

STATE OF WASHINGTON
LIEUTENANT GOVERNOR

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February 2022

Redefining Economic Success in Washington State:

3 KEYS TO QUALITY GROWTH

Acknowledgement

In 2021, the Washington State Legislature commissioned a comprehensive business competitiveness analysis of the state's economy by the Legislative Committee on Economic Development and International Relations (LCEDIR), to be administered by the Office of the Lieutenant Governor. This report is the result of that effort produced through a collaborative process involving numerous contributors.

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Lieutenant Governor Denny Heck

David Bremer, Director of Policy and International Relations

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ECONorthwest is a consulting firm based in the Pacific Northwest that specializes in economics, finance, and planning. We understand that businesses and governments face difficult decisions about how to make the best use of limited resources. We help our clients make thoughtful, data-driven decisions using tools and methods that meet the highest standards of best practice. Our focus is to bring a diverse set of perspectives that allow us to fully understand — and effectively communicate — the benefits, costs, and tradeoffs associated with any decision. Our consultants have advanced degrees in a variety of fields, including economics, planning, and public policy; and work on projects ranging from strategy to implementation.

Ryan Donahue, principal of **RM Donahue Consulting**, is a researcher and strategist focused on inclusive economic development in cities, regions, and states. RM Donahue Consulting has worked with state and regional organizations across the country. Ryan Donahue has partnered with the Brookings Institution, where he is a Nonresident Fellow, on strategy projects in a variety of regions, from high-growth markets (San Diego, Denver, Nashville) to older industrial cities (Birmingham, Syracuse, Grand Rapids).

Triangle Associates has been a trusted third-party in public and community facilitation and input work for over 40 years, and our methods of helping groups develop equitable processes to make good decisions have withstood the test of time. Triangle's facilitation practice is grounded in helping diverse, multi-party advisory and input groups work together to co-develop lasting input processes, recommendations, policies, and decisions.

Community Attributes, Inc. supports all phases of economic and community development — from visioning to implementation. We aim to support decision-making by linking community development objectives with economic opportunities in the context of regional economic trends. The hallmarks of our practice are flexibility, responsiveness, and innovation, all of which we wholeheartedly employ to meet our clients' needs.



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Redefining Economic Success
in Washington State:

3 KEYS TO QUALITY GROWTH

EXECUTIVE SUMMARY

Executive Summary | Project Overview

Prior to this report, Washington had not completed a comprehensive study measuring the competitiveness of the state economy in nearly a decade. This study takes a hard look at the Washington economy, scrutinizes traditional indicators of success, and evaluates some common barriers to growth. The process was iterative, gathering insight from diverse groups including small and minority business owners, industry economists, and Labor representatives, among others. Using data analysis, an in-depth industry review, and application of an equity lens, this outreach shed light on the key barriers the state faces to enhancing business competitiveness today. This report moves the conversation forward towards solutions.

Washington Long-term Economic Trends: Highlights

- Successfully transitioned the economy into a knowledge and tech leader.
- Strong growth in the economy is limited by an aging workforce and a skills gap, decades in the making.
- Household incomes have gained compared to the U.S. average at all points of the income distribution — but inequality has widened.
- Job opportunities and natural amenities are attracting households and talent to all regions of the state.
- Housing production hasn't kept pace with population or job growth, triggering persistent affordability and homelessness crises.
- Small businesses are struggling to compete for labor and access to resources in a changed economy.

Equitable Outcomes Accelerate Economic Growth:
Reframing Business Competitiveness Centered on Outcomes

Focus on creating quality jobs and shared prosperity

In order to track success, Washington needs to **prioritize desired outcomes and develop indicators that reflect a strong, balanced economy**. After taking a hard look at traditional approaches to evaluating business competitiveness, this report suggests a revision that incorporates updated values and tracks performance compared to peer regions.

As Washington looks towards the future and sets a course for continued economic growth, resiliency and inclusion need to be top state priorities. By dismantling barriers and expanding opportunities for low-income earners and communities of color, more people can fully engage in the economy both as producers and consumers. **This can translate into greater rates of entrepreneurship and economic growth, less reliance on social supports, a greater tax base, and decreasing income and wealth disparities**.



Washington must focus on addressing three key areas, identified next, that are currently the biggest barriers to Washington's ability to achieve more quality jobs, economic growth, and shared prosperity.

Assessing Washington's strengths, challenges, and opportunities lays the groundwork for future economic development strategies.

Strengths that have made WA a leader in business growth for decades

- Talent attraction with consistent in-migration.
- Strong Information and Communication Technology (ICT) presence and skilled tech labor.
- Established, high performing network of public, private and training institutions.
- Robust infrastructure and transportation system (including ports).
- Low energy costs, clean energy, natural assets, and amenities.

Challenges that threaten WA's position as an economic leader

- Skilled labor shortages.
- Access to housing that is affordable to all workers.
- Childcare affordability and supply limitations.
- The impacts of climate change.
- Stable funding sources to support future infrastructure projects, including maintaining and preserving current assets.
- Access to capital for high-growth potential business.
- Complex and costly business and development regulatory frameworks.

Executive Summary | Big Idea 1

Build more housing of all types that are affordable to all residents.

KEY TAKEAWAY:

Washington State has the fewest number of housing units per household of any state in the country.

The Problem

- Washington State has the fewest number of housing units per household of any state in the country, and the housing crisis is getting worse as the number of units built has not kept pace with household formation over the last decade.
- The lack of supply puts strong upward pressure on home prices and rents. 44% of Washington renter households are cost burdened and spend more than 30% of their income on housing; 22% of renters are *severely* cost burdened and spend more than 50% of their income on housing.
- Chronically undersupplied housing is the principal driver of the state's homelessness crisis. Washington's homelessness rate—30 per 10,000 residents—is well above the U.S. average (18 per 10,000 residents).
- Homeownership is becoming more unattainable, particularly for BIPOC households. The Black homeownership rate is 11.5% lower than the national average, which ranks last among peer states, and the 7th lowest nationally.

Despite current efforts and legislative focus, Washington is still not building enough homes, particularly homes that are affordable at lower and middle incomes, and that provide wealth building opportunities for all.



Why does this matter for economic development?

The underproduction of housing is limiting economic productivity and growth, the creation of jobs, and perpetuating disparate outcomes and wealth inequity for the next generation of Washingtonians.

BY THE NUMBERS



11.5%

lower Black homeowership rate than the U.S. average, last among peer states



1.06

housing units per household Washington State compared to 1.14 nationally



190K

Number of units Washington would need to build to achieve the national ratio



$695K

The average new home construction price statewide, the 6th highest of any state

Executive Summary | Big Idea 2

Equip the workforce for success, and close the skills gap.

KEY TAKEAWAY:

Washington needs to train 200,000 more skilled workers over the next 10 years to keep pace with job openings, a 30% increase over current rates.

The Problem

- Businesses across the state are experiencing persistent and worsening labor shortages.
  - The number of job openings are at record highs, as is the share of the workforce aged 55 and older.
- There is a chronic gap in the training and skillset development of the workforce across the state relative to labor need.
- Annually there is a shortage of 20,000 skilled workers. Meeting this need would require a 30% increase in the number of certificates and degrees granted in the state.
  - In-migration of skilled workers helps offset about half of the shortage within the state. 85% of those moving to the state have a bachelor's or graduate degree, leaving the largest deficit in the mid-level skilled workforce.

Despite current efforts to boost educational attainment, particularly in high-demand fields such as STEM and health, there is a chronic gap between the skills employers require and the skills with which job seekers are equipped. While strong workforce demand is seen at all education levels, particularly in STEM, workers with mid-level training or education (associates, certificates, and apprenticeship completers) make up half of worker need. In-migration helps offset the shortage, but is heavily concentrated in workers with bachelor's and higher levels of educational attainment.

Why does this matter for economic development?

Businesses consider access to a skilled workforce when making location decisions. A limited supply of skilled workers may prevent businesses from locating, expanding, or remaining in an area.

BY THE NUMBERS

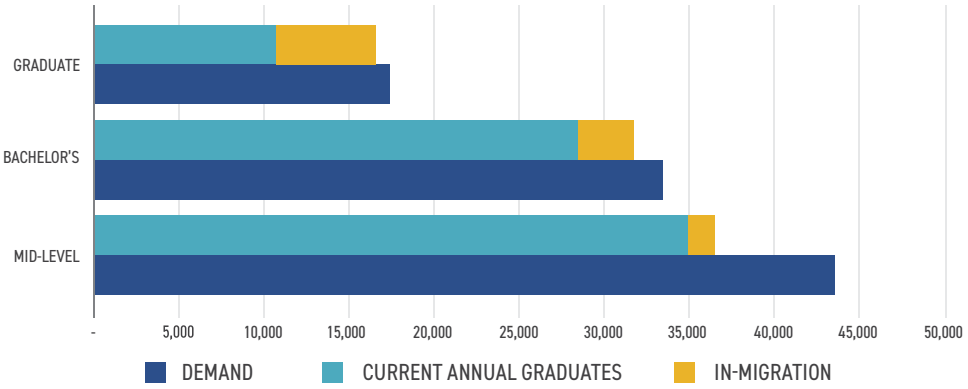
25%
percentage of workers over age 55, an all time high

2.5%
percentage of workers quitting their job monthly (30% annualized), the 10th lowest state rate

221K
job openings statewide, a 40% increase from pre-pandemic levels (2018 and 2019)

18,442
active apprentices statewide in 2019, an increase from 12,376 in 2015

SKILLED WORKERS SUPPLY AND DEMAND GAPS



Source: 2017 Skilled and Educated Workforce Report

Executive Summary | Big Idea 3

Revitalize entrepreneurship (and make it easier to do business).

KEY TAKEAWAY:

Washington is forming 30% fewer high-growth potential businesses than a decade ago, and ranks 4th lowest among peer states.

The Problem

Declining Entrepreneurship and High-propensity Formation

- Entrepreneurship has been on the decline nationally and in Washington over the past 40 years.
- WA's high-propensity business formation—**those most likely to turn into a business with a payroll**—has declined 30% from the early 2000s (per capita), and now ranks 4th lowest among peer states.
- The economy has consistently performed well on traditional economic development indicators (capacity builders), but that has not translated into shared prosperity (realized outcomes).
- Only one third of the jobs in the state pay enough for families to support their living expenses.

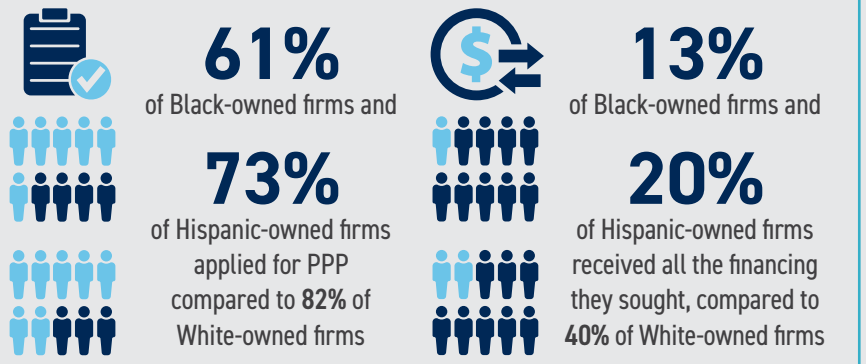
Limited Access to Capital

- There are a variety of barriers that are preventing businesses of all sizes from forming, growing, and competing in the global economy.
  - Venture capital is funding smaller deal sizes in Washington State than the national average.
- Small businesses, particularly those owned by communities of color, have limited access to capital needed to grow.
- BIPOC-owned firms were half as likely as White-owned firms to use a financial services provider.

Burdensome Regulatory Environment

- The variety of permits required from all levels of government are complicated, costly, and time consuming.

BY THE NUMBERS



- Land use and growth management has created an amenity value and produced environment benefits, but has also contributed to a limited number of available and suitable sites for business expansion.
- The Wharton Residential Land Use Regulatory Index ranks the Puget Sound region as the 4th most regulated region in the country for permitting and land use, behind only New York, San Francisco, and Providence (Portland is ranked 10th).

Washington has historically performed well on traditional economic indicators and has leading businesses that have driven success for a subset of the population. However, **this success has masked growing problems**—decreasing high-propensity business formation fueled by inequitable access to capital and business supports, and a regulatory environment that disproportionately hurts small businesses. Current initiatives and programs are inadequate to address the extent of these problems.

Why does this matter for economic development?

Declining rates of business formation, a trend accelerated by complex regulations and limited access to capital, limits the potential for future economic expansion and shared prosperity in Washington.

Where to Go Next

Measuring success

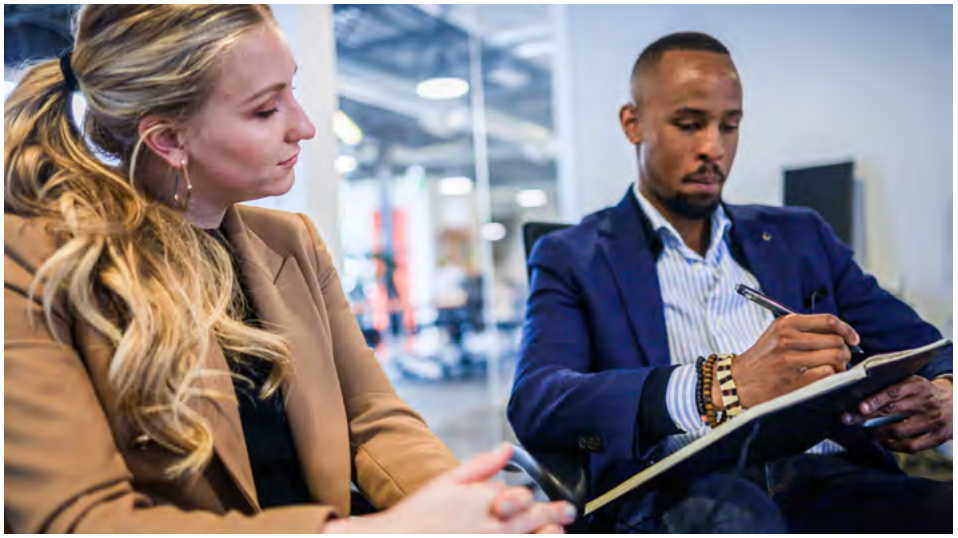
The status quo is currently not producing the desired outcomes. This report helps identify and prioritize desired outcomes. In order to measure the progress on identified outcomes of producing more quality jobs and creating opportunities to build wealth, the state needs to commit to tracking metrics that can measure changes over time. As it relates to wealth, there are limited data points that serve as proxies for wealth. If the goal is for shared prosperity, additional resources must be devoted to producing metrics that directly measure wealth outcomes in the State of Washington.

Policy options

Increasing housing production: Washington needs to build housing units of all kinds in areas of high economic opportunity that are affordable and provide wealth building opportunities. Areas of potential intervention include: eliminating exclusionary zoning, options to build more housing units in identified areas of high opportunity that leverage public investment, working with local governments to address misaligned fee structures and lengthy review processes, as well as clarifying and calibrating statewide growth management.

Equipping workers with needed skills by enhancing technical programs and apprenticeships: Maintaining the status quo is no longer an option for Washington State if it wants to continue to be a competitive force in the national and global economy. While traditional degree attainment remains an important part of workforce development, Washington needs to further explore nontraditional skill delivery certifications and training, as well as alternative job programs to address the growing gaps in mid-level skill quality jobs. Areas of the greatest opportunities at the mid-level are expected to be in production and trades; business, management, and sales; human and protective service; health professions; and computer and information science.





Revitalizing entrepreneurship: Washington can no longer rely on its past successes to ensure its economic future. Washington needs to improve targeted regulatory policies and business supports for firms that will create quality jobs and wealth building opportunities. This includes supporting firms with high-growth potential, improving access to capital for minority and low-income entrepreneurs, as well as simplifying regulatory requirements for small businesses. Doubling employment in the manufacturing industry statewide (HB 1170, 2021) would improve high-propensity business formation, but specific policies need to be made to achieve this goal.

Childcare and broadband access are important and known areas of need across the state. They are intentionally not highlighted as priorities in this report given recent efforts at the state and federal level to address these barriers. These interventions and actions should continue to be monitored as it will take time to measure the efficacy of these efforts and if additional policy action is warranted.



1

INTRODUCTION, FRAMEWORK, & EQUITY LENS

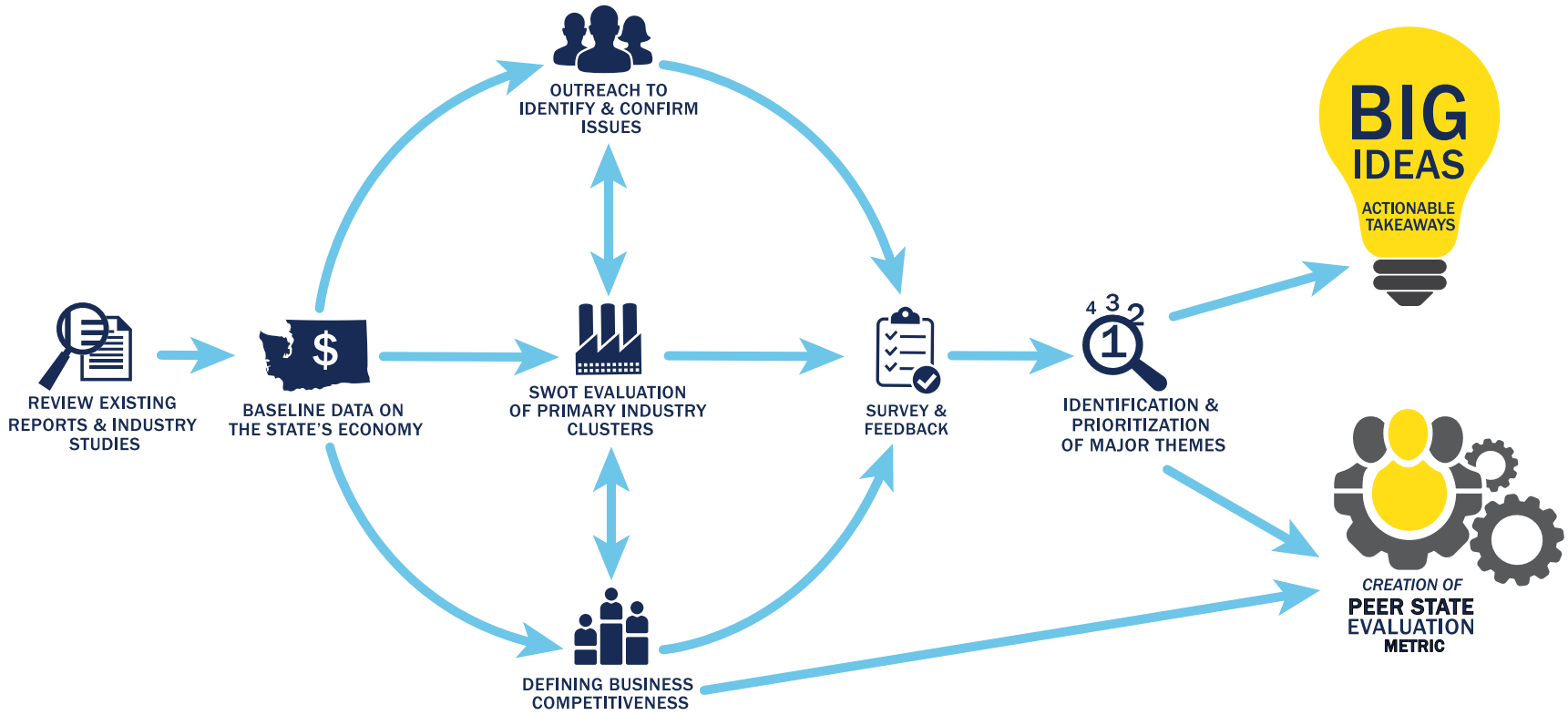
To Have a Competitive Business Environment, You Need an Accessible Economy

Understand your strengths, focus on your opportunities.

