight their unique economic base. In addition, we will include an overall profile of the county. The electronic form will be posted on our Port of Bellingham and Choose Whatcom site and a limited amount of printed version will be provided to each of the municipalities, the county, and our regional partners.

We have been approached and have utilized different opportunities to market our Whatcom Economic Development Alliance, a division of the Port. KCPQ Channel 13 approached us about doing a marketing video that was to be aired the week of July 17-20, 2018. We worked with their marketing team to develop a fifteen second video that highlights the benefits of locating a business in Whatcom County. The video illustrated that Whatcom County is centrally located between Seattle and Vancouver, which demonstrated that the county is a gateway to an international market. The video also illustrated that Whatcom County is a vibrant community, with an excellent quality of life, and is a great place to live, work, and play.

In addition we have also presented and been keynote speakers at many events in the community.

### Capacity Building

The purpose of readiness and capacity building is to raise the living standard and to improve the quality of life for all citizens in the community. It seeks to build initiatives around shared values, opportunities, problems, threats and concerns. Readiness and capacity building is focused on actions that improve communities by transforming learning into performance. It encourages leaders to avoid conflicts of interest, seek consensus, and engage in activities that prioritize the community.

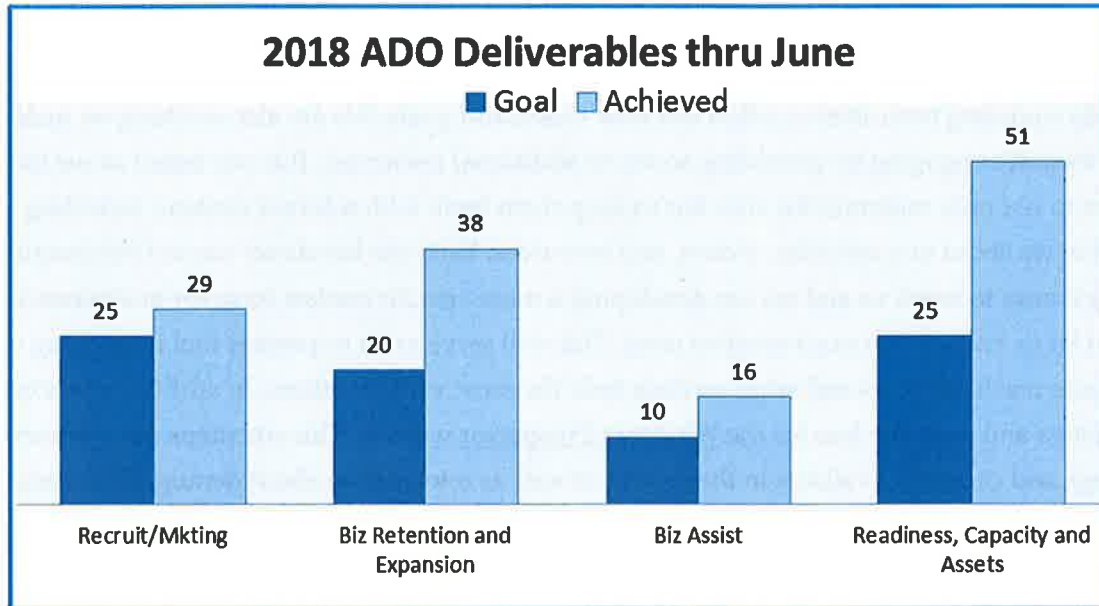


FIGURE A: THIS BAR GRAPH ILLUSTRATES THE PROGRESS OUR TEAM MADE AFTER JUST TWO QUARTERS IN 2018.

## Moving Forward with Growing our Economy

A growing and vibrant economic ecosystem is one that promotes economic diversity. It is one that brings together the public and private sectors in the creation of an “economic roadmap” to diversify and strengthen the regional economy by integrating the regions human resources and its capital-improvements planning.

### Broadband

*“Several impediments to diversifying and growing the economies of Whatcom’s rural communities have been identified, including lack of communication infrastructure (especially high-speed internet and reliable cell phone service)” (Whatcom County 2016, 74).*

In Whatcom County, many of our rural communities do not have access to internet services or have access to service that is slow or interrupted. Many of our schools are without internet or our students do not have access at home to complete their schoolwork, this affects our children’s ability to learn and keep up with their peers who do have access. Many of our homebased small businesses are at a disadvantage when trying to compete with larger internet based markets. In addition, research has shown that there are links between broadband access and economic growth. According to Whitacre et al. (2015, 1) non-metro area counties that adopted broadband slowly also saw slower growth in household income. There has also been a shift in public perception, as many now see access to the internet as a public utility, not a luxury (Kang 2016).