Prior to this report, it had been a decade since the State of Washington last looked at its business climate and how it compares to peer states. In that time we have seen multiple disruptions: e-commerce expansion, airplane recalls, a pandemic, immigration shifts, jumps in inflation, and an unpredictable supply chain that can leave key components stuck in the Suez Canal. Some disruptions seem to arrive overnight and can be resolved through flexible logistics or strategic partnerships. Others build slowly and present baseline costs that put the state at a strategic disadvantage. The focus of this study is the latter: what are key, foundational barriers that affect business competitiveness—whether they be Fortune 500 companies or sole proprietorships—as they compete across the state, regionally, and globally.

This study takes a hard look at the Washington economy, scrutinizes traditional indicators of success, and evaluates some common barriers to growth. The process was iterative and gathered insight from diverse groups and through contrasting approaches.

It undertook a five months long engagement process speaking with elected officials, minority business owners, industry economists, tribal leaders, women's groups, Labor representatives, economic development professionals, chamber presidents, and unemployed workers, among others. The technical review looks at the State of the State, identifying key trends in the data that might have been overlooked in the past, but suddenly become urgent areas of concern when putting them into context. The Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis takes an in-depth look at key sectors and foundation items in Washington and highlights strategic opportunities that could be pursued in the near term. In addition, it took into account a hard look at traditional approaches to evaluating business competitiveness and a revision suggested that incorporates updated values the state may include in future metrics. This will all be brought together in a summary of the most urgent needs and three ideas most deserving of focused efforts.



Strong Economic Analysis Requires an Equity Lens

A rising tide does not always lift all boats.

As Washington looks towards the future and sets a course for continued economic growth, resiliency and inclusion must be top state priorities. Building an expanded vision for economic prosperity requires new tools, including a more nuanced set of metrics for measuring success, wider definitions of business growth, and a better process for including voices from across the state. An equitable Washington economy helps to ensure that working-class people and people of color have quality jobs paying living wages, access to the capital needed to build their wealth and their businesses, and a role at decision making tables. Washington State's diverse population includes workers, entrepreneurs, innovators, and leaders all looking to increase their economic security and mobility.

This report is examining the state's economy using a different research methodology than has been used before. **Our approach centers economic equity** as critical to the state's vitality and growth and offers evidence-based findings that show where disparities exist and what the state can do to reduce them. Because achieving equity is a complex goal, having good research strategies is an important first step. We used a racial equity approach in our research process to ensure we identified racial disparities, why they exist, and how to address them. We also used this approach to help develop findings that can be used to promote equity. This framework illustrates the circular nature of equity planning, decision-making, and implementation of actions. These methods guided the team on what issues to look for in the data analysis and community engagement.



Understanding the limitations of the datasets that we have access to, how they were collected, who was left out, and how the survey design shaped the responses is critical in how we use and interpret data. Without a critical eye towards "the data" and what it can tell us, we risk finding false results in our analysis. To this end, we took the following steps to ensure meaningful and accurate findings:

- Disaggregate data by race/ethnicity wherever possible (geographies, ownership, etc.) to find where inequities exist.
- Perform analyses that are intersectional in approach. How do race and ethnicity intersect with other identity categories that exacerbate or mitigate economic mobility or access to resources?
- Locate and utilize data sets from unconventional sources to help add context to larger data analysis.
- Maintain a strong commitment to interrogating our data sources, sampling methods, and the validity of our analyses.
- Recognize that data contains biases, and work to clearly document and establish plans to mitigate bias within the data we maintain and in how we use data to make decisions.
- Use accessible and understandable visualization and communication tools to share insights from our data to a wide range of audiences across a variety of access needs.



2

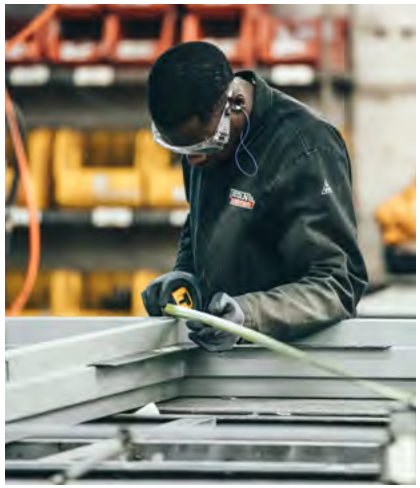
STATE OF THE STATE

State of the State

Washington has transitioned its economy into a knowledge and tech leader.

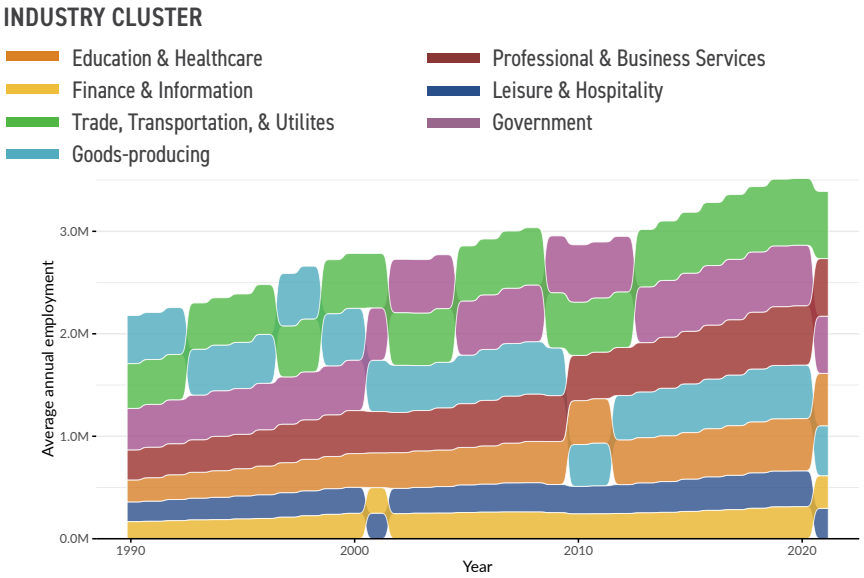
This section will establish a baseline trajectory for businesses, industries, and geographies prior to the COVID-19 pandemic—then determine how they have been impacted in Washington's recovery to date. This will primarily focus on a quantitative analysis to help frame trends and to contextualize the feedback received from industry stakeholder outreach. This section investigates how the composition of industries has changed in the last 30 years, identifies long run trends in workforce demographics, contextualizes the income distribution compared to the U.S. and regional peer states, explores the components of population growth, and investigates the housing affordability crises across the state.

Introduction



A generation ago, Washington's economic outlook was mixed. The immediately preceding decades had been characterized by severe recessions, uneven job growth, and periods of sizable out-migration in urban and rural parts of the state. The wood products industry was adjusting to federal harvest restrictions, automation, and foreign and domestic competition. And the technology sector was taking hold but still in its relative early stages. Per capita income hovered around the U.S. average.

But the state's economic foundation—its human, physical, natural, and social capital—was strong in 1990. A skilled workforce, highly regarded schools and universities, deep-water ports, and talent-attracting natural amenities were in place. Over the next 30 years, the state made a successful transition into a knowledge economy while resource extractive industries settled into important, supporting roles. Traditional economic metrics—jobs, output, household incomes—pulled away from national averages. Washington went from a middling performer to one of the most prosperous states in the nation. **This generally positive economic story is marred by two critical failings: highly unequal income growth across racial/ethnic groups and chronic housing underproduction.** The state's current economic performance could be summarized as a period of prosperity inequitably shared.



Source: Employment Security Department Washington State

Washington has been a leading U.S. job growth center during the past 30 years and successfully transitioned into the knowledge economy

Washington's jobs fall into seven industrial supersectors: trade, transportation, and utilities; professional and business services; education and healthcare; finance and information; leisure and hospitality; goods-producing; and government. Every sector has grown over the past three decades (see chart). This period will be remembered for the transition from industrial resources extractive activities to knowledge-based work. Recent employment in the goods-producing sector (manufacturing) is narrowly above its level in 1990. A combination of factory automation and offshoring has led to sharp sectoral losses nationally. The small, 4% increase in jobs over 30 years is better performance than most of the U.S.



State of the State

Growing the manufacturing and construction sectors provides an opportunity for quality jobs.

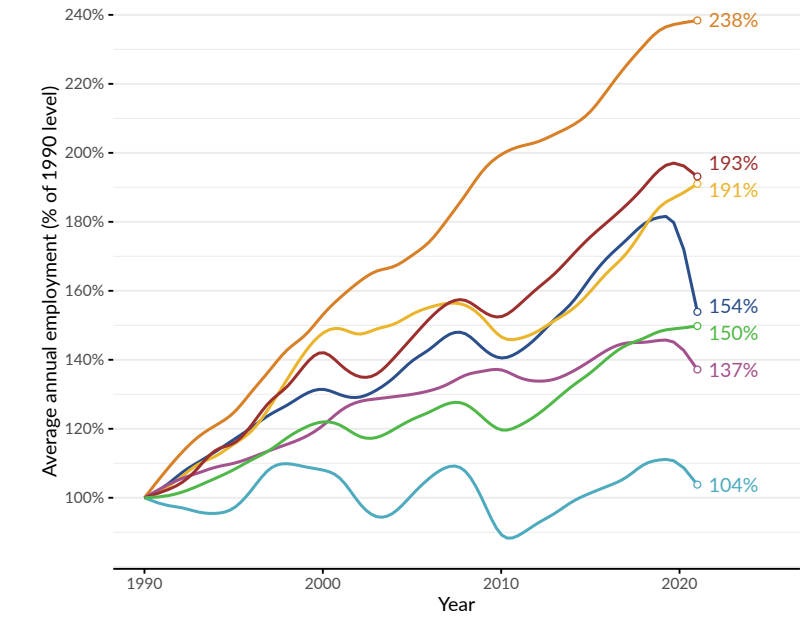
Which industry supersectors had the largest employment growth over the last 30 years?

The education and healthcare sectors (eds and meds) experienced demographically-driven, robust growth. An aging population drives demand in the healthcare sector and, until recently, the children of baby boomers (the baby boom echo) supported higher education enrollments. Both sectors are labor intensive, and many of the related occupations do not lend themselves to automation.

The next two fastest growing sectors—professional business services and finance and information—draw disproportionately on workers with bachelor's and advanced degrees. Unlike the goods-producing sector, which needs access to particular resources and specialized infrastructure, workers in these sectors are freer to choose high amenity locations where they would prefer to live. And over the past three decades, Washington has fared well in the competition for this work.

Washington's leisure and hospitality sector grew with the rest of the economy until March 2020 and then contracted sharply. The sector's outlook is tied to public health conditions, which remain uncertain entering 2022. App-based restaurant ordering, hotel self check-in kiosks, and other forms of automation will slow the sector's job recovery and drive demand for training by former industry employees.

WASHINGTON STATE SUPERSECTOR CHANGE IN EMPLOYMENT SINCE 1990

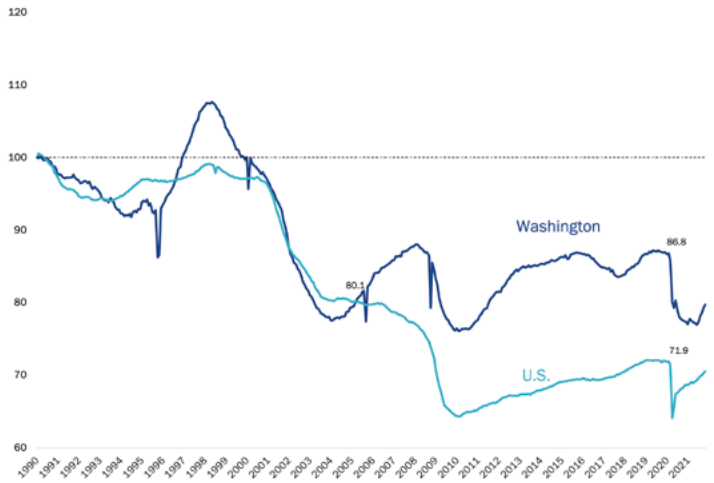


Source: Employment Security Department Washington State

Manufacturing sector employment declined in the last 30 years, but less than the overall U.S. decline

Within the goods-producing sector, the decline in manufacturing sector employment almost completely offset the near doubling of the number of workers in the construction sector since 1990. Through the middle of the 2000s, the 20% manufacturing employment decline in Washington matched the national rate—since then, employment recovered 5% (pre-pandemic) compared to a further 8% decline nationally. In the last legislative session, HB1170 was passed with the goal of reversing this trend and aiming to double the number of manufacturing jobs in the state.

MANUFACTURING SECTOR EMPLOYMENT
WASHINGTON STATE VS. U.S. CHANGE SINCE 1900 (INDEX 1990=100)

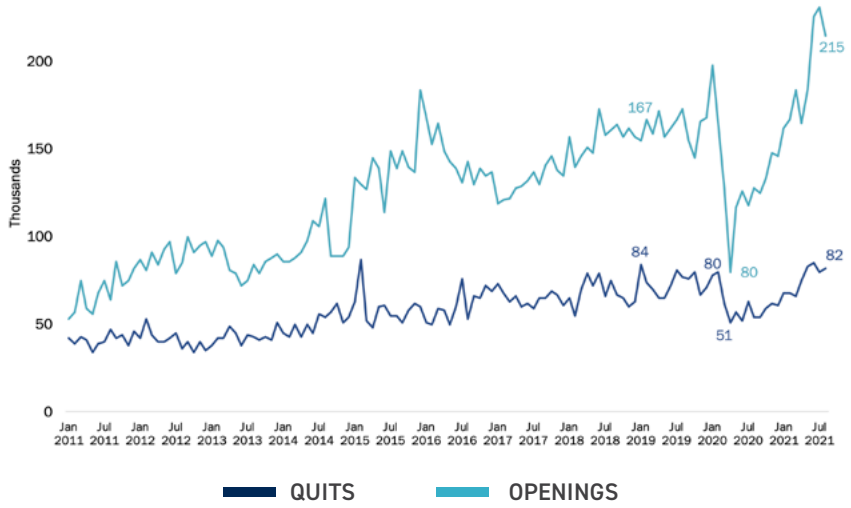


Source: Federal Reserve Economic Data

State of the State

Washington has a skills gap decades in the making.

WASHINGTON TOTAL JOB OPENINGS AND QUITS



Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

The current workforce challenge is both a retention and a recruitment problem

Early in the pandemic, the number of job openings dropped to the lowest level in a decade as did the number of people leaving their jobs. By mid 2021, job openings increased to record highs and the number of people quitting their jobs was in line with numbers for the few years leading into the pandemic. While the so-called "Great Resignation" is more related to the rate of workers quitting as the unemployment rate increased, the larger change is the growing inability of firms to hire workers at all skill levels.

More than half of Washington jobs are in big firms (500+ employees)

More than half of Washington workers (52%) work for a firm with more than 500 employees—up from 42% in 1993. Employment shares in a number of small- to mid-sized firm categories (0–19, 20–49, 50–249, 250–499) all declined during the period. In 1990, Washington had the highest share of employees in the 50–249 employment category when compared in a 20-state peer group. By 2020, Washington's position fell to 12th. For employment in the 500+ category, Washington went from 18th in 1990—ahead of only Idaho and Oregon—to 10th in 2020.



The share of the workforce aged 55+ has more than doubled in the past two decades

Demographers and workforce developers have long anticipated an older workforce as the baby boom generation aged. The youngest baby boomers turned 57 in 2021, and as the generational cohort aged, the share of workers aged 55+ has steadily risen—from less than 10% in 1990 to almost a quarter in 2019.

The share is growing for a number of reasons: the baby boomer generation is bigger than the generations that preceded it, people are living longer thanks to improvements in healthcare, people are working longer because of insufficient retirement savings, and some older Washingtonians are working more by choice.

An older workforce brings more experience, but also less predictability about ongoing participation rates and weekly hours. Businesses and their workforce development partners must understand, and plan for, new dynamics—extended careers, late career training needs, phased retirements, bridge jobs (e.g., a change in occupation or switch to part-time status), apprenticeships, and mentorship opportunities.

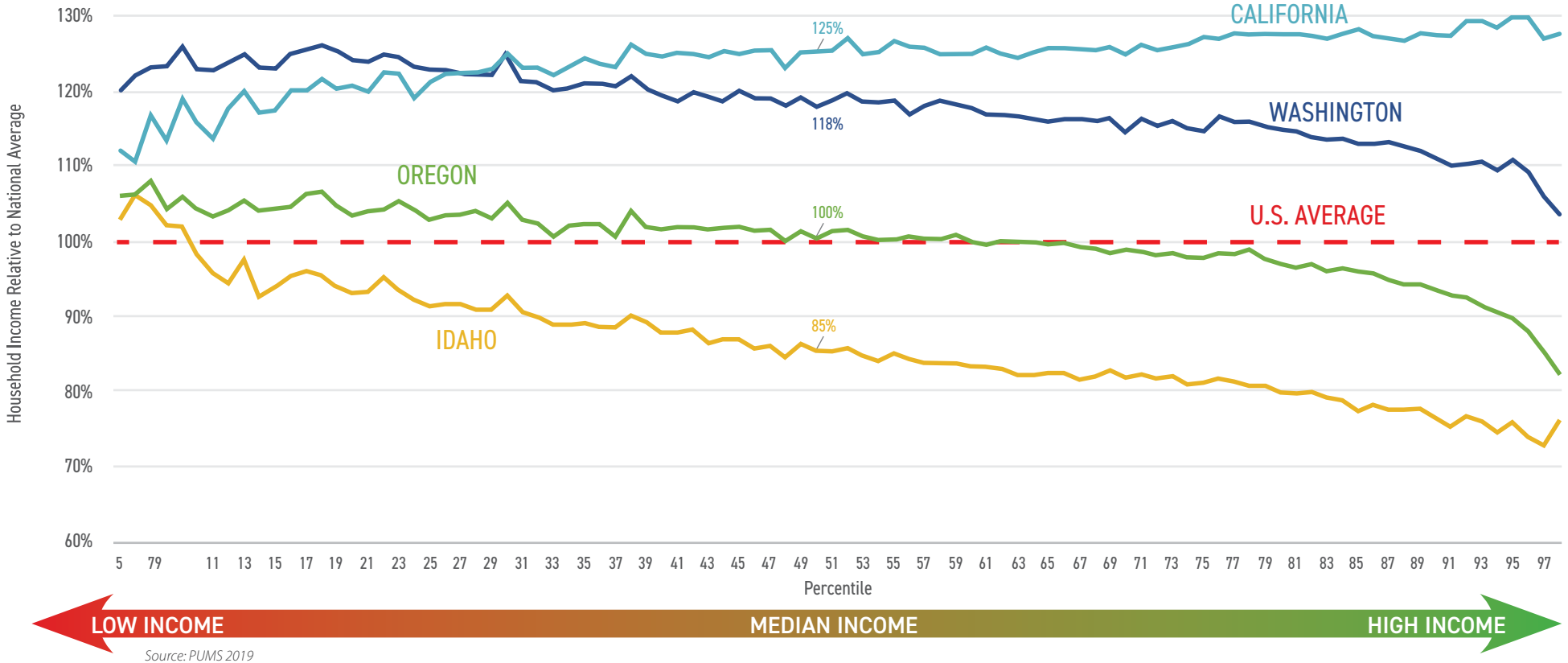
State of the State

Household incomes have pulled away from U.S. levels at all points of the income distribution. But inequality has widened.

In 2019, Washington household incomes were consistently above U.S. levels across income distribution—from the 5th to 97th percentiles (see chart). The Washington-U.S. differences are highest at the lower end of household income thanks to strong, pre-pandemic economic conditions and the state's minimum wage law. Washington's median (50th percentile) household income was 18% above the U.S. level in 2019. At higher income levels, the Washington-U.S. differences gradually converge.

Income inequality widened during the 2010s. The Palma Ratio, which compares the aggregate incomes of high income households (i.e., top 10%) to low income households (i.e., bottom 40%), increased from 2.35 to 2.55 at the state level. That means the top 10% of households had 255%—or more than 2 and a half times—the incomes of the bottom 40% in 2019. By contrast, Norway's Palma Ratio is 1.0. The inequality measure rose in King, Pierce, and Spokane counties, but declined in Clark County.

HOUSEHOLD INCOME DISTRIBUTION RELATIVE TO U.S. AVERAGE, 2019



Source: PUMS 2019

State of the State

Job opportunities and natural amenities are attracting households and talent to nearly every part of the state.

Key demographic indicators are becoming increasingly important measures of the state's economic health. Washington and the U.S. have entered a period of low population growth that's expected to continue in coming decades. Nationally, the population grew at its lowest rate in history during the 2010s—a function of an aging baby boom cohort, low fertility rates, and tighter U.S. immigration policy. Many regions of the country anticipate acute workforce shortages and declines in their prime-age working populations (25–54-year-olds). Prominent labor economists argue that **workforce shortages—rather than job-eliminating automation—must be the top concern of policymakers and economic developers**.

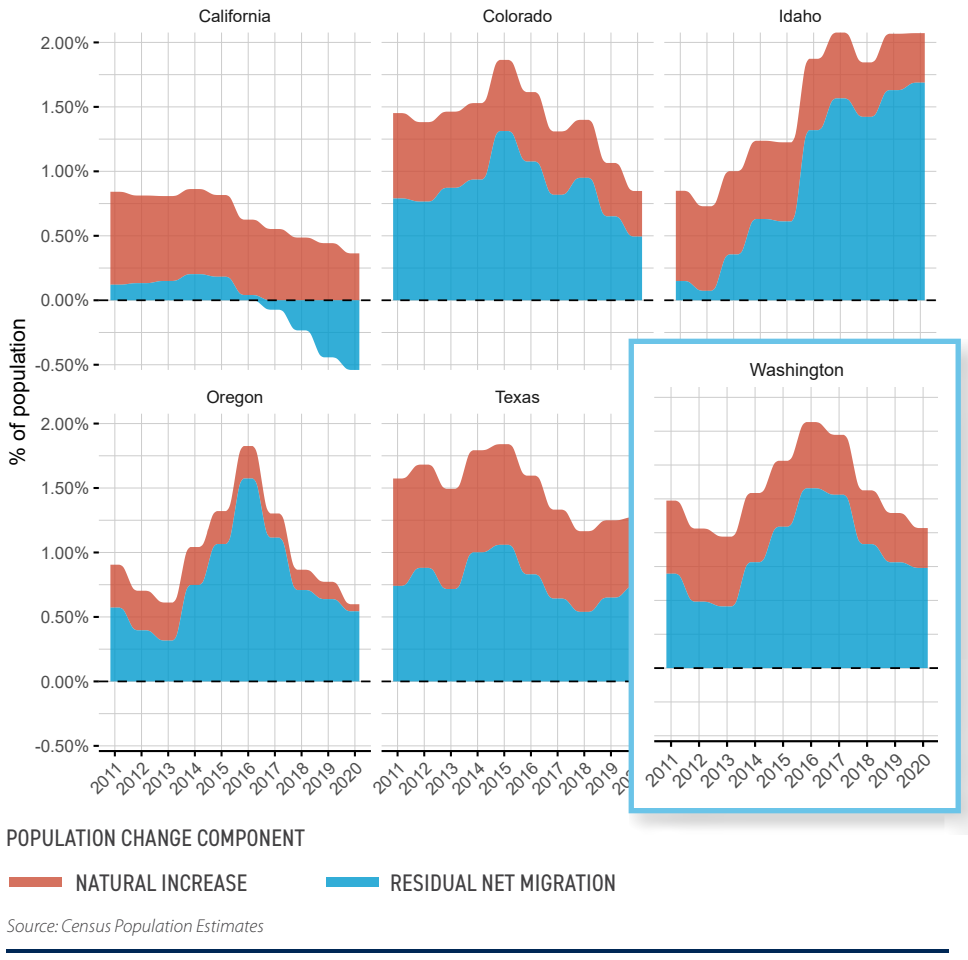
Washington's migration story is a positive one. Every region of the state has attracted net migrants consistently since 1990. That was not the case in the three decades leading up to 1990 (see chart). The ability to attract population broadly in both urban and rural areas is uncommon across the U.S. and an advantage for Washington.

The migrants' states of origin tell a story as well. Washington has drawn heavily from California and Oregon—nearby states with similarly competitive natural amenities. The diversity of job offerings and, relative to California, lower housing costs are likely drivers.



Interestingly, even Texas, which pulls people from much of the country, lost population to Washington on a net basis during the 2010s. And Washington has been migration neutral with Colorado, Idaho, and Nevada.

POPULATION CHANGE COMPONENTS, BY STATE



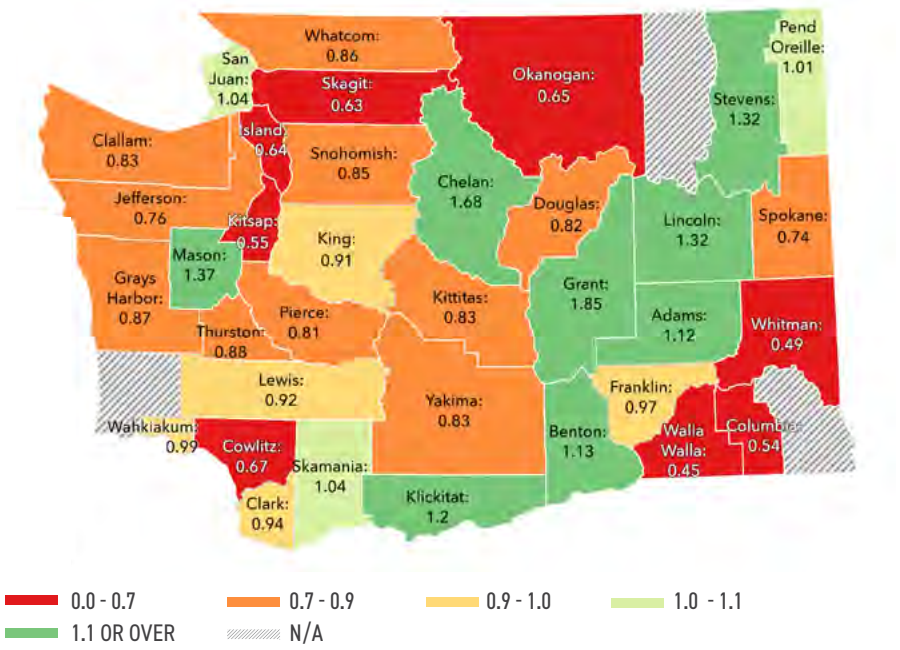
Source: Census Population Estimates

THE BOTTOM LINE: **in a coming era that will be defined by slower population growth, Washington appears well positioned to compete with its regional neighbors for households and talent.**

State of the State

Housing production has not kept pace with population or job growth, which has triggered affordability and homelessness crises.

NUMBER OF HOUSING UNITS BUILT PER NEW HOUSEHOLD FORMED FROM 2010-2020



Source: U.S. Census, Washington Office of Financial Management

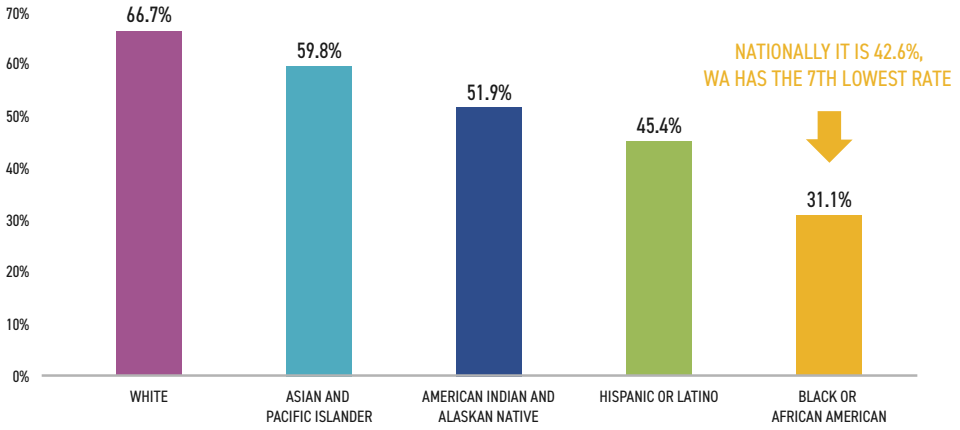
The sustained success in job creation and population attraction has come with a price: exceptionally high housing price inflation. The median home price to median household income ratio (PTI) exceeds 6.0 along most of the I-5 corridor, approaches 8.0 in and around Seattle, and stands at 6.7 in Spokane. The national PTI is 4.4. A household with median income can afford the median priced home in only nine of the state's 39 counties—and seven of those are east of the Cascades.

Population and job growth do not automatically translate into high housing prices. Many other U.S. regions have built housing to accommodate their growing economies. Washington hasn't. In fact, Washington has the fewest housing units per household in the U.S.—Washington's 1.06 units per household versus a U.S. average 1.14. The problem was exacerbated by underproduction during the past decade when every county on the I-5 corridor, coastal counties, and several eastside counties built fewer housing units than the number of households created.



Washington's low production and high cost housing market drives the state's homelessness crisis. 22% of Washington renter households spend more than 50% of their income on rent and are at increased risk of homelessness. High housing prices also lock households out of home ownership. Differential homeownership rates are a key contributor to large wealth gaps across racial/ethnic groups. Two-thirds of White Washington households are homeowners—a higher share than any other racial/ethnic group and more than twice the rate for Black households.

WASHINGTON STATE HOMEOWNERSHIP RATE BY RACE/ETHNICITY, 2019



Source: Census 2019 ACS



3

OUTREACH & ENGAGEMENT

Outreach & Engagement

Identify gaps in outreach and develop strategy.

Outreach Approach

Gathering insight on economic goals, barriers, and issues for small businesses, employers, employees, and communities in Washington State required a robust outreach approach. This approach, facilitated through a neutral third-party facilitation and public outreach firm, utilized a variety of outreach strategies to gather as many perspectives as possible in a short time frame. Focus groups were offered during standing (i.e., "go-to-you") meetings or at times requested by participants to streamline scheduling. The consultant team reached out to new and existing contacts and organizations, and provided pre-drafted emails for organizations to share with their networks to ease coordination and scheduling. Preliminary outreach included:

- Contact with 16 organizations.
- 25 stakeholder interviews.
- 10 focus groups.
- 2 surveys *(distributed through organizations that were unable to hold focus groups)*.

After the initial round of outreach, the consultant team implemented a follow-up engagement strategy to reach additional communities and gather their perspectives. Outreach included:

- Analyzing gaps in outreach and brainstorming additional stakeholders and organizations.
- Following up with focus group participants that indicated interest in hosting additional focus groups.
- Utilizing stakeholder connections and existing networks to convene additional focus groups.
- Sharing information about the project and purpose through introductory calls with stakeholders.

Focus Group Approach

The consultant team worked together to develop a focus group plan and questions for participants. All focus groups began with an overview of the project purpose as well as necessary background information. The third-party facilitator led the discussions by asking participants to share barriers to growth, community goals, potential state investments, and the definition of quality jobs. Focus groups were conducted online using a virtual whiteboard as a visual aid to document participant feedback in real time. Focus groups included:

- **Washington State Commission of Asian Pacific American Affairs**
- **Washington State Women's Commission (WSWC)**
- **WSWC Stakeholders**
- **Quinault Prosperity, Health, and Human Services Subcommittee**
- **Latino Education and Training Institute (LETI)**
- **Washington State Labor Council (WSLC)**
- **Seattle Metropolitan Chamber of Commerce REACH**






Engagement and Outreach

Workforce development, cost of living, connectivity are large concerns.

Key Themes & Feedback

The following is a short list of key themes and systemic barriers that consistently surfaced in focus group conversations; however, individual circumstances and specific barriers varied among participants.



Infrastructure gaps create barriers to participate in the economy for employees and employers.

Employers and employees face a variety of barriers that make it difficult to access funding, assistance, and business support. This includes administrative requirements for small businesses related to paperwork, licensing, and employment, as well as access to health care, childcare, quality jobs defined by flexible working hours to care for children or elders, mental health support, and cultural and linguistically specific support and resources.

Business-specific support and investments included improved access to information and resources, access to capital and loans, support for community-based organizations that provide resources for small businesses, incentives to contract with small or minority-owned businesses, and streamlined and consistent labor and contracting requirements.



Lack of affordable housing impacts recruitment and retention.

Many participants indicated that the rising cost of housing is a significant barrier for both employees and employers. This impacts communities' ability to build generational wealth, which has broad-reaching cultural and social impacts. Rising housing costs can lead to workforce migration. Employees can't afford to live near their jobs or must work more than one job to afford housing. Employers indicated that commercial affordability was also an issue.



The shift to digital work highlighted a need for reliable broadband and technological literacy.

Focus group participants noted that small businesses, especially non-English speaking, immigrant, or BIPOC-owned businesses, need resources and support to navigate digital paperwork to actively participate in the growing economy. Limited access to broadband also impacts education and learning opportunities.



High-quality education opens the door to high-quality jobs.

Limited access to affordable and high-quality education prevents employees from accepting positions in areas with limited public schooling options. Many employees cannot attend classes during weekdays or working hours. Participants suggested providing more virtual classes and classes on the weekends, as well as courses in the primary languages of perspective students.



Promote and provide vocational training opportunities early on.

Vocational training tracks beginning in high school are needed to increase the amount of workers with needed skills, particularly in the trades, nursing, and physician assistant professions, among other specialized professionals. Focus group participants suggested increasing both in-person and online vocational training opportunities, increasing resources for this type of training, and investing in local community colleges.



Shifting economic priorities are causing workforce transitions.

Employees need support to make career changes to respond to the changing economy (i.e., climate change focused jobs, remote working, etc.). Additional resources could include supporting the transfer of titles or accreditations from different states or countries, supporting the growth of transferable skills and transition between sectors, increasing entrepreneurship and artistry programs, and clarifying pathways to unemployment support.

For a list of focus group participants and notes, see Appendix.



4

SWOT SUMMARY

SWOT Summary

Washington has a diverse economy, with a variety of distinct challenges.

This chapter presents the findings from an assessment of Washington's strengths, challenges, and opportunities (a modified SWOT analysis). Assessing Washington's strengths, challenges, and opportunities lays the groundwork for future economic development strategies. The SWOT analysis touches on the overall factors that reach into multiple aspects of the economy and aims to identify themes that emerge across industry clusters.

Overview

For the purposes of the modified SWOT analysis for Washington's sectors, the strengths, challenges, and opportunities can be characterized as:

- **Strengths:** specific assets and characteristics of the sector/foundational item that separate it from competition and give it an advantage.
- **Challenges:** internal and external elements that represent a weakness or threat to the sector/foundational item and could work against a successful outcome. Challenges need to be acknowledged to be fixed or mitigated.
- **Opportunities:** factors that the sector/foundational item can prepare for to capitalize on or use to its advantage and to better achieve stated objectives.

The SWOT analysis reflects regional input from across the state and the best available data. The SWOT process involved the use of existing industry studies and plans, and secondary data from several state and federal sources. The State of the State and Business Competitiveness Reports acted as the foundation of the review of strength, challenges, and opportunities. The analysis was bolstered by qualitative input from various stakeholders, including industry experts and Department of Commerce sector leads.

Washington Industries

The SWOT analysis is conducted for 13 sectors of Washington's economy:

AEROSPACE: The aerospace sector is a major driver of economic activity in Washington State with more than 1,300 aerospace-related companies.

AGRICULTURE & AGRIBUSINESS (including processing): Agriculture is Washington's second-largest export category, making the state a key supplier of food for export markets.

CLIMATE/ENERGY: Washington State ranks 13th in the nation for clean energy jobs, with more than 85,000 as of 2020.

FOREST PRODUCTS: Washington's working forests sustain the third largest manufacturing sector in the state.

INFORMATION & COMMUNICATIONS TECHNOLOGY: The ICT industry employs roughly 278,000 people across Washington, including software developers, computer systems analysts, and web developers.

LIFE SCIENCES/GLOBAL HEALTH: More than 1,100 life science firms and 170 global health organizations reside in Washington, employing nearly 40,000 workers statewide, as of 2019.

MARITIME: Maritime activities in Washington support a broad range of industries, including boat and ship building, recreational boat construction, commercial fishing and seafood processing, maritime logistics and shipping, and passenger water transportation.