The Port, County, and our cities recognize the lack of access to broadband and the importance of developing an up to date competitive network. Prior to construction, a plan for design and

implementation must be developed. Our division has applied for and received the State CERB funding, which is local and federal funding that is currently being used to do a feasibility study and develop a design and implementation plan. Areas of focus for the study include:

- Defining the community broadband needs and goals
- Inventory existing broadband infrastructure
- A gap analysis defining the addition broadband infrastructure needed
- A cost analysis of the various implementation models
- An assessment of municipal procedures, policies, rules and ordinances that may impact infrastructure deployment
- An analysis of how the project will assist local economic diversification
- An analysis of digital inclusion including, affordable internet and equipment
- Digital literacy training and free public access

We are working collaborative with the federal government, Washington State, Whatcom County, PUD, the Lummi Nation, Port of Skagit, Port of Whitman, consultants, and other partners to develop a comprehensive feasibility study.

### Foreign Trade Zones

FTZs, when administered properly, have continued to thrive meeting the needs of American companies in the global economy. FTZs are secured, designated locations around the United States in or near a U.S. customs Port of Entry where foreign and domestic merchandise are both considered international commerce.

Certain types of merchandise can be imported into a FTZ without going through formal customs entry procedures or paying import duties. Customs duties and exercise taxes are due only at the time of transfer from the FTZ and placed into the U.S. stream of commerce. If the merchandise never enters U.S. commerce, then no duties or taxes are paid on those items. Ghosh et al. (2016, 4112) find that there are beneficial spillover effects of FTZs to local areas, with the strongest effects observed within a five mile radius. Teifenbrun (2015, 208) similarly notes that FTZ areas often experience export growth and diversification, increased foreign exchange earnings, increased foreign direct investment, upgrading of worker skills, and higher levels of female labor participation. The goods that are brought in or manufactured in an FTZ can reach local markets faster as they are not subject to customs delays. This is beneficial to consumers, as cases of food poisoning and lead paint contamination are often from supply chains where goods are manufactured far from the customer base (Lydon 2012).

The economic benefits of FTZs to our region, specifically, are:

- **Job creation and retention:** FTZs provide a competitive advantage for U.S.-based manufacturing and distribution businesses. As a result, jobs that would have been fulfilled overseas are kept in the United States.

- **Increased Exports:** The elimination of duties on exported merchandise make U.S. based companies more competitive in the global market.
- **Investment:** FTZs encourage multinational firms to establish a U.S. base of operations, which in turn attracts more international trade.

In our capacity as one of two grantees in the county, we help businesses with the application process. All zone applications are reviewed and approved by the Foreign-Trade Zone Board and our local Customs Border Protection office. As part of that process, we also help the business identify a leasable storage/distribution space in a general warehouse-type building with access to various modes of transportation. Zone projects can include industrial parks, known as “magnet” sites. These allow multiple companies to operate out of a site overseen by one operator.

At this time, the only active zone operating in Whatcom County is a sub-zone of FTZ No. 129, which is located at the British Petroleum Refinery. However, with a growing international market and increased interest from Canadian companies we expect to see an increase in active FTZs in our region.