MILITARY, DEFENSE & NATIONAL SECURITY: In the past three years, businesses in Washington State were awarded nearly $15 billion in contracts, roughly 4% of the state's GDP.

TRADE/LOGISTICS: It is estimated that 921,400 jobs were supported by trade (exports and imports) in Washington in 2017, approximately 28% of total statewide employment.

CONSTRUCTION (Housing, Commercial, Infrastructure): The state's construction sector employs an estimated 223,000 workers.

HOSPITALITY/TOURISM: Historically, hospitality and tourism has been the state's fourth-largest industry and has employed more than 180,000 workers statewide.

MANUFACTURING: As of 2019, manufacturing employment was responsible for nearly 300,000 Washington jobs.

FINANCIAL SERVICES: The financial services cluster supports direct investment in Washington's innovation economy and presents opportunities for high-value job creation statewide.

SWOT Summary

Washington has excelled at attracting talent.

Key cross-industry strengths

- Talent attraction, consistent in-migration
- Strong ICT presence and skilled tech labor
- Established, high-performing network of public, private, and joint educational and training institutions
- Robust infrastructure and transportation system
- Low energy costs, clean energy
- Natural assets and features

Industries throughout Washington benefit from the state's many assets and unique resources.

A key strength of the state has been the **ability to attract a talented labor pool,** and garner **consistent in-migration**. The interconnected nature of Washington's top industries has allowed the benefits of a large skilled labor force to be felt widely. Attracted through strong education and public institutions, in addition to global private enterprises, the talented labor flowing into the state have especially benefited industries requiring a highly skilled and tech-minded labor force.

Another cross-industry strength belonging to Washington is the **strong ICT presence and skilled tech labor force** accompanying the ICT industry. Technology and innovation have increasingly found a presence in industries throughout the state. Washington's **life sciences** industry has especially benefited, as artificial intelligence, cloud computing, machine learning, and other technologies have gained footing within the industry.

An **established, high-performing network of public, private, and joint educational and training institutions** support nearly every major Washington sector. Washington's two largest universities, University of Washington and Washington State University, support a large number of industries through their research initiatives, including aerospace, agriculture, climate and energy, forest products, and life sciences.

Washington's **robust infrastructure and transportation system** is another key strength the state possesses. Led by Washington's robust system of ports and the maritime industry, the state has become well established as a trade hub. The fluid transportation of imports and exports via water, road, and rail supports several Washington industries, including the **manufacturing, agriculture and agribusiness, and aerospace industries.**

Energy costs in Washington State are among the lowest per kilowatt-hour of any U.S. state. Low energy costs are obtained through a range of renewable energy offerings and competitively priced natural gas. **Clean energy** is a staple of Washington's power grid, which boasts the **largest coordinated hydroelectric system** in the world and continues to see investment and research to advance current technologies. Industries leading research in clean energy include forest products and agriculture (biomass and biochar), maritime and aerospace (sustainable and alternative fuels), and ICT (technological innovations in clean energy).

Washington's natural assets include **rich soils, diverse climates, a healthy supply of water, robust forestland, extensive coast lines and river mileage, and natural deep-water ports.** Washington's proximity to western trade partners is another strength leveraged by many of Washington's industries, including agriculture and agribusiness, maritime, and trade and logistics. Washington's expansive forestland, which includes many national and state parks alongside extensive privately owned land, support several of Washington's key industries. These industries include hospitality and tourism, forest products, and construction.



SWOT Summary

Foundational challenges run across many industries.

Key cross-industry challenges

- Skilled labor shortages
- Childcare supply limitations
- Climate change impacts
- Pandemic impacts on the travel industry
- Pandemic impacts to global supply chains
- The rise in remote work during the COVID-19 pandemic

Several foundational challenges were impacting Washington's industries even prior to the pandemic.

Skilled labor shortage is a challenge faced by many industries in Washington State. Even prior to the pandemic, some industries like construction were suffering from a lack of qualified workers due to factors such as an aging workforce, declining numbers of skilled immigrants entering the workforce, lack of interest in blue-collar jobs among young people, and competition with other higher-skilled industries. As Washington is recovering from the COVID-19 recession, labor shortages are showing up in more industries ranging from food service and warehouses, to accounting and finance.

Childcare supply limitations have emerged as one of the drivers for the labor shortage impacting many industries statewide. Before the pandemic, over half a million children ages 0-12 did not have access to licensed childcare in Washington State, according to an industry assessment report from the state Department of Commerce. The pandemic has made clear that the absence of reliable and affordable childcare limits which jobs people can accept, makes it harder to advance, and restricts the ability of the state's economy to grow.

The impacts of climate change present challenges for most industries in Washington State. Extreme climate events can be costly to individuals and governments, as they can disrupt factories, supply chain operations, and other infrastructure, and also disrupt transport. Climate volatility may force companies to deal with uncertainty in the price of resources for production, energy transport, and insurance. Climate change, wildfires, and rising sea levels will reshape where and when tourists travel.

New challenges for most industries throughout Washington State have emerged since the start of the COVID-19 pandemic.

Pandemic impacts on the travel industry, including a lack of international coordination, severe travel restrictions, and slower vaccination rates in some parts of the world continue to hamper the recovery of several industries in Washington, such as aerospace and hospitality and tourism.

Pandemic impacts to the global supply chains have shown that supply chains remain vulnerable to shocks and disruptions, with many industries currently wrestling to overcome supply-side shortages and logistics-capacity constraints. The global supply chain is likely to continue to undergo major changes; for example, relocating activities outside of China. This may change the pattern of where entrepreneurs locate their businesses, with whom they collaborate, how they define their own supply and value chains, and how they source needed capabilities. The pandemic will continue to test the ability of most industries in Washington to adapt and improve supply-chain resilience.

The rise in remote work during the COVID-19 pandemic makes it easier for employees and companies to uproot. Startup founders are more likely to choose their HQ based on personal and quality-of-life reasons. This has implications for housing, transit, and the future of real estate.



SWOT Summary

Opportunities remain in talent and technology.

Key cross-industry opportunities



Many of the key cross-industry opportunities facing Washington pertain to the workforce of the future, including:

Restructuring workforce development and training systems throughout the state. Through restructured or innovative workforce training programs, each industry can skill up their respective labor forces to be prepared for the future of work. This will likely be achieved through additional investment into workforce training and continued partnerships with Washington's higher education institutions, including the state's robust Community and Technical Colleges network.

Closing workforce equity gaps. Through programs like Apprenti, started by the Washington Technology Industry Association, **state registered apprenticeship and training programs** can help underrepresented populations more easily enter an industry's workforce. Construction, which has historically suffered from a workforce lacking racial and gender diversity, could leverage existing training programs to increase diversity in their workforce while simultaneously addressing current and expected shortages associated with an aging workforce.

Creating well-paying and high-demand jobs at all levels. As technology and innovation continues to reshape the global economy, creating a resilient economy will depend on each industry's ability to generate well-paying and high-demand jobs that reach all levels of the workforce.

Washington's remaining opportunities lie in the state's historical success as a leader in technology and environmental sustainability.

Accelerate the clean economy and clean technologies. Current research surrounding alternative and clean fuel technology is underway in the climate and energy, aerospace, maritime, manufacturing, and forest products industries. **Mass timber** has also continued to gain traction throughout the state, supporting green initiatives within the forest products and construction industries.

Environmental sustainability, in addition to the advancements in clean energy and clean fuels discussed above, present opportunities for many of Washington's key industries. Prominent environmental sustainability opportunities include:

- **Improving the efficiency and yield of agricultural production.**
- **Increasing the demand for more sustainably produced agricultural goods.**
- **Wildfire prevention.**
- **Continued investment in green building initiatives.**

Continued innovations to maintain global leadership role in technology. Extending beyond the state's technology centered industries, which continue to build upon a strong history of innovation, are non-technologically centered industries investing in their own innovation. Benefiting from a strong tech workforce and educational institutions, Washington's agricultural industry is a prime example of this innovation. Current technology advances are focusing on automation and drones working to enhance efficiency in water use, non-pesticide pest repellents, production density, storage, and packaging.



5

REDEFINING BUSINESS COMPETITIVENESS

Redefining Business Competitiveness

Existing definitions of business competitiveness oversimplify growth.

The Washington State Legislature wants to examine the state's economic competitiveness so that it can craft economic development policies and practices that yield strong, quality, and equitable growth in a challenging and tumultuous post-COVID economic environment. The purpose of defining and assessing Washington's competitiveness is to shape the state's strategy, including which policies are prioritized and how the state deploys its scarce economic development resources. This section lays out a new and more actionable way for Washington leaders to think about the state's competitiveness.

Redefining Business Competitiveness to Drive Smarter Policy and Practice

There is no shortage of rankings that purport to measure the economic competitiveness of states and regions. These rankings typically define competitiveness as some combination of the below factors.

	Energy costs		Small business formation
	Export volume		Education attainment
	Innovation (patents, R&D)		Access to capital
	Workforce attributes		Taxes and regulations
	Infrastructure		Foreign direct investment
	Health outcomes		Environmental quality

Each of these rankings reflects a different theory or definition of what drives economic competitiveness. Each of them is flawed as a guide for state policy and strategy—they cannot help Washington clarify its biggest economic opportunities or strategically focus its scarce resources to create strong, quality, and equitable growth across the state. Because these rankings have powerfully shaped how policymakers and economic development practitioners understand what matters to economic competitiveness, the first step towards a new state strategy is a shared understanding of how these rankings are flawed and why Washington needs a new definition of competitiveness. Below is a summary of the three main types of rankings that tend to circulate in policy and advocacy discussions and the ways in which each is flawed as a means of shaping strategy.

- **Choosing every factor:** national publications like US News and CNBC publish state economy rankings based on dozens of factors. This raises two problems. First, the choices about how to weight these different factors are often opaque or misguided. The result is arbitrarily weighting the "cost of doing business" as highly as education, technology, and innovation combined (which runs counter to research on what drives quality, inclusive growth). Regardless of these methodological flaws, this "kitchen sink" definition of competitiveness is not useful as a strategy tool because it does not highlight factors that are most impactful and deserving of focus and investment. It may be that each of these factors bears some relation to state competitiveness, but with limited budgets, which should the state invest in?

- **Choosing the wrong factors (low costs, business attraction):** rankings that identify a more specific set of factors that drive competitiveness, but that—according to economic research—rely on the wrong factors. Rankings by industry publications like "Area Development" assess states based on factors that are presumed to be important in business attraction projects. This definition of competitiveness is flawed because even if it does capture the priorities of relocating businesses, that represents a small portion of economic activity in any given year. What matters most to the few big firms that engage in competitive site selection projects every year is unlikely to also be most important to the other 95% of the economy.

- **Choosing only some of the right factors (innovation):** this approach is exemplified by the Information Technology and Innovation Foundation's "State New Economy Index", which emphasizes outcomes like IT jobs, patents, and venture capital. Rankings like these are more in-line with the research on what drives long-term growth in states, but this innovation-centric definition of competitiveness is flawed if the goal is to generate quality and equitable growth. Many of these factors (e.g., patents or venture capital investment) can be driven almost entirely by the top 1%–5% of firms. They do not reflect an economy that is creating widespread, equitable opportunity—strong innovation capacity is a necessary but insufficient condition for that outcome.

Reframing Business Competitiveness

Washington leaders must first define what ***outcomes*** they want to result from increased competitiveness.

Rankings each have their own particular shortcomings or gaps, but in summary they fail as a tool for guiding strategy in at least one way:

- **Failing to identify what actually drives growth in a state economy:** site selection, for example, presumes that business attraction is the key input into a growing economy.

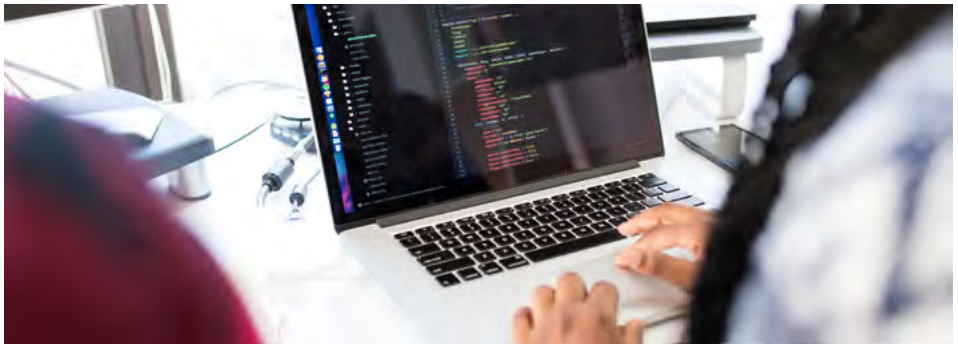
- **Failing to identify the type of growth that leads to quality jobs:** innovation is a key driver of long-run growth, but high performance on innovation does not necessarily create an abundance of living-wage, middle-skill jobs.

- **Failing to elevate inclusion as a key driver of competitiveness:** each of these rankings relies on population-wide averages or medians, which fails to capture disparities—and closing racial disparities in education, job quality, and wealth is one of the most powerful ways that a state can improve competitiveness (whether defined in terms of innovation or business attraction).

There are no objective, universal business competitiveness metrics

Why are there so many different, competing competitiveness rankings? Because each of these rankings is created with a certain type of business in mind. Area Development magazine presumes that businesses that relocate from one state to the other are most important; the Information Technology and Innovation Foundation presumes that technology businesses are most important. Some rankings are more grounded in economic research, but **ultimately there is no one "correct" assessment of a state's competitiveness because there is not just one type of business.**

For example, for a small, high-growth software startup competitiveness may depend primarily on a rich pool of highly-educated tech talent, top computer science programs at globally-relevant universities, and abundant venture capital. That's why Silicon Valley



can claim to be the most "competitive" region in the U.S. But for a rural, mid-sized manufacturer in a legacy industry with low profit margins, competitiveness may depend on low taxes, low-wage labor, and port infrastructure. That's why a state like South Carolina is in the top of competitiveness rankings focused on low costs and business attraction "wins," even though the state is struggling to gain a foothold in the innovation economy, create quality jobs, and close racial disparities.

This means that existing competitiveness rankings are different not because one state defined "competitiveness" correctly and the others failed to. **Rather, the competitiveness rankings are different because they define competitiveness with different types of businesses in mind.**

In summary: existing definitions of competitiveness are not created to aid in the development of a strategy for strong, equitable, and quality growth, and any assessment of competitiveness begins with a decision of what businesses matter most. That means that Washington State needs to create a new definition of competitiveness that represents a clear choice about what businesses matter most. That does not mean picking one industry over another. It means affirming that the businesses that matter most are those that address the biggest needs of Washington residents: quality jobs and equitable wealth creation.

The takeaway is that if the Washington State Legislature wants to organize around a portfolio of policies and investments that consistently produce robust and inclusive growth, then it cannot rely on existing rankings to illuminate the path forward. The Legislature will need to redefine what economic competitiveness means and how it is measured.

Reframing Business Competitiveness

A competitive economy should produce quality jobs and inclusive wealth creation opportunities.

While many rankings frame competitiveness as that which matters most to one industry or another, from the perspective of state policymakers, competitiveness is simply the ability of the Washington economy to consistently produce the outcomes that matter most to people. Competitiveness is not a goal in its own right; it is a means to an end.

There is consensus among both policymakers and economic, workforce, and community development organizations about what outcomes matter—and this consensus is supported by research and data. The two most important economic problems that can be addressed through business competitiveness are **(1) lack of quality jobs, (2) limited wealth-creation opportunities, and profound racial disparities in both areas.**

- **The quality jobs challenge and opportunity:** quality jobs are generally defined as living-wage jobs that do not require a four-year college degree. These jobs have been disappearing as the economy has "hollowed out" due to trade and automation over the past several decades. A decade of extraordinary growth in Washington did little to reverse this trend. Statewide, just over one in three workers has a quality job.

- **The wealth creation challenge and opportunity:** racial wealth disparities are far larger than racial income gaps; these two phenomena are related, but each deserve focus. Homeownership is a crucial source of wealth, as well as an indicator of broader wealth disparities (for example, wealth in the form of a home can enable people to pursue entrepreneurship or invest in businesses formed by others in their community). Communities of color in Washington only own 10% of firms with high-growth potential, despite accounting for nearly 33% of the population. Washington lags behind many of its peer states in terms of high-impact entrepreneurship. Unleashing the entrepreneurial potential of minorities is a crucial leverage point for the state.

These are widely recognized as the two deepest, most persistent, most harmful barriers to a strong, equitable economy in Washington that can be addressed through policies and practices that work through businesses. These are not just unfortunate downsides to an economy that is functioning well—the lack of quality jobs causes lower productivity, and the lack of wealth, particularly in communities of color, is a drag on the state's ability to create new, innovative, high-growth businesses.

Different organizations and stakeholders may have different theories as to which interventions would most effectively combat these problems (small business support vs. workforce development vs. infrastructure investment), but there is near-universal agreement that a competitive economy should deliver these outcomes.

There are businesses of all sizes, across industries and geographies, that are well-positioned to deliver these outcomes: from small BIPOC-owned tech firms that, with better access to capital, could become wealth generators, to large manufacturing firms that provide quality jobs but need help innovating and reskilling to adapt to new economic realities. The purpose of this definition of competitiveness is to turn the attention of state policymakers and practitioners towards these types of opportunities that most directly impact these key outcomes.

How different definitions of competitiveness can shape strategy:

Leaders in Birmingham, Alabama, were contemplating a major investment in a precision medicine innovation initiative (a major strength of University of Alabama at Birmingham). They decided, however, that given limited resources, their region's competitiveness depended more on closing racial disparities than on increasing patents or attracting PhD scientists. This different definition of competitiveness reshaped their strategy—they instead invested in a population health initiative that drew on some of the same strengths but would create more middle-skill, middle-wage jobs and improve health outcomes (and thus economic outcomes) in Black communities.

Reframing Business Competitiveness

Defining and measuring business competitiveness through realized outcomes and capacity builders.

We propose a three-part definition of competitiveness: one set of interrelated key realized outcomes and two sets of key capacity builders. This definition is simple by design—it is intended to be easy to communicate to a variety of stakeholders, apply in different policy and strategy contexts, and to serve as the basis for a simple dashboard of approximately 10 metrics that the state could use to track its performance and shape policy decisions over time.

Key realized outcomes

Most definitions of economic competitiveness focus on proxies: "innovation is a proxy for broader economic health, because innovation drives growth and growth in turn creates quality jobs," or "low regulation is a proxy for broader economic health, because with less regulation entrepreneurs will flourish and create more quality jobs." Our new definition of competitiveness skips past these assumptions—in part because Washington is extremely innovative, but only one in three workers has a quality job. If Washington leaders and their stakeholders agree on what outcomes a healthy, well-functioning, competitive economy should provide, then those outcomes—not proxies—need to be at the center of the discussion. These are the outcomes that Washington should track over time, relative to peer states.