## Opportunity Zones

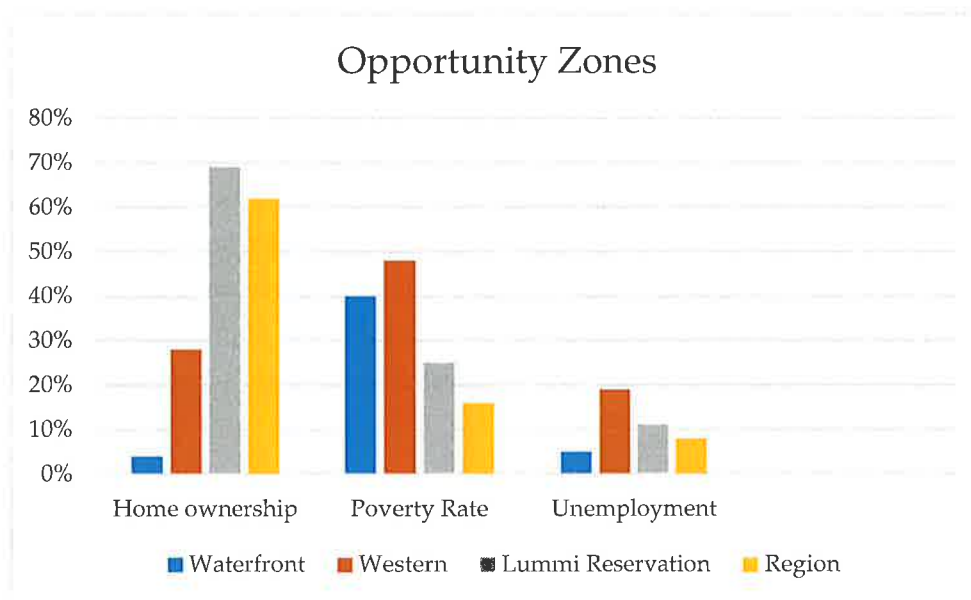
Congress in the Tax Cuts and Jobs Act of 2017 established Opportunity Zones. Opportunity Zones offer a way for investors to dedicate all or a portion of their capital gains into enterprises located in distressed communities all across the country. In exchange, investors get a graduated series of federal tax incentives tied to long-term holdings.

Opportunity Zones offer investors three types of incentives for using their capital in economically distressed communities:

- **Deferral:** An investor can defer their capital gains taxes until 2026 by rolling their gains directly over into an Opportunity fund.
- **Reduction:** The deferred capital gain liability is effectively reduced by ten percent if the investment in the Opportunity Fund is held for five years and another five percent if held for seven years.
- **Exemption:** Any capital gains on subsequent investments made through an Opportunity Fund accrue tax-free as long as the investor stays invested in the fund for at least ten years.

Over 8700 census tracts across the United States and territories are certified as Opportunity Zones. Over 70 percent of the population that reside in Opportunity Zones resides in census tracts that are “severely distressed,” meaning they are in a community with especially high poverty, unemployment rates, or extremely low median family income. Whatcom County and the City of Bellingham currently has three Opportunity Zones. Census tract 6 encompasses Bellingham’s Waterfront District, census tract 10 encompasses Western Washington University and surrounding area and census tract 9400, which encompasses the Lummi Nation’s Reservation (Attachment A).

The Opportunity 360 Measurement report includes a housing stability index, which is scored from 0 to 100 and is based on six measures assessing housing affordability and the ability of residents to live in their home as long as they choose. Higher numbers indicate more housing stability, lower numbers indicating less housing stability. The three census tracts areas are ranked 34, 2, and 26 respectively. This means that that the Western Washington census tract is less stable than 98 percent of all other tracts in America. Opportunity 360 also measures economic security using an index ranging from 0 to 100, which tracks a resident’s ability to afford a good standard of living, which includes the percentage of people living in poverty, the unemployment rate, and the median household income. The economic security scores for the three Opportunity Zones are 14, 6 and 21 respectively; the regional average is 16.<sup>1</sup> This means that that 84 percent of America’s neighborhoods have more economic security than those in our region.



**FIGURE B: THIS BAR GRAPH ILLUSTRATES THE PERFORMANCE OF THE THREE OPPORTUNITY ZONES IN WHATCOM COUNTY ON INDICATORS RELATED TO HOUSING, POVERTY, AND UNEMPLOYMENT. WHILE WATERFRONT AREA IS THE ZONE THAT THE PORT HAS CONTROL OVER, WE WILL ALSO BE WORKING WITH THE LUMMI AND WESTERN WASHINGTON ON THEIR ZONES.**

<sup>1</sup> The rate of home ownership in the Lummi Opportunity Zone is partly attributed to non-tribal members who either purchase property and build homes or purchase existing homes, primarily located on the waterfront. This indicates that housing stability is likely over exaggerated in the Lummi census tract.

We are now getting a better understanding of how Opportunity Zones work. Our newest team member is already starting to coordinate research on the zones and in turn we are all working to educate local governments, investors, business, and non-profits about the benefits of the zones. We will need to work together with all partners to make sure that investments translate into jobs and opportunities for zone residents.