Similarly, wealth creation can be an ***input*** to business competitiveness—most entrepreneurs start businesses with personal or family savings, so more widespread wealth creation could unleash the potential of Washington's "missing entrepreneurs." Research by Raj Chetty and colleagues has found that the U.S. could quadruple innovation if women, people of color, and people who grew up in low-income households patented at the same rate as men who grew up in high-income households.

How does measuring outcomes for people help inform business-focused policies and practices?

Job quality metrics help shape strategy in two ways. First, certain industries and types of businesses are richer in quality jobs than others and have greater growth potential; elevating growth in quality jobs as a key outcome can therefore help policymakers understand *whose competitiveness matters most.* Then policies and investments can be targeted at improving the competitiveness of those particular types of businesses and industries.



Flawed Assumptions

"… innovation is a proxy for broader economic health, because innovation drives growth and growth in turn creates quality jobs", or "low regulation is a proxy for broader economic health, because with less regulation entrepreneurs will flourish and create more quality jobs".

Second, an emphasis on job quality helps illuminate *what kinds of help businesses need*. Businesses have unlimited needs, but certain interventions are more likely than others to have an impact on the creation, retention, and diversification of quality jobs.

Racial wealth disparity metrics help in one key way: Washington could *create many more competitive businesses if it eliminated race-based barriers to business creation.* Business competitiveness is not just about addressing the needs of existing businesses; it is also about unleashing the potential of all Washingtonians so that more competitive businesses are created.

Key capacity builders

While a relentless focus on quality jobs and equitable wealth creation will go a long way towards guiding policymakers and practitioners towards a competitiveness agenda that meets Washington's needs, there are other factors that leaders should monitor.

- **The first is talent.** There are likely ways for Washington to increase quality jobs and wealth creation in the near term without boosting education attainment (for instance, helping mid-sized manufacturers upgrade their technology while upskilling their existing workers). But in the longer term, these outcomes depend on a growing and more diverse pool of talented workers. We refer to talent as an "enabler" rather than a key outcome in its own right because there is abundant evidence that there are disparities in job quality by race even after accounting for education—therefore education is necessary but insufficient for inclusive growth.
- **The second is innovation.** Washington needs to equip companies that provide good jobs, and entrepreneurs of color, with the know-how and technology required to keep up with changing economic conditions and market trends. As with education, we refer to innovation as an "enabler" because innovation alone cannot be counted on to deliver quality and inclusive growth—many innovative firms have few middle-skill and middle-wage job opportunities, and innovative industries can grow without meaningfully diversifying their workforces.

Reframing Business Competitiveness

Outcomes and drivers at a glance.

Key Realized Outcomes

Policies and investments should be evaluated for whether they are likely to achieve these outcomes.



A competitive economy *produces abundant quality jobs and equitable opportunities to build wealth*.

In a positive feedback loop, equitable access to quality jobs and wealth-creation opportunities make the economy more competitive through increased talent, innovation, productivity, and more high-impact entrepreneurship.

Key Capacity Builders

Necessary but insufficient inputs to a competitive economy. Investments in talent and innovation should be targeted at industries and businesses that are most likely to create quality jobs and close wealth disparities.



A competitive economy is *fueled by equitable talent development*.

Human capital — the nation's collective knowledge — is worth 10 times as much as all urban land in the country. Education attainment is one of two factors (along with patent rates) that explains most of the growing gap in incomes across states.



A competitive economy *continuously regenerates through innovation.*

A competitive economy needs to be resilient. The firms that create quality jobs and generate wealth must have access to know-how and technologies that enable them to create new products and services and continue to provide economic opportunity.



6

SURVEY & THEMES

Survey & Themes

Barriers to Business Growth – Emerging Themes

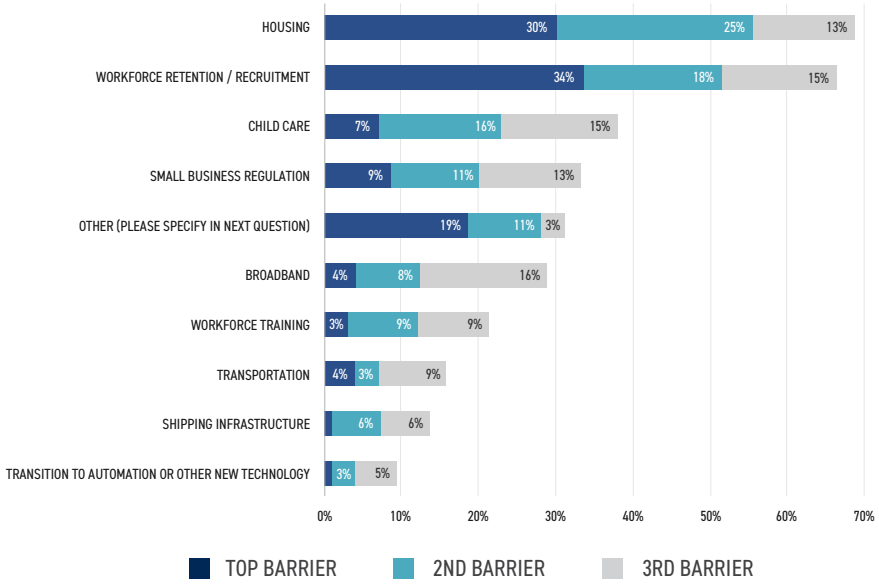
Firms struggle to find labor, labor struggles to find housing

Data analysis efforts highlighted trends within Washington's economy, such as the growth of eds and meds as well as the significance of the aging workforce. To gain a balanced understanding of the local economy, hearing directly from business owners, economic development professionals, elected representatives, economists, and other local actors was needed. Nine themes emerged from stakeholder outreach, research, and data analysis as potential barriers to business growth in Washington. These themes included:

- Workforce Retention / Recruitment
- Child Care
- Housing
- Broadband
- Shipping Infrastructure
- Transportation
- Transition to Automation
- Workforce Training
- Small Business Regulation

To vet these themes and ensure that they captured what businesses were experiencing on the ground, the consultant team developed a survey asking respondents to rank key barriers to economic growth in Washington (see chart). The survey was distributed through the Washington Economic Development Association (WEDA) to economic development professionals first, then more broadly, and received 115 responses.

TOP BARRIERS TO BUSINESS GROWTH IN WASHINGTON



Housing and Workforce Retention / Recruitment rose to the top of the list as key barriers to business growth in Washington followed by childcare, small business regulation, and broadband. Respondents also wrote in other barriers, the most prominent of which were:

Government regulation—Respondents consistently described unclear or unnecessary environmental mandates, burdensome COVID restrictions, and overreaching L&I regulation enforcement. Other respondents described frustration with frequently changing and one-size-fits all regulations which do not account for business size or location.

Lack of business financial and technical assistance—respondents indicated need for access to capital, especially when starting a business. Some noted a general need for funding assistance. Respondents also noted that there was a lack of technical resources to help small business owners and that many business owners would benefit from training on financial literacy. In some cases, the assistance is available, but business owners do not know how to access it.

The final themes emerging from the analysis show that the state is facing a handful of structural issues that it cannot avoid any longer if it wants to remain a dynamic economy.

Survey & Themes

Themes: Cost of Living, Education, and Regulation

Housing

Washington State has the fewest housing units per household of any state and the housing crisis is getting worse.[1] The underproduction of housing is limiting economic productivity and growth, the creation of jobs, and perpetuating disparate outcomes of wealth inequity for the next generation of Washingtonians.

Workforce Replacement

Businesses of all sizes are struggling to find workers to fill vacancies. While this is partially due to the pandemic, worker replacement will be a continuing problem as a large share of the workforce reaches retirement. Continued business growth, especially in STEM and other high demand fields will further fuel the need for workers. Current workforce development programs and initiatives are not enough to meet the growing need, projected to be 20,000 annually over the coming years, a 30% increase over current rates.

Combined and replaced workforce retention / recruitment and workforce training, recognizing that replacement is the challenge and training is the answer.



[1] U.S. Census, Washington Office of Financial Management

[2] Economic Policy Center Institute https://www.epi.org/child-care-costs-in-the-united-states/#/WA

[3] Child Care Aware Data. (2019). https://www.childcareaware.org/our-issues/research/ccdc/state/wa/

[4] Business Formation Statistics, U.S. Census

"The supply [of housing] is currently dangerously low and not addressing this problem immediately via all mechanisms possible will bring disaster."

Childcare

Washington has the 9th most expensive infant care of any state,[2] and only 35 childcare slots for infants, toddlers, or preschoolers for every 100 children whose parents work.[3] Limited and unaffordable childcare prevents many parents from fully engaging in the workforce, restricting family economic advancement and employers' ability to fill jobs.

Broadband

Over 338,000 Washingtonians lack access to a basic broadband connection, and many more lack access to the speeds necessary to fully engage in an increasingly digital world. Limited access to reliable, affordable, and fast internet prevents workers from taking advantage of work from home opportunities or other training opportunities that enhance economic mobility. Businesses that do not have adequate broadband access cannot maintain a web presence or access certain services, which can impact their viability.

High-growth / Innovative Firms

Entrepreneurship has been on the decline nationally and in Washington over the past 40 years. Of particular concern, Washington's high-propensity business formation—those most likely to turn into a business with a payroll and living wage jobs—have declined 30% from the early 2000s (per capita), and now rank 4th lowest among peer states.[4] Washington remains competitive on most traditional economic development measures, but low growth in high-propensity firms could indicate limited potential for future economic expansion and shared prosperity.

Added due to stakeholder feedback and additional research acknowledging that certain businesses drive economic growth.

Survey & Themes

Themes: Cost of Living, Education, and Regulation

Regulatory Environment

The regulatory environment is limiting business formation and expansion. The Wharton Residential Land Use Regulatory Index ranks the Puget Sound regions as the 4th most regulated region in the country for permitting and land use. While Washington has made some efforts to centralize and coordinate efforts across regulatory agencies and support small businesses, businesses still struggle to keep up with regulations and access developable land.

Encompasses small business regulation among other regulatory barriers to business of all sizes.

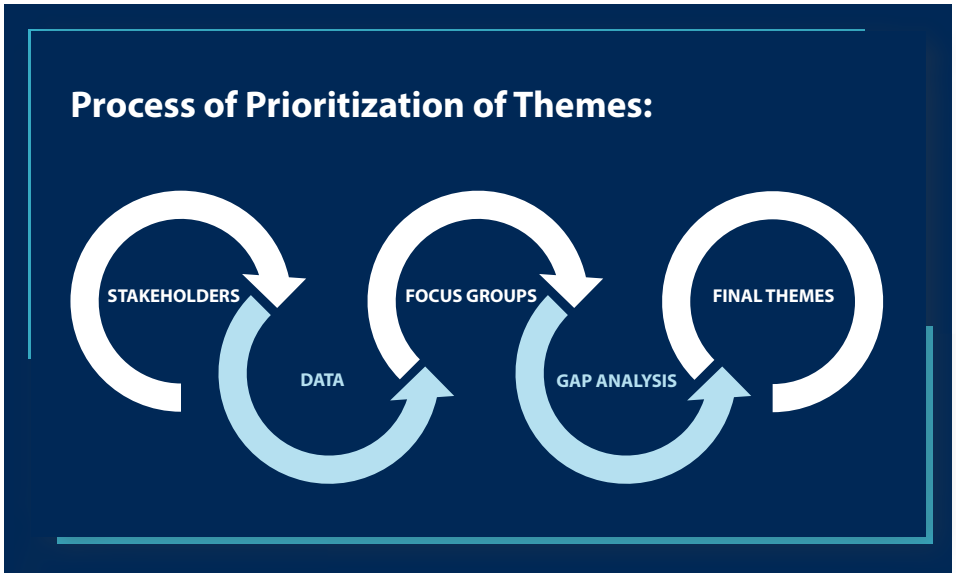
Access to Capital

Both new and existing businesses lack the capital they need to succeed. Barriers are especially acute for people of color. While Washington is working to address this issue, many programs are time limited, rely on consistent reallocation, and are inaccessible to subsets of the population.

Came up both in written in survey responses as well as additional stakeholder outreach as a key barrier to economic growth.

Final themes do not include:

- *Shipping Infrastructure – determined to be largely a workforce shortage issue.*
- *Transportation – costs and commute times are largely due to lack of affordable housing near employment centers.*
- *Transition to Automation – determined to be a driver of the increased need for skilled labor.*







7

THREE BIG IDEAS

Big Idea #1

Build more housing of all types that are affordable to all residents.

KEY TAKEAWAY:

Washington State has the fewest number of housing units per household of any state in the country.

The Problem

- Washington State has the fewest number of housing units per household of any state in the country, and the housing crisis is getting worse as the number of units built has not kept pace with household formation over the last decade.
- The lack of supply puts strong upward pressure on home prices and rents. 44% of Washington renter households are cost burdened and spend more than 30% of their income on housing; 22% of renters are *severely* cost burdened and spend more than 50% of their income on housing.
- Chronically undersupplied housing is the principal driver of the state's homelessness crisis. Washington's homelessness rate—30 per 10,000 residents—is well above the U.S. average (18 per 10,000 residents).
- Homeownership is becoming more unattainable, particularly for BIPOC households. The Black homeownership rate is 11.5% lower than the national average, which ranks last among peer states, and the 7th lowest nationally.

Despite current efforts and legislative focus, Washington is still not building enough homes, particularly homes that are affordable at lower and middle incomes, and that provide wealth building opportunities for all.



Why does this matter for economic development?

The underproduction of housing is limiting economic productivity and growth, the creation of jobs, and perpetuating disparate outcomes and wealth inequity for the next generation of Washingtonians.

BY THE NUMBERS

11.5%
lower Black homeowership rate than the U.S. average, last among peer states

1.06
housing units per household Washington State compared to 1.14 nationally

190K
Number of units Washington would need to build to achieve the national ratio

$695K
The average new home construction price statewide, the 6th highest of any state

Big Idea #2

Equip the workforce for success, and close the skills gap.

KEY TAKEAWAY:

Washington needs to train 200,000 more skilled workers over the next 10 years to keep pace with job openings, a 30% increase over current rates.

The Problem

- Businesses across the state are experiencing persistent and worsening labor shortages.
  - The number of job openings are at record highs, as is the share of the workforce aged 55 and older.
- There is a chronic gap in the training and skillset development of the workforce across the state relative to labor need.
- Annually there is a shortage of 20,000 skilled workers. Meeting this need would require a 30% increase in the number of certificates and degrees granted in the state.
  - In-migration of skilled workers helps offset about half of the shortage within the state. 85% of those moving to the state have a bachelor's or graduate degree, leaving the largest deficit in the mid-level skilled workforce.

Despite current efforts to boost educational attainment, particularly in high-demand fields such as STEM and health, there is a chronic gap between the skills employers require and the skills with which job seekers are equipped. While strong workforce demand is seen at all education levels, particularly in STEM, workers with mid-level training or education (associates, certificates, and apprenticeship completers) make up half of worker need. In-migration helps offset the shortage, but is heavily concentrated in workers with bachelor's and higher levels of educational attainment.

Why does this matter for economic development?

Businesses consider access to a skilled workforce when making location decisions. A limited supply of skilled workers may prevent businesses from locating, expanding, or remaining in an area.

BY THE NUMBERS

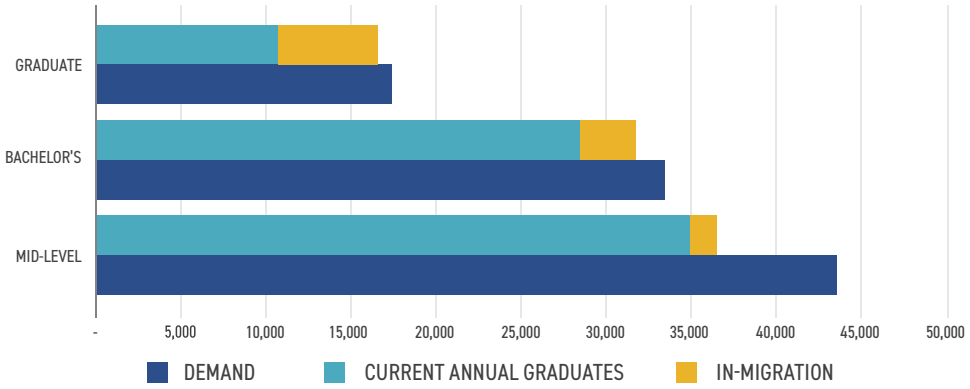
25%
percentage of workers over age 55, an all time high

2.5%
percentage of workers quitting their job monthly (30% annualized), the 10th lowest state rate

221K
job openings statewide, a 40% increase from pre-pandemic levels (2018 and 2019)

18,442
active apprentices statewide in 2019, an increase from 12,376 in 2015

SKILLED WORKERS SUPPLY AND DEMAND GAPS



Source: 2017 Skilled and Educated Workforce Report

Big Idea #3

Revitalize entrepreneurship (and make it easier to do business).

KEY TAKEAWAY:

Washington is forming 30% fewer high-growth potential businesses than a decade ago, and ranks 4th lowest among peer states.

The Problem

Declining Entrepreneurship and High-propensity Formation

- Entrepreneurship has been on the decline nationally and in Washington over the past 40 years.
- WA's high-propensity business formation—**those most likely to turn into a business with a payroll**—has declined 30% from the early 2000s (per capita), and now ranks 4th lowest among peer states.
- The economy has consistently performed well on traditional economic development indicators (capacity builders), but that has not translated into shared prosperity (realized outcomes).
- Only one third of the jobs in the state pay enough for families to support their living expenses.

Limited Access to Capital

- There are a variety of barriers that are preventing businesses of all sizes from forming, growing, and competing in the global economy.
  - Venture capital is funding smaller deal sizes in Washington State than the national average.
- Small businesses, particularly those owned by communities of color, have limited access to capital needed to grow.
- BIPOC-owned firms were half as likely as White-owned firms to use a financial services provider.

Burdensome Regulatory Environment

- The variety of permits required from all levels of government are complicated, costly, and time consuming.

BY THE NUMBERS



61% of Black-owned firms and **73%** of Hispanic-owned firms applied for PPP compared to **82%** of White-owned firms



13% of Black-owned firms and **20%** of Hispanic-owned firms received all the financing they sought, compared to **40%** of White-owned firms

- Land use and growth management has created an amenity value and produced environment benefits, but has also contributed to a limited number of available and suitable sites for business expansion.
- The Wharton Residential Land Use Regulatory Index ranks the Puget Sound region as the 4th most regulated region in the country for permitting and land use, behind only New York, San Francisco, and Providence (Portland is ranked 10th).