Some of the actions we are beginning:

- Convene stakeholders and key partners to discuss Opportunity Zones and other zones in our region and what the potentials investments look like
- Engage the local community to determine its needs and to develop plans
- Promote inclusive and equitable economic growth for existing residents and businesses by aligning existing incentives and infrastructure investments in support of expanding access to opportunity

### Infrastructure

The key to economic growth is the development of industrial, commercial, and residential infrastructure. A well-planned and highly functional infrastructure system reduces transaction costs, expands firms' access to workforce, allows for affordable housing, and enables trade to flow. To attract business to our area we need to have the necessary infrastructure, whether its shovel ready lots or fully developed industrial parks. We currently do not have the necessary infrastructure, such as power, gas, water, and sewer to meet the needs of potential investors and businesses. This inhibits our ability to attract new businesses to our region or to offer expansion options for our existing businesses.

We will be doing an analysis of existing infrastructure in the county to identify what exists and where the gaps are. We will work with our partners to determine what needs updating, and get a better understanding of what needs to be strategically developed.

### Housing

Housing is a fundamental building block for a strong economic ecosystem. Our workforce needs to have access to affordable housing that matches their income. Throughout our county, we are experiencing a shortage of housing units and more importantly affordable housing units. There are gaps along the housing spectrum. Statistics show the cost of housing increases at a rate substantially faster than household incomes, which greatly decreases the ability for low to moderate-income populations to obtain quality housing. There is also a lack of housing available for families whose income moderately increases or who grow in family size, which forces them to stay in housing that otherwise would be available to families with lower incomes. As with our industrial infrastructure, it is important to do a housing needs assessment. This involves examining the number of units available, the cost of the units, and developing a plan that provides a balanced mix of housing for all income levels.



We will be working with our Real Estate Division and our partners throughout the county to complete a housing needs assessment and analysis.

## Cherry Point

*“Maintain Cherry Point as an unincorporated urban growth area based on its unique location, characteristics and its significant contribution to the overall industrial land supply and Whatcom County’s tax base” (Whatcom County 2016).*

The Cherry Point Urban Growth Area encompasses approximately 7,000 acres of heavy industrial land. It currently contains multiple industrial facilities including two oil refineries (BP and Phillips 66) an aluminum smelter (Alcoa) and two additional companies (Chemco and Praxair). These industrial facilities occupy approximately 5,500 acres of land, which leaves a fourth track of land that is approximately 1,500 acres that is made up of two distinct ownerships. As noted in the Whatcom County Comprehensive Plan, “the County and industrial users have long recognized that the Cherry Point area exhibits a unique set of characteristics that makes land there not only locally but regionally important for the siting of major industrial development” (Whatcom County Comprehensive Plan, 2016-2018). Maintaining this land for industrial development and ensuring the proper growth of this area will protect our existing industries who have been vital to our economy. It also provides the opportunity to grow new sectors and will enable us to protect the ecology of the Salish Sea, which is the lifeline to the marine industry sector and our way of life.

Many features at Cherry Point make it a prime location for major industrial developments, including:

- **Port Access:** The deep waters off Cherry Point provides access to shipping and marine traffic.
- **Rail Access:** BNSF Railway serves Cherry Point. The Cherry Point area has the rail access to support marine terminals and industrial users in the area. Cherry Point industries use rail to ship and receive multiple feedstock and products. Both of the refineries, BP and P66 receive crude oil shipments via rail.
- **Utilities:** There is extensive power, abundant LPG, and grey water, which is located adjacent to the power grid and has close proximity to I-5.

Cherry Point also has access to international markets due to its close proximity to Canada as well as other international markets. Trade between Canada, Alaska, and the rest of the U.S. is growing due to the current economic climate. In addition recent tariffs have caused many Canadian businesses to look to relocate into the United States. Cherry Point’s proximity to Canada make it a prime location for these businesses to relocate.

Cherry Point is also an excellent location to develop an industrial business park that can support a variety of manufacturing and distribution companies. With the common goal of developing Cherry Point into an International Business Park, our division has been working with landowners, developers, and Canadian businesses interested in moving to Whatcom County to determine the

feasibility. We have also been working with service providers such as PUD#1 to determine their ability to provide services to these undeveloped lands. A study was commissioned in 1998 to map out the feasibility of developing Cherry Point, however, there was no implementation.

Cherry Point is a unique and crucial area that will have a positive impact on our economy. We will be working with public utilities, stakeholders, and landowners to develop a master plan for Cherry Point. The plan will help identify the best use for the area based on zoning, infrastructure, geographic location, land cost, and land use demand. The master plan will help us determine most economically beneficial use of this area for our business and community.