Washington has historically performed well on traditional economic indicators and has leading businesses that have driven success for a subset of the population. However, **this success has masked growing problems**—decreasing high-propensity business formation fueled by inequitable access to capital and business supports, and a regulatory environment that disproportionately hurts small businesses. Current initiatives and programs are inadequate to address the extent of these problems.

Why does this matter for economic development?

Declining rates of business formation, a trend accelerated by complex regulations and limited access to capital, limits the potential for future economic expansion and shared prosperity in Washington.



APPENDIX A

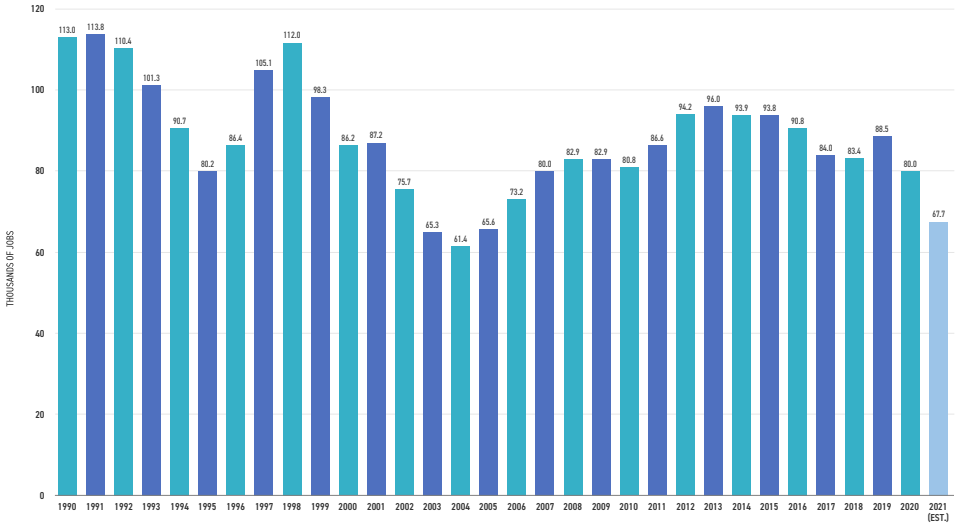
SWOT INDUSTRY CUT SHEETS

Appendix

SWOT Sector Cut Sheets | Aerospace



AEROSPACE PRODUCTS AND PARTS MANUFACTURING JOBS, WASHINGTON STATE



Source: Bureau of Labor Statistics, 2021; Community Attributes, 2021.

Washington's aerospace sector has a long history in the state, starting with the founding of The Boeing Company in 1916. More than 1,300 aerospace-related firms are located in Washington State, primarily in Snohomish, Spokane, and King counties. Washington State aerospace companies are vital links in the global supply chain for aircraft manufacturers around the world. Washington is second only to California in hosting US companies that supply parts to Airbus. Prior to the pandemic, the aerospace products and parts manufacturing sector employed more than 88,000 workers throughout the state. Another 40,000+ workers were employed in related industries with strong overlapping services and linkages with the core aerospace sector.

STRENGTHS

- Boeing assembly lines and related facilities; production increases in Renton anticipated
- Skilled aerospace workforce and a strong training and education network
- Robust supply chain and related infrastructure
- Defense contracts
- Competitive tax and incentive environment tuned for aerospace

Appendix

SWOT Sector Cut Sheets | Aerospace

CHALLENGES

- Most aerospace sector strengths are Boeing derived
- Continued pandemic impacts on the travel industry
- Managing and retaining a diverse workforce
- Aerospace is a mature industry with declining long-term projections



OPPORTUNITIES

- Proactively pivoting to the state's entrepreneurial commercial space industry
- Remaining at the forefront of emerging clean fuel technologies
- Supply chain innovations to help create a more resilient sector
- Continued innovations in maintenance and repairs driven by technological advancements in robotics and augmented and mixed reality
- Capacity utilization at Paine Field
- The New Market Aircraft (NMA)

Florida's proactive pivot towards commercial space.

Space Florida, created in 2006 to serve as Florida's aerospace economic development organization, has worked to drive economic development across the global aerospace and commercial space sectors. This has been followed by continued investment, research, and exploration of the commercial space sector. Today, Florida's commercial space industry boasts a rocket launching and landing site at the Cape Canaveral Spaceport, manufacturing of rocket engines in West Palm Beach, and small satellite development in Gainsville. Additionally, major commercial space companies currently with operations in Florida include SpaceX, Blue Origin, and OneWeb Satellites.

Source: https://www.spaceflorida.gov/

Appendix

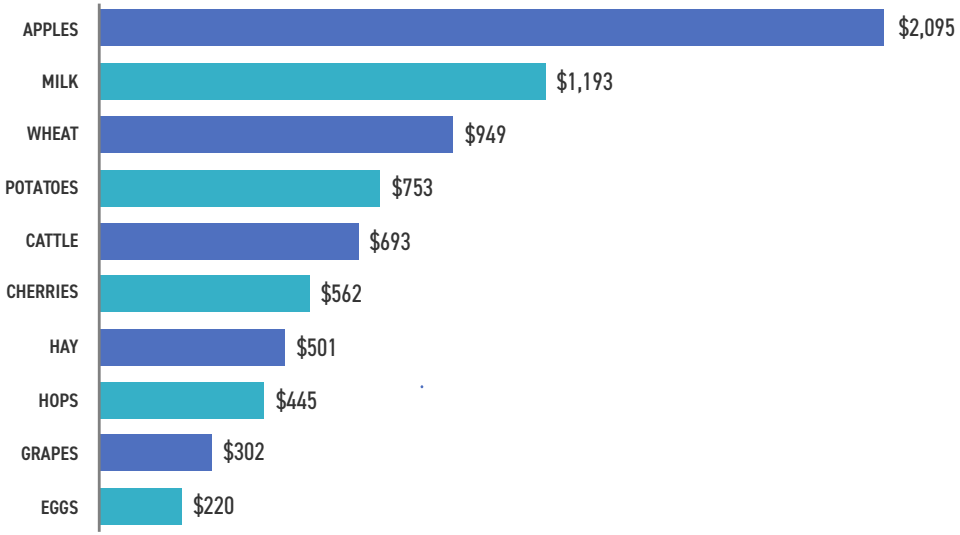
SWOT Sector Cut Sheets | Agriculture and Agribusiness



Washington's agriculture and agribusiness industry is supported by 15 million acres of farmland. Washington produces more than 300 commodities, and is **the leading producer of apples, hops, cherries, and more**. Agriculture is Washington's second-largest export category, making the state a key supplier of food for export markets.

Overall, the industry supports more than 164,000 jobs in Washington (2013), and 35,700 farms of which 89% are small farms, as well as more than 200 food processing companies (2017). Agriculture and food manufacturing are spread throughout the state, supporting jobs in rural communities as well as food manufacturing jobs in urbanized areas.

TOP 10 COMMODITIES, WASHINGTON STATE, 2020 (MILS $)



Source: Washington State Department of Agriculture, 2021; Community Attributes, 2021.

STRENGTHS

- Washington's natural features
- Proximity to and demand from Asian markets
- Diversity in highest production crops
- Leader in specialty crops, including seafood
- Infrastructure and transportation system supporting agricultural exports, notably the state's extensive ports network
- Partnership with Washington State University

Appendix

SWOT Sector Cut Sheets | Agriculture and Agribusiness

CHALLENGES

- High-risk sector depending on factors beyond a farmer's control
- Impacts of climate change
- Access to resources, including land and water
- Historically and increasingly low margins industry
- Regulatory framework acting as a barrier
- Labor shortages faced by both labor-intensive crop producers, as well as food manufacturers
- Financial pressures on smaller farms who can not scale operations
- Pandemic disruptions to the food distribution network

OPPORTUNITIES

- Increasing consumer demand for non-conventional types of production, such as organic, local, sustainable, free-range, and grass-fed products
- Enhance marketing, statewide and commodity-based, to increase demand for both conventional and non-conventional agricultural products
- Research and innovation in automation and drones to increase efficiency and address labor shortages
- Technology innovation and data resources to enhance efficiency, including water use, monitoring of production density, as well as storage and packaging
- Capacity for growing the wine and craft beer markets

U.S. universities focusing on innovation in agricultural automation.

Washington State University, in partnership with the U.S. Department of Agriculture-National Institute of Food and Agriculture, is leading the AgAID Institute—a multi-institutional research institute to develop aritifical intelligence solutions to tackle some of agriculture's biggest challenges. In total, 17 land-grant universities located throughout the U.S. are working together to develop innovative automated systems for agricultural production, specifically focusing on labor-intensive crops. For example, the University of Florida has developed a robot that counts and maps fruit in citrus trees, while the University of California-Davis has developed a fruit picking cart with instruments that can map orchard fruits. Iowa State University is working to manufacture technology that reduces pesticide drift, Washington State University developed drones to deter birds that prey on fruit crops, and the University of Hawaii has given coffee growers handheld devices that can spot leaf water stress and optimize irrigation.

Source: https://www.usda.gov/media/blog/2020/08/27/automation-helps-solve-specialty-crop-challenges



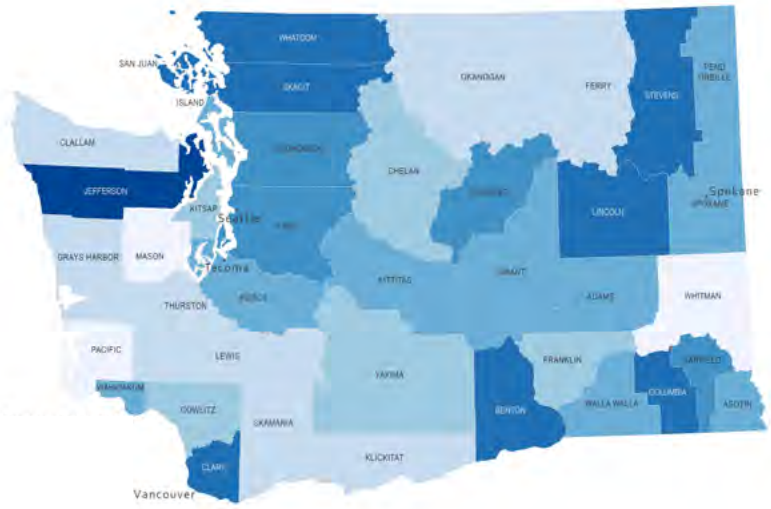
Appendix

SWOT Sector Cut Sheets | Climate and Energy



As state and federal policy continue to increase focus on addressing climate change, clean energy jobs present an important opportunity for Washington State. Statewide, one in 50 workers in the state were employed in the clean energy industry in 2019, 11 times more than in the state's fossil fuel sector. Washington's clean energy economy is driven primarily by growth in energy efficiency, grid modernization, energy storage, and clean fuels. The state's abundant water resources provide significant renewable energy resources. However, to reach the state's goal of 100% clean energy by 2045, emerging technology and innovation will be vital.

CLEAN JOBS SHARE OF TOTAL COUNTY EMPLOYMENT, 2022



CLEAN ENERGY JOBS BY DENSITY (CLEAN ENERGY JOBS PER 1,000 TOTAL JOBS)

11-13 | 14-17 | 18-19 | 20-23 | 24-27 | 28-35 | 36-64

Source: Washington State Department of Agriculture, 2021; Community Attributes, 2021.

STRENGTHS

- Expansive hydroelectric system
- 100% clean energy goal set for 2045
- Local education and research institution partnerships
- Support from other industries in the state
- Continued commitment to invest in clean-tech R&D, energy innovation, and support existing clean energy businesses (e.g., Clean Energy Fund)

Appendix

SWOT Sector Cut Sheets | Climate and Energy

CHALLENGES

- Ensuring an equitable transition to clean energy for rural, low-income and communities of color and for all workers impacted by electrification efforts
- Ensuring resource adequacy
- Recruiting and retaining skilled workforce
- Grid modernization
- Statewide access to broadband as a factor in reaching state and federal energy goals
- COVID-19 impacts on clean tech jobs

OPPORTUNITIES

- The Infrastructure Investment and Jobs Act proposing significant investments in clean energy
- Battery technology for energy storage
- Biofuels, biomass, mass timber, and cross laminated timber
- Aging existing infrastructure, providing a business opportunity for replacement
- Smart cities initiatives
- Trade alliances and regional branding of Pacific Northwest clean energy sector

Continued expansion in California's battery storage system.

California is leading the nation in battery storage facilities and gained more capacity with a recent expansion finished in September 2021. Paired with the wind and solar energy generated within the state, California's use of lithium-ion batteries has successfully provided substantial support to the power grid and is accelerating the transition to clean energy. As of June 2021, California had 1,438 megawatts of utility-scale battery storage capacity, 1,000 megawatts more than the next closest state's battery storage capacity. California is poised to continue their world leading build out of ion-battery storage as they work towards a legislative goal to provide 100% renewable and zero-carbon electricity by 2045 and continue to alleviate stress on a power grid that can suffer during peak consumption times.

Source: https://insideclimatenews.org/news/02092021/inside-clean-energy-california-energy-storage-vistra-corp/
https://www.energy.ca.gov/news/2021-03/california-releases-report-charting-path-100-percent-clean-electricity

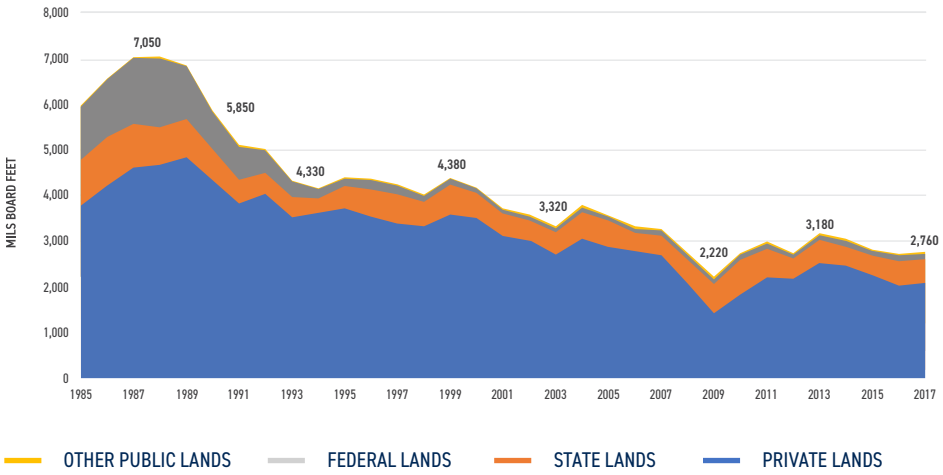


Appendix

SWOT Sector Cut Sheets | Forest Products



TIMBER HARVEST, WASHINGTON STATE



Source: Washington State Department of Natural Resources, 2021; Community Attributes Inc., 2021.

Washington State's forestry industry stretches across the state, with concentrations in Western Washington and the Olympic Peninsula.

Across the state there are 22 million acres of forestland, of which 4 million acres are privately owned. Roughly 70% of timber comes from private forests. Washington's forest products sector encompasses a broad range of business lines, from traditional cutting and lumber production, to pulp and paper and value-added products.

Forestry and forest products supported about 42,000 workers statewide in 2017, earning nearly $3 billion in wages per year. Washington's working forests sustain the third largest manufacturing sector in the state.

STRENGTHS

- Millions of acres of publicly and privately owned forestland in the state
- Historically a foundational sector in the state economy
- Important resource for rural economic development
- Diversified sector encompassing all phases of the supply chain
- Local educational institutions supporting innovation through research

Appendix

SWOT Sector Cut Sheets | Forest Products

CHALLENGES

- Declining employment due to technological innovation, the recession in the 1990s, trade barriers and/or foreign competition, and increasing forest and environmental protections
- Wildfires driven by climate change, threatening the supply of timber resources
- Workforce shortages
- Urbanization and loss of forestland available to harvest
- Declining resources to support publicly owned forestland

OPPORTUNITIES

- Wildfire prevention, such as fuel reduction, forest management and thinning
- Increasing demand for mass timber and cross laminated timber, as a result of changes in legislation and building codes
- Biomass as a renewable energy resource
- Enactment of HB 2528 into law as an opportunity for the forestry and forest products sector to expand its services and contribute to the state's climate goals

Oregon's established mass timber manufacturing.

Oregon boasts large operations in timber product processing and mass timber manufacturing. CutMyTimber, with an office in Portland, was deemed one of the largest timber product manufacturers in the United States by the U.S. Forest Service. Additionally, Oregon possesses numerous mass timber manufacturers including Freres Lumber, Rosboro, and DR Johnson. Rosboro is the largest producer of Glulam beams in North America, while DR Johnson was the first United States company certified by the American National Standards Institute to manufacture CLT panels. Oregon State University's College of Forestry is also heavily involved in mass timber research.

Source: https://www.archpaper.com/2021/04/2021-timber-map/

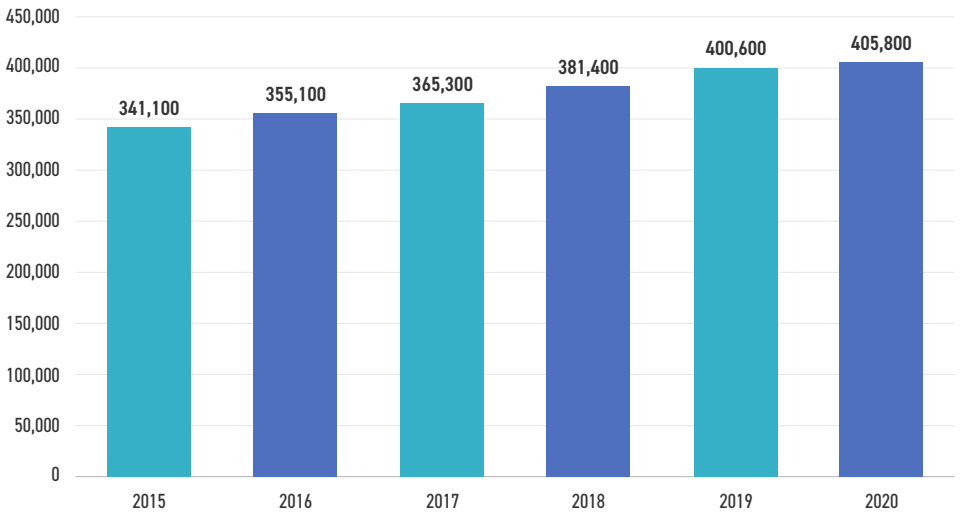


Appendix

SWOT Sector Cut Sheets | Information and Communication Technology



NET TECH EMPLOYMENT, WASHINGTON STATE



Source: CompTIA, 2021; Community Attributes Inc., 2021.

Washington State is the birthplace of legendary businesses like Microsoft, Amazon, F5 Networks, Zillow, and Expedia. The Information and Communications Technology (ICT) industry employs roughly 278,000 people across Washington, including software developers, computer systems analysts, and web developers. The largest concentration of these workers are in Seattle and King County's eastside, particularly the Innovation Triangle (Bellevue, Redmond, Kirkland). An additional 271,000 workers are employed in tech occupations across other industry sectors in Washington State. Over the last 10 years, tech employment in the state grew by 34%.