### Our Canadian Partners

*"[R]ecognize and enhance the economic linkages between Whatcom County and our neighbors in the Lower Mainland of British Columbia" (Whatcom County 2015, 69).*

We continue to work with our Canadian neighbors in order to both promote Whatcom County as a great place for business and to assist with issues that will help the overall business climate in the greater Whatcom County - lower mainland B.C. region. There are numerous factors that influence if and when a Canadian firm will pursue foreign direct investment in the U.S. These include, but are not limited to: the rising cost of real estate in British Columbia, selling directly into U.S. markets without customs issues, a growing shortage of industrial zoned land in lower Mainland B.C., being eligible for U.S. contracts requiring "Made in the U.S.A." designation, and more recently the imposition of tariffs on various Canadian made products.

Ventures are found by directly reaching out to Canadian businesses, working through the business partnerships we have formed in the past few years, in particular with the Surrey Board of Trade, Canadian Consul, the State Department of Commerce, and partner organizations. We have worked and continue to work with other Canadian companies who are interested in expanding their business in our region. For example, with business assistance from our team, Nanak Foods and an OM Foods are two Canadian companies that are currently setting up operation in Whatcom County.

### Sectors

Our efforts within business retention, expansion, and recruitment as well as business assistance are focused on twelve key sectors: agriculture, energy, higher education, healthcare, food processing, marine trade, manufacturing, real estate, recreation, retail, and technology. We promote these sectors by collaborating with our public and private partners. Whatcom County has historically been a resource-based economy, relying on industries such as timber for jobs and growth. Though we have remained strong in agriculture, manufacturing, and the marine trades, the resource-based industries have waned. The critical sectors have been identified by state and local governments as having high growth potential. They also tend to pay higher wages and will help Whatcom County move into the digital age.

## Industrial Agglomeration

Agglomeration is the spatial clustering or concentration of industrial activities in one geographic area. An industry cluster is a group of firms that gain a competitive advantage through local proximity and interdependence. Clusters play an important role in economic development but demands concentration, specialization, and the practical ability to develop initiatives that help firms within clusters become more competitive and spur growth (Donahue 2018).

Key elements of productive clustering are:

- Sharing tailored facilities, infrastructure, and suppliers
- Matching workers productively through deep labor markets
- Learning through dense, knowledge-rich environments that facilitate knowledge exchange and innovation between interdependent firms

The economy of our region would benefit by being programmatic and developing and establishing clusters representing certain sectors. We identify and prioritize these sectors by not only current needs but by looking into the future economy, establishing a business strategy, and linking businesses to the workforce and higher education.

## Cybersecurity Cluster

Over the years, we have seen an increase in cyberattacks. The internet is in every aspect of our lives and is an indispensable tool in the business market. Reports of massive data breaches are a commonplace occurrence and reached record levels the last couple of years. Small to medium-sized businesses are at the greatest risk of being attacked. They are the primary target for a few reasons because 1) they often do not have the ability to protect against these attacks, and 2) they are the gateway to larger firms (Aguilar, 2015).

The current environment has created a demand and need for cybersecurity. Business Insider Intelligence (2016) estimated that due to increased demand, \$655 billion will be spent on securing computers and mobile devices by 2020. This in turn has generated employment. The Bureau of Labor Statistics (BLS) (2016) found that there were 100,000 information security analysts in the United States, which is only one type of cyber security job. They estimate that by 2026 the number will increase by 28.5 percent to 128,500. In the Whatcom County region this is a huge opportunity. We already have two nationally recognized higher education institutions (WWU and WTC) for their cybersecurity programs. These programs will educate and provide the skilled workforce needed to grow the cybersecurity sector and attract the employers of the future. Local cybersecurity businesses will provide the jobs, and research facilities.

## Recreation Cluster

Our recreation landscape (parks, trails, mountains, and waterways) represents a part of our region and contribute to our quality of life and our tourism revenue. However, it is also a growing

economic industry sector. Nationally, there are over 83,000 private firms in the recreation industry with over 300,000 employees and by 2026 the BLS (2016) estimates that this will increase to 327,900 workers. The Washington State Recreation and Conservation Office (RCO) (2015, 1-2) has argued that this is a massive opportunity for the state economy as state residents already spend 56 days a year doing some form of outdoor recreation and average 27 visits to our parks. The sector contributes \$21.6 billion to the state GDP yearly.

In Whatcom County, we have multiple recreational manufacturing companies in our region. Kayaks, bikes, bike seats, off road vehicle, gears, or composites used in the building of these items are just some of the companies representing the sector. In addition, we have a variety of vendors who sell at the retail level creating the interdependency needed for a productive cluster. As we do our long term planning a recreation cluster will be an important part of our economic strategy.

## Conclusions

We are at the beginning stage of a much bigger picture and are continually looking at how we can grow and diversify our economy.

We have outlined goals, visions, projects, partnerships, and long term planning strategies in this report. We are a small division working to achieve economic development on a scaler larger than has been attempted before. The key to achieving these goals is to maintain our strong partnerships, establish new partnerships, provide avenues for community engagement, and achieve sustainable funding. There are many emerging opportunities in Whatcom County.

We will be updating this document on an annual basis to ensure that it constantly reflects our county's development, progress, and achievements. Future annual reports will focus on deliverables and our plans to get there. We strive to be programmatic and provide our communities, businesses, and stakeholders with deliverables, creating a strong and diverse regional economy.

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# Appendix

Figures A-C

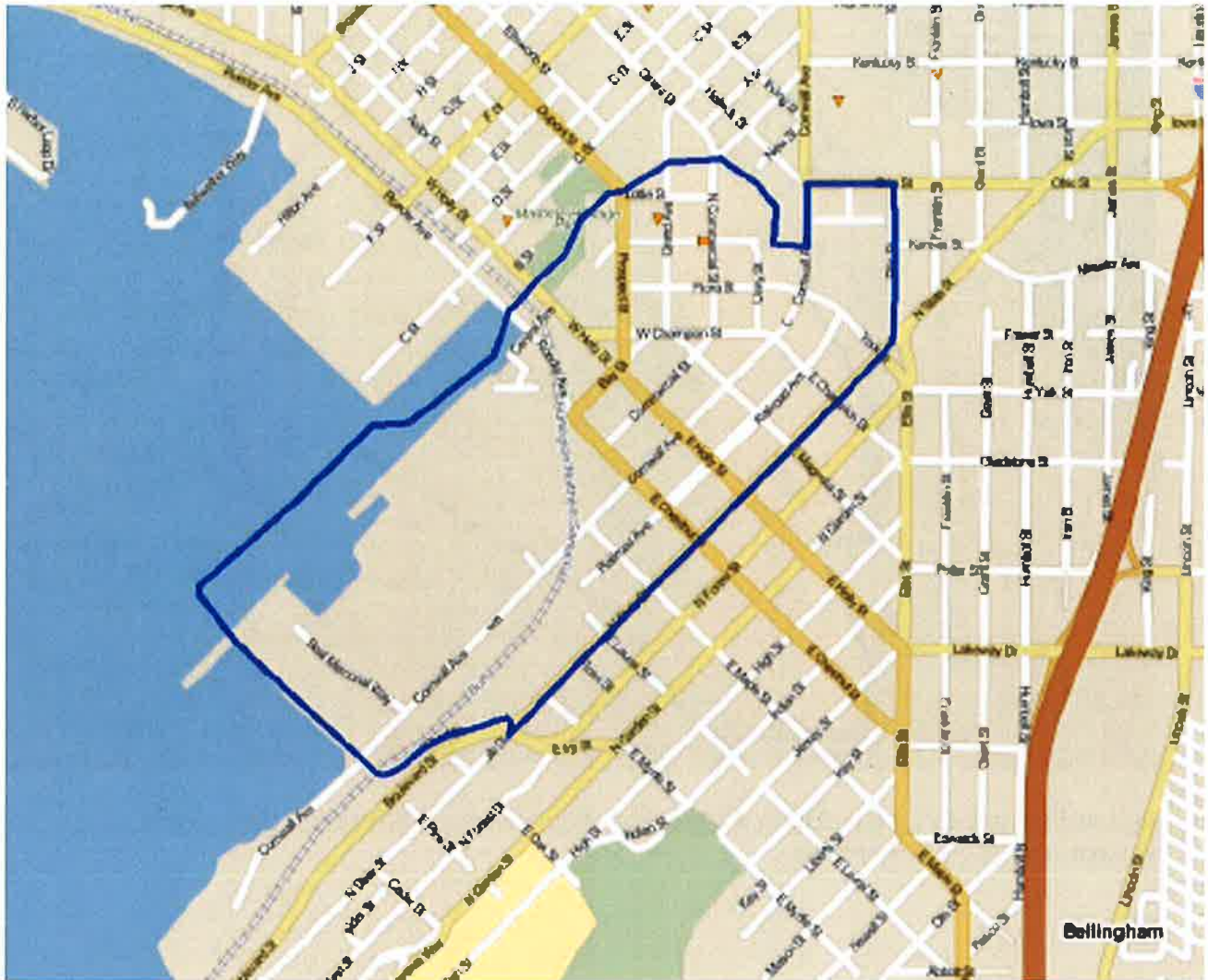


FIGURE A: A MAP OF CENSUS TRACT 6: THE WATERFRONT (ENTERPRISE COMMUNITY INVESTMENT 2019).



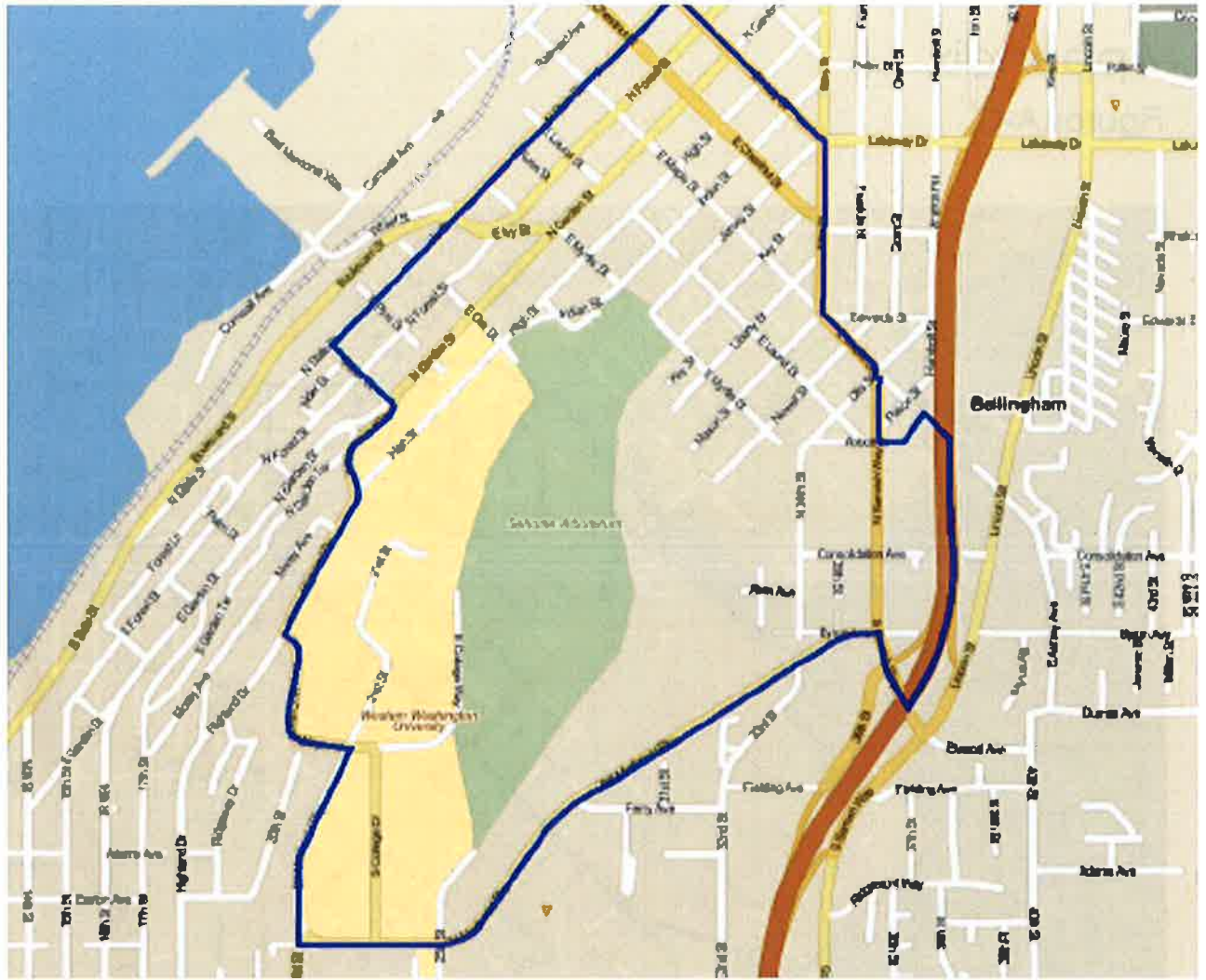


FIGURE B: A MAP OF CENSUS TRACT 10: WESTERN WASHINGTON UNIVERSITY (ENTERPRISE COMMUNITY INVESTMENT 2019).