STRENGTHS

- Microsoft and Amazon (anchor employers)
- Diverse base of high-tech companies
- High employment growth over the past decade
- Ecosystem of innovation supported by world-class universities
- Strong talent base and talent recruitment
- Growing startup community

Appendix

SWOT Sector Cut Sheets | Information and Communication Technology

CHALLENGES

- Lacking high-tech manufacturing subsector
- Pandemic impact on recruiting, relocation, and workplace choices
- Urban centers struggle to rebound from the pandemic
- Extensive gender and racial inequities
- Tensions between tech and local government, with an impact on policies and taxes that target the industry directly
- Housing affordability, homelessness, gentrification, and traffic

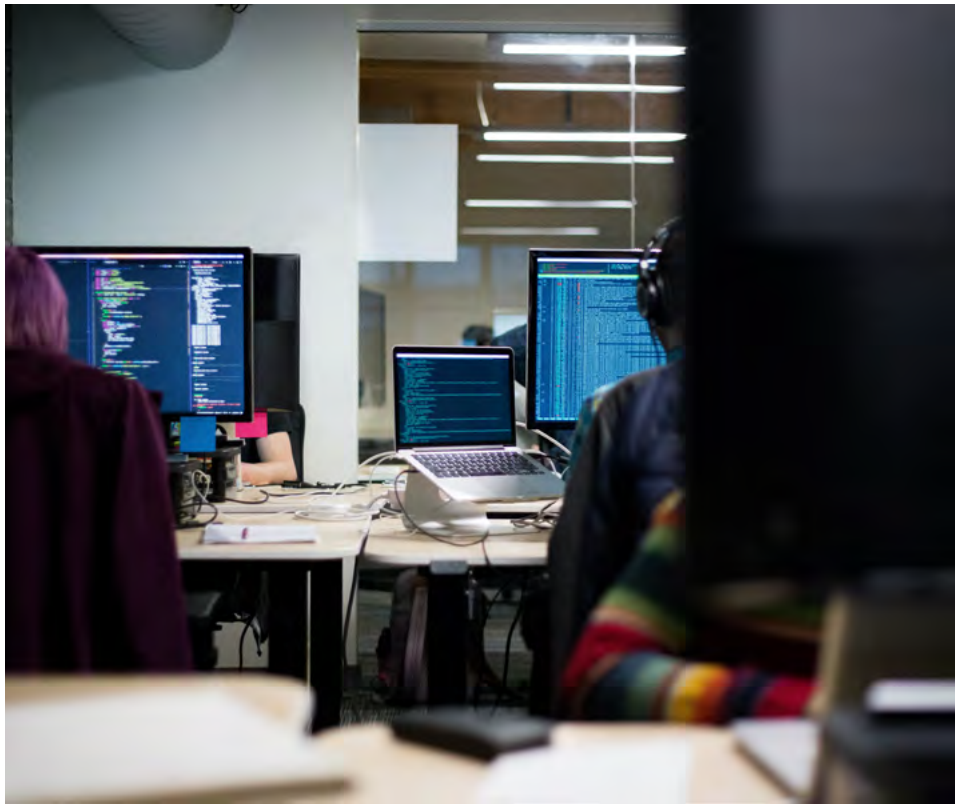
OPPORTUNITIES

- Expand artificial intelligence (AI) activity and reap broader economic benefits from AI
- Pandemic driven increase in the trend of gaming and spending on gaming as an avenue for future growth in the video game industry
- Leveraging the tech sector and public-private partnerships to drive workforce development

Louisville's workforce development gains in ICT.

Through a program named LouTechWorks, six universities were brought together, alongside Jefferson County Public Schools, Code Louisville, and Tech Louisville to help accelerate growth within the local tech pipeline. Such workforce development has been associated with a positive loop effect, supporting growth within local firms and ultimately creating more jobs. LouTechWorks was started to help support a growing tech industry in Louisville. From 2016 to 2019, the number of tech jobs in Louisville, Kentucky grew by 28%, a higher rate than peer cities Nashville, Raleigh, and Indianapolis. Despite being launched in 2019, LouTechWorks has seen immediate success. For example, 62% of high school students now have access to computer science related coursework, 590 graduates of Code Louisville have been placed in tech jobs, and tech-related degree completions have increased by 37% in the region.

Source: https://www.bizjournals.com/louisville/news/2021/04/16/tracking-louisvilles-tech-talent-development-prog.html

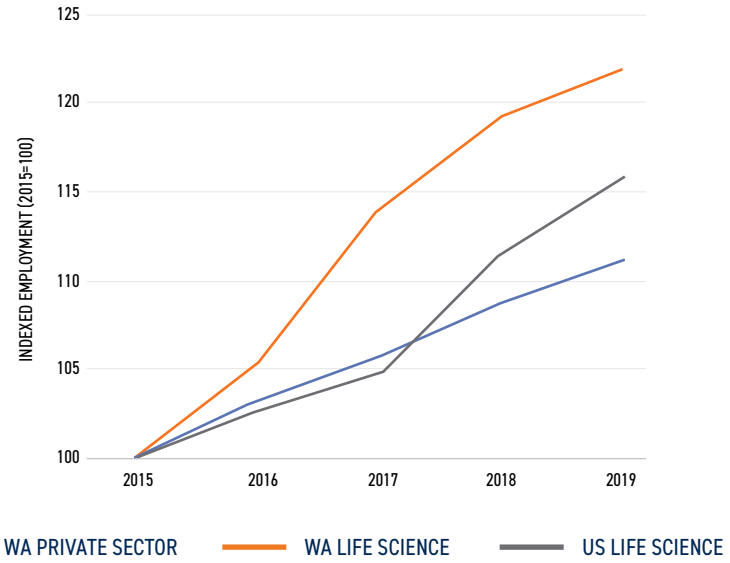


Appendix

SWOT Sector Cut Sheets | Life Science and Health



NET TECH EMPLOYMENT, WASHINGTON STATE



Source: Life Science Washington, 2021. https://lifesciencewa.org/wp-content/uploads/2021/10/Economic-Impact-Report_2019data.pdf

More than 1,100 life science firms and 170 global health organizations are located in Washington, employing nearly 40,000 workers statewide as of 2019. The average annual wage for life science jobs in Washington was $106,000 in 2019. The Seattle-Bothell area houses a substantial amount of life science firms, while the Spokane area has implemented an economic development strategy to create robust health care and life sciences growth. Washington's Life Sciences and Health sector boasts top research institutions such as the Gates Foundation, the Fred Hutchinson Cancer Research Center, the Allen Institute, the Seattle Cancer Care Alliance, and the Pacific Northwest National Laboratory.

STRENGTHS

- One of the top 10 life science clusters in the United States
- Strong job growth (23.5% from 2015 to 2019)
- Strong venture capital funding growth
- Growing startup community and expanding lab and R&D space
- Top STEM-based industry for women (women make up 44% of the industry)

Appendix

SWOT Sector Cut Sheets | Life Science and Health

CHALLENGES

- Competition for labor with ICT and aerospace
- Limited connections between the industry and Washington's colleges and universities
- Engaging diverse populations that are typically under-represented in life sciences and STEM-related fields
- Affordability of office and lab space
- Decreasing government support and a lack of tax incentives
- Translating research into industry-led R&D and related job growth

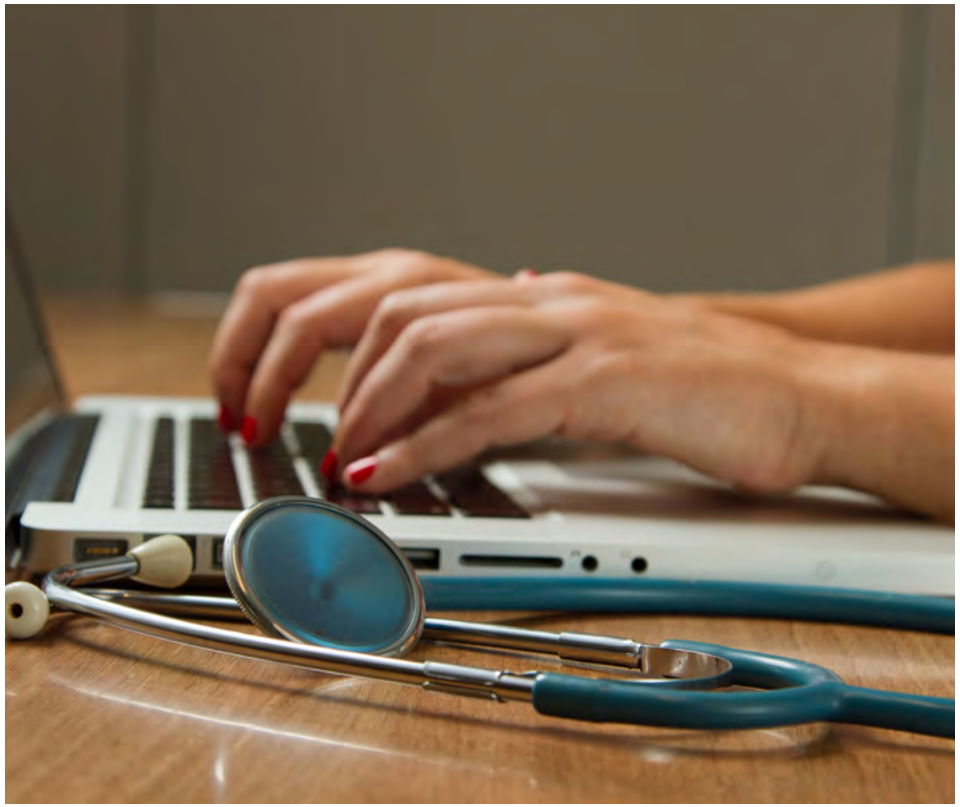
OPPORTUNITIES

- rDNA technology
- Future pandemic preparedness
- Intersection of big data with population health research and anti-microbial resistance
- Emerging areas of innovation like agricultural and marine biosciences, precision medicine, and digital health/health information technologies

Digital health cluster focus in Massachusetts.

Digital health was identified as an emerging industry cluster in 2015 by the Commonwealth of Massachusetts. As a result, in early 2016, Massachusetts established a Digital Health Initiative to further strengthen the state's digital health ecosystem. The Initiative is a collaboration of the state's public, private, academic, and healthcare leaders. For the past six years, the collaborative digital health initiative has been focusing on attracting and retaining digital health firms. As of 2020, Massachusetts ranked as the #2 destination in the U.S. for digital health investment and contained more than 350 digital health firms.

Source: https://massdigitalhealth.org/ehealth-cluster/initiative
https://masstech.org/sites/mtc/files/images/Test/Digital%20Health%20Pitch%20Deck.pdf



Appendix

SWOT Sector Cut Sheets | Maritime



WASHINGTON'S MARINE CARGO PORTS



Maritime activities in Washington are diverse, extending across multiple corners of the state's economy, and include boat and ship building, recreational boat construction, commercial fishing and seafood processing, maritime logistics and shipping, and passenger water transportation. 75 public ports are spread throughout 33 of Washington's 39 counties, connected by 3,200 miles shoreline and 50,000 miles of rivers and streams. Washington's maritime industry employed about 70,000 statewide and encompassed 2,300 companies in 2015.

STRENGTHS

- Natural features (coastline, river mileage, deep-water ports)
- Proximity to western trading partners
- Engaged with a diverse set of industries
- Well built out maritime infrastructure
- Focus on sustainability (Maritime Blue strategy) and innovation (Port of Seattle Maritime Accelerator program)

Appendix

SWOT Sector Cut Sheets | Maritime

CHALLENGES

- Keeping pace with infrastructure updates to address industry changes
- Access to capital for research and development in the maritime industry
- Competition from other ports, such as west coast, Gulf Coast, and Midwest ports
- Geographic shift in cheap manufacturing labor
- Climate change impact on fisherman and their local communities
- Pandemic impacts on the supply chain
- Aging maritime workforce

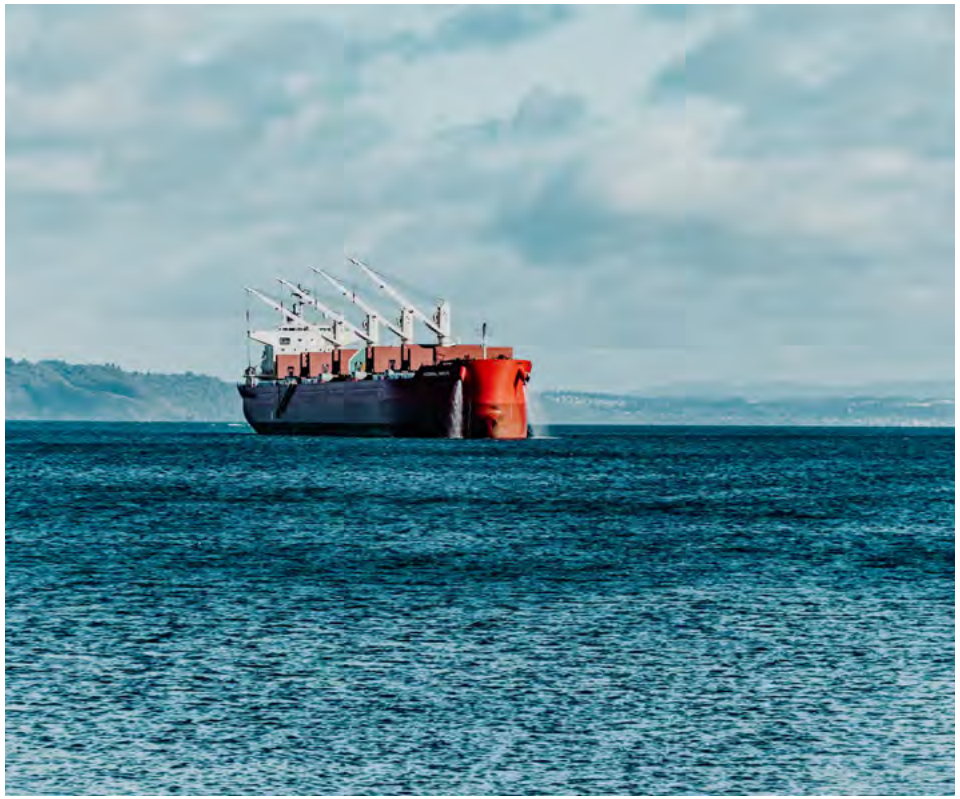
OPPORTUNITIES

- Washington State's Department of Commerce's Maritime Blue Strategy for 2050
- New maritime innovation, such as advanced metering of mechanical and fuel systems, the electrification of ferry fleets, and clean energy technologies tied to maritime projects and vessels
- Recapitalization of the fishing fleet

Maritime biofuel research in Tennessee.

Oak Ridge National Laboratory, located in Tennessee, is the largest multi-program science and energy research lab in the United States. A team of Oak Ridge's scientists is leading a multi-laboratory study testing the feasibility and use of biofuels for cargo ships. Since the team first examined the use of biofuels in 2018, they have begun engaging with industry leaders such as Exxon Mobil to gain interest. Initial results have been promising, suggesting blended bio-oil and heavy fuel oil could be suitable for use as fuel for maritime cargo vessels.

Source: https://www.ornl.gov/
https://www.energy.gov/eere/bioenergy/articles/anchors-aweigh-examining-biofuels-maritime-shipping

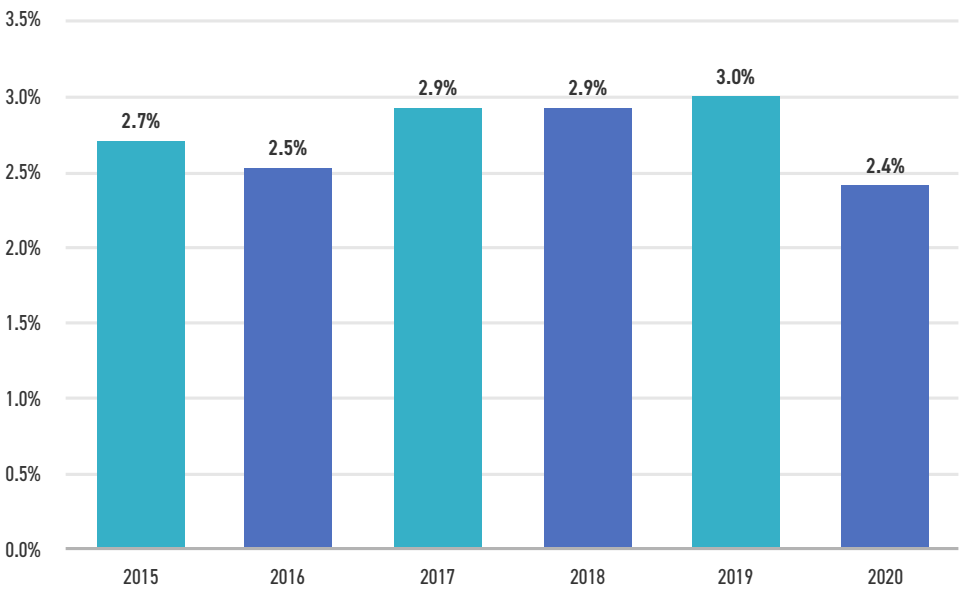


Appendix

SWOT Sector Cut Sheets | Military, Defense, and National Security



DEFENSE SPENDING AS PERCENTAGE OF STATE GDP, WASHINGTON STATE



Source: Bureau of Economic Analysis, 2021; U.S. Department of Defense, 2021; Community Attributes Inc., 2021.

Washington's military, defense, and national security sector possesses nearly 100,000 active duty, reserve, guard, and civilian personnel and the state houses an additional 600,000 veterans. Washington's military installations are primarily located in the Puget Sound Region, while the Fairchild Air Force Base is located in Spokane.

In the past three years, businesses in Washington State were awarded nearly $15 billion in contracts, which represented roughly 4% of the state's GDP. Nearly 2,000 businesses provide support to the military and defense sector, with some of the largest military contractors such as Boeing, Microsoft, and Vigor Industries located in Washington.

STRENGTHS

- Second largest public employer in Washington
- Connection to key Washington industries
- Current military, defense, and national security presence
- Military infrastructure
- Six active-duty military installations
- Federally funded laboratories that pursue training and research

Appendix

SWOT Sector Cut Sheets | Military, Defense, and National Security

CHALLENGES

- Changes to the global supply chain
- Adapting to environmentally friendly practices
- Significant shifts in the global geopolitical dynamic
- Climate change as a national security issue
- Long-term effect of the pandemic and the impact on the nature or size of the defense effort



OPPORTUNITIES

- Cybersecurity to set the pace for cyber resiliency and independence along the state's defense and ICT supply chain
- Further develop relationship between Washington's Military, Defense, and National Security sector and commercial sectors to drive innovation
- Leverage Washington's strong ICT industry to attract the Department of Defenses' growing investment in artificial intelligence, machine learning, advanced networking, cyber, and Joint All-Domain Command and Control
- Establish a system for credential reciprocity to help military dependants and spouses more easily enter the qualified workforce
- Increased investment in transition services for military members transitioning out of the military

Cybersecurity Hub: Maryland.