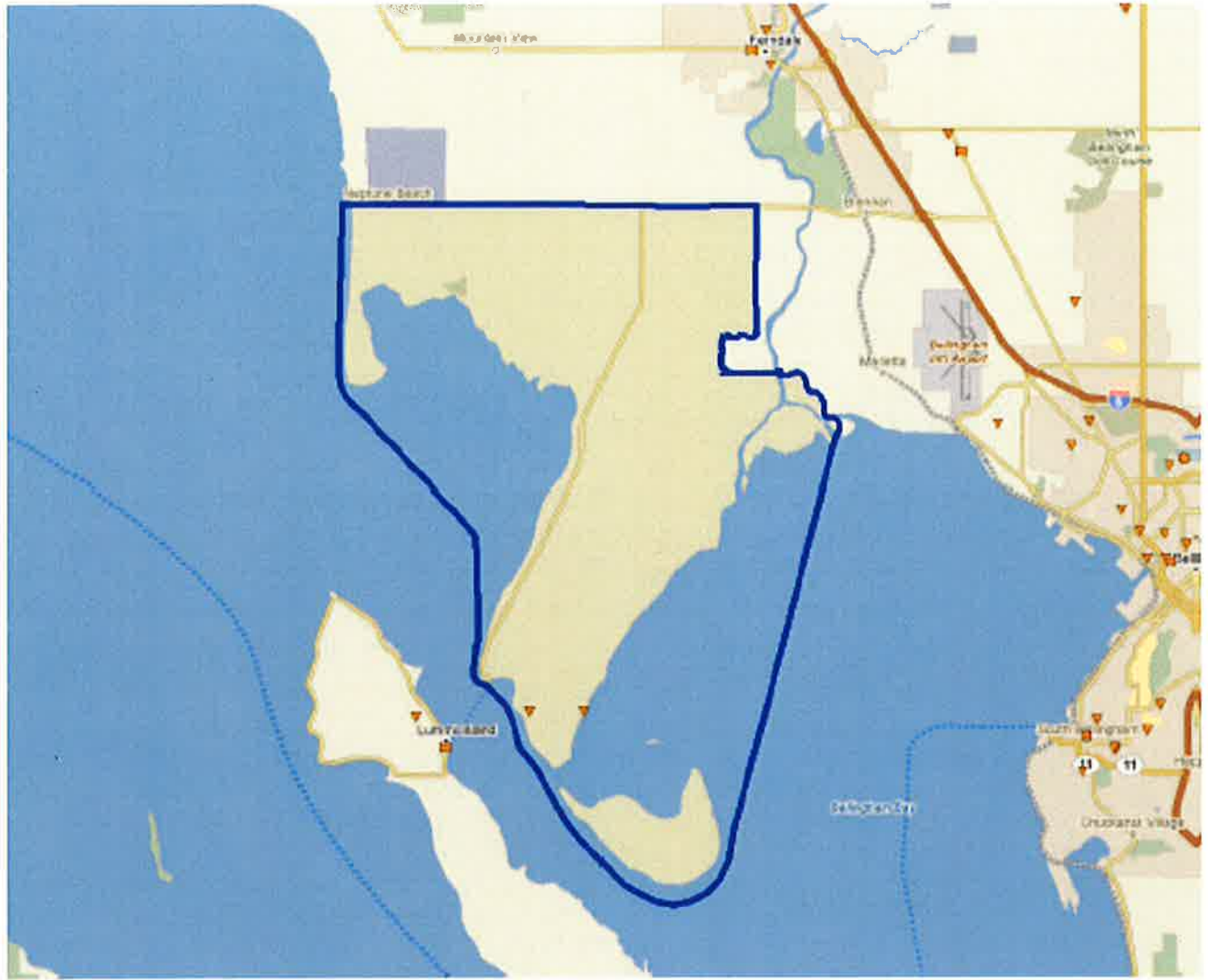


FIGURE C: A MAP OF CENSUS TRACT 9400: THE LUMMI NATION (ENTERPRISE COMMUNITY INVESTMENT 2019).