More than 40 government agencies call Maryland home, providing the state with a natural advantage in leading the cybersecurity movement within the military, defense, and national security sector. Agencies include the National Security Agency, National Institute of Standards and Technology, Defense Information Systems Agency, Department of Defense Cyber Crime Center, and NASA. Maryland also boasts more than 150,000 cyber-related engineering and data science professionals, comprising the #1 cyber workforce in the world. Additionally, Maryland is the first state to have set up a cyber investing arm directly funded by the state government.

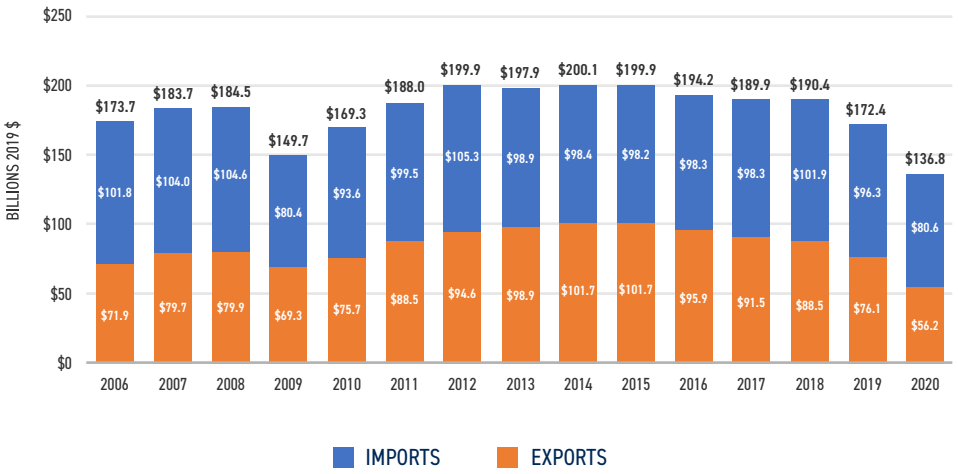
Source: https://cybersecurityventures.com/the-cyber-hub-war-is-on-maryland-aims-to-become-global-headquarters/

Appendix

SWOT Sector Cut Sheets | Trade and Logistics



IMPORTS AND EXPORTS THROUGH WASHINGTON PORTS



Source: U.S. Census Bureau, 2020-2021; Federal Reserve Bank of St. Louis, 2020; Community Attributes Inc., 2021.

Washington's economy relies on the state being a trade hub, utilizing rail lines, roads, and waterways to connect the state's expansive network of ports to transport goods in and out of the state. Supporting this strong trade sector are logistics firms responsible for ensuring imports and exports travel efficiently. A report by The Trade Partnership estimated that 921,400 jobs were supported by trade (exports and imports) in Washington in 2017, approximately 28% of total statewide employment.

STRENGTHS

- Proximity to western trading partners
- Established trade hub (in top five for exports by value in 2019 in the U.S.)
- Large talent pool and strong educational partnerships
- Well-established shipping infrastructure
- Diversity in products imported and exported

Appendix

SWOT Sector Cut Sheets | Trade and Logistics

CHALLENGES

- Continued national tensions with China
- Pandemic impacts to the global supply chain
- Competition from British Columbia ports Prince Rupert and Vancouver, as well as LA-Long Beach and the newly widened Panama Canal
- Coordination among international organizations
- Public support for trade
- Changes to customer expectations (faster, more flexible, lower price shipments)
- Keeping pace with infrastructure updates needed to support the industry

OPPORTUNITIES

- Growth in e-commerce
- Relocation of western manufacturing
- Foreign Direct Investment
- Emerging technologies that reduce carbon and reduce the amount of time to get goods to consumers
- Trucking and rail automation and advanced air mobility

El Paso's new role in trade and logistics as manufacturing undergoes nearshoring.

El Paso, Texas, has seen a large influx of logistics companies and investment in the logistics sector since 2014. As reshoring and nearshoring has gained speed in recent years, especially hastened by the COVID-19 pandemic, El Paso has continued to evolve into a trade and logistics hub along the United State's southern border. With the equalization of manufacturing wages in China and Mexico strengthening Mexico's manufacturing presence, El Paso has played an increasingly important role in the global supply chain. Among the logistics companies with operations in the city, DHL has been among the leaders shaping El Paso's up and coming trade and logistics sector. Other factors driving the city's evolution include El Paso's workforce trends, transportation infrastructure, pro-business political leadership, vibrant downtown, and incentive packages helping attract private investment.

Source: https://www.supplychaindive.com/news/el-paso-texas-DHL-border-logistics-trade/588614/

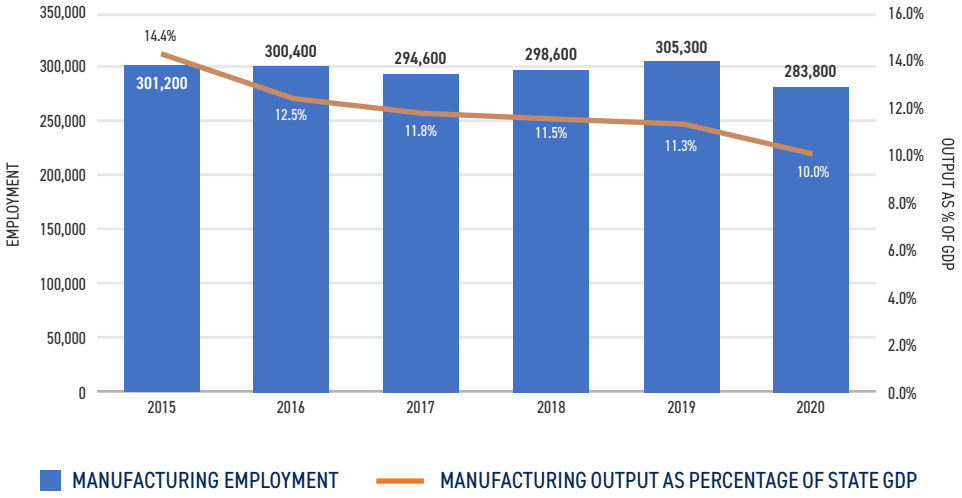


Appendix

SWOT Sector Cut Sheets | Manufacturing



MANUFACTURING EMPLOYMENT AND OUTPUT, WASHINGTON STATE



Source: U.S. Census Bureau, 2020-2021; Federal Reserve Bank of St. Louis, 2020; Community Attributes Inc., 2021.

As of 2019, manufacturing employment was responsible for nearly 300,000 Washington jobs. While aerospace manufacturing makes up the largest proportion of Washington's manufacturing by value of goods produced, the sector is rather diverse and includes many subsectors, including petroleum products, computer and electronic products, chemical manufacturing, and medical manufacturing. Geographic concentration depends on the subset of manufacturing; generally manufacturing employment is well distributed throughout the state. Medical manufacturing and aerospace manufacturing are concentrated in the Puget Sound Region while agricultural manufacturing is more prominent in central and eastern Washington.

STRENGTHS

- Low state energy costs
- Major employer statewide and source of high paying jobs
- Connection with key regional sectors
- Extensive port system and history as a trade leader

Appendix

SWOT Sector Cut Sheets | Manufacturing

CHALLENGES

- Maintaining infrastructure
- Skilled labor shortage
- Lacking presence of high-tech manufacturing
- Increased cyberattacks adding business risk for manufacturers
- Pandemic impacts: supply chains and decreasing margins



OPPORTUNITIES

- Commercial space, agritech, and biotech manufacturing
- Workforce development, re-branding of entry level manufacturing jobs, and engaging with broader talent ecosystem
- Continue leading research and innovation in energy intensive manufacturing for regional industries: food processing, advanced materials, and forest products
- Advances in technology (Industry 4.0)
- De-carbonizing and revitalizing industrial manufacturing
- Potential cross-industrial and -institutional partnerships to achieve shared goals of innovation, resiliency, and efficiency

Biotech manufacturing gains in Minnesota

Headquartered at the University of Minnesota in St. Paul, the BioIndustrial Manufacturing and Design Ecosystem (BioMADE) received an $87 million, seven-year grant from the Department of Defense. BioMADE will use the grant to advance sustainable bioindustrial manufacturing technologies in collaboration with public and private entities. The Department of Defense cited their commitment to promoting the United States biotech innovation when interviewed about the grant. Anticipated manufacturing applications to come as a result of the grant include chemicals, solvents, detergents, reagents, plastics, electronic films, fabrics, polymers, agricultural products, crop protection solutions, food additives, fragrances, and flavors.

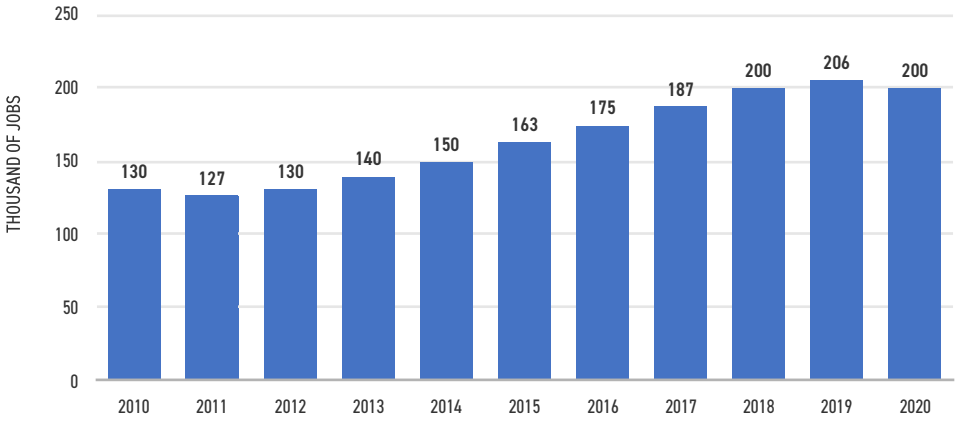
Source: https://www.defense.gov/News/Releases/Release/Article/2388087/dod-approves-87-million-for-newest-bioindustrial-manufacturing-innovation-insti/

Appendix

SWOT Sector Cut Sheets | Construction



CONSTRUCTION JOBS, WASHINGTON STATE



Source: Bureau of Labor Statistics, 2021; Community Attributes, 2021.

Washington's construction sector employs an estimated 223,000 workers. Nearly two-thirds of these workers are classified as specialty trade contractors. The sector proved rather resilient during the pandemic, with employment levels returning to 95% of pre-pandemic capacity by July 2020, and employment returning fully to pre-pandemic capacity by March 2021. However, the industry remains in flux as a result of pandemic-related labor shortages, automation, supply chain issues, remote work, and rising costs, as well as non-pandemic-related issues like federal and state policy, and work stoppages due to contracting and bargaining disputes. The industry will need to remain agile and adapt to changing economic conditions and innovations.

STRENGTHS

- Robust industry growth and demand for new construction
- Abundance of local natural resources
- State investments in wood energy and materials innovation
- Investments in innovative construction methods
- Active Labor associations implementing workforce programs
- Seattle's growth anchoring statewide return to pre-pandemic operations

Appendix

SWOT Sector Cut Sheets | Construction

CHALLENGES

- Rising land and raw materials costs
- Policy and regulatory issues related to land availability, density, and intensity of development
- Uncertain demand for commercial real estate due to increases in remote work
- Shifts in labor demands and automation
- Federal policy around immigration and assistance impacting the labor pool
- Pandemic impacts on labor, supply chains, and productivity
- Aging construction workforce

OPPORTUNITIES

- The American Jobs Plan and the Infrastructure Investment and Jobs Act
- Sustainability movement
- Mass timber and cross laminated timber
- High demand for new construction with up-zoning

Mass timber in British Columbia, Canada.

Canada has been the western hemisphere's most eager adopter of mass timber technologies for use in construction. In April of 2021, British Columbia announced eight new mass timber construction projects to be undertaken as a part of a mass timber demonstration aimed to grow the regions expertise in mass timber construction. The program also works to support jobs and employment recovery in the construction industry. Previous success with mass timber construction in the region provides evidence for the benefits of the relatively new building materials, most prominently seen in Vancouver's Brock Commons. One notable achievement of Brock Commons' was the length of construction. The project was completed in 70 days following the delivery of the prefabricated mass timber components, which is approximately four months faster than a typical project of the same size.

Source: https://www.naturallywood.com/blog/mtdp/
https://www.thinkwood.com/projects/brock-commons-tallwood-house

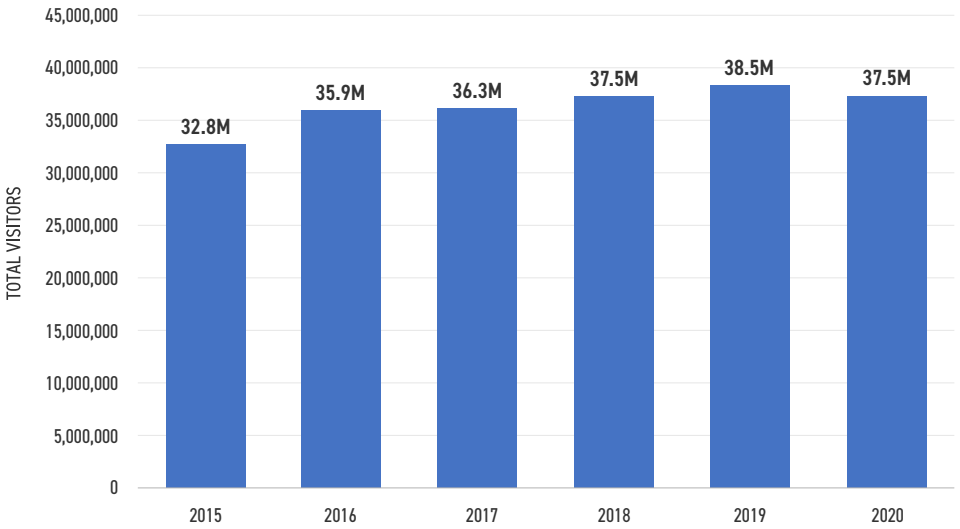


Appendix

SWOT Sector Cut Sheets | Hospitality and Tourism



STATE PARK VISITATION, WASHINGTON STATE



Source: Washington State Parks, 2021; Community Attributes, 2021

Historically, hospitality and tourism has been on of Washington's largest sectors and has employed more than 180,000 workers statewide. Washington has something to offer for every potential visitor, with attractions spreading into every corner of the state. Attractions include a plethora of beautiful scenery and outdoor experiences, in addition to bustling urban centers promoting arts, culture, and sports.

STRENGTHS

- Strong tourism assets
- Established sector presence
- Current funding and marketing opportunities
- Sea-Tac International Airport as a major hub for Delta and Alaska Airlines

Appendix

SWOT Sector Cut Sheets | Hospitality and Tourism

CHALLENGES

- Workforce shortage
- Low to moderate wages and high job volatility
- Pandemic disruptions to travel and lifestyles, such as decreasing household income spending on food and entertainment away from home
- Climate change, wildfires, rising sea levels
- Historical lack of investment in tourism marketing

OPPORTUNITIES

- Increased tourism marketing and targeted marketing around urban, rural, and natural assets
- Surging demand in the cruise industry
- Capitalizing on pandemic induced trends sending visitors to rural and remote destinations
- Increased demand for ancillary, allied spending among spectators either before and/or after events, such as at local restaurants and bars

Tourism marketing success in Michigan.

Michigan's current tourism marketing campaign Pure Michigan commenced in 2008. Funding for the state's tourism office jumped significantly from 2008 to 2009, with a proportion of the new funds being dedicated to the campaign. The campaign aimed to attract visitors to the Great Lakes state and thus far has accomplished its goal of raising Michigan's profile with tourists. While estimates of the campaign's total economic impacts vary, Longwoods International conducted a study that assigned $1.2 billion in economic impacts generated by more than four million trips in 2012. Meanwhile, Travel Michigan, the state's tourism office, estimates that the Pure Michigan campaign generated $153 million in state tax revenue in 2018.

Source: https://www.ncsl.org/research/fiscal-policy/state-tourism-office-budgets.aspx; https://www.networksnorthwest.org/news-events/news/pure-michigan-campaign-drives-12-billion-in-visitor-spending.html.



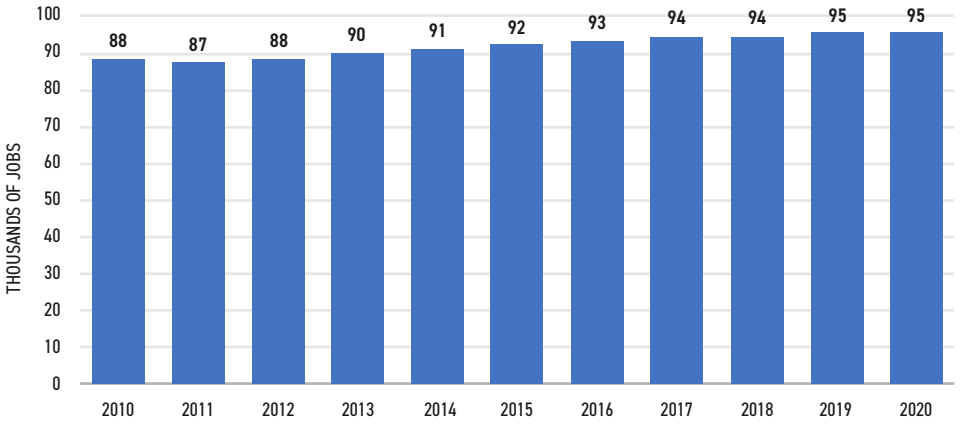
Appendix

SWOT Sector Cut Sheets | Financial Services



Washington's financial services sector includes the subsectors of accounting, banking, credit and lending, financial investing, insurance, and public finance. Defined as NAICS 52—Finance and Insurance, the financial services sector employs more than 100,000 Washington workers throughout the state. About half of all financial services workers were employed within the Seattle Metropolitan Statistical Area (MSA). Compared to other Seattle or regional industry clusters, financial services is fairly nascent; however, its intersection with existing clusters—including ICT, tech, and innovation—positions it as a potential high-growth and opportunity sector.

FINANCE AND INSURANCE JOBS, WASHINGTON STATE



Source: Bureau of Labor Statistics, 2021; Community Attributes, 2021.

STRENGTHS

- Diverse workforce
- Large network of commercial banks
- Growing startup community
- Local tech talent pool
- Emerging dependency on ICT sector

Appendix

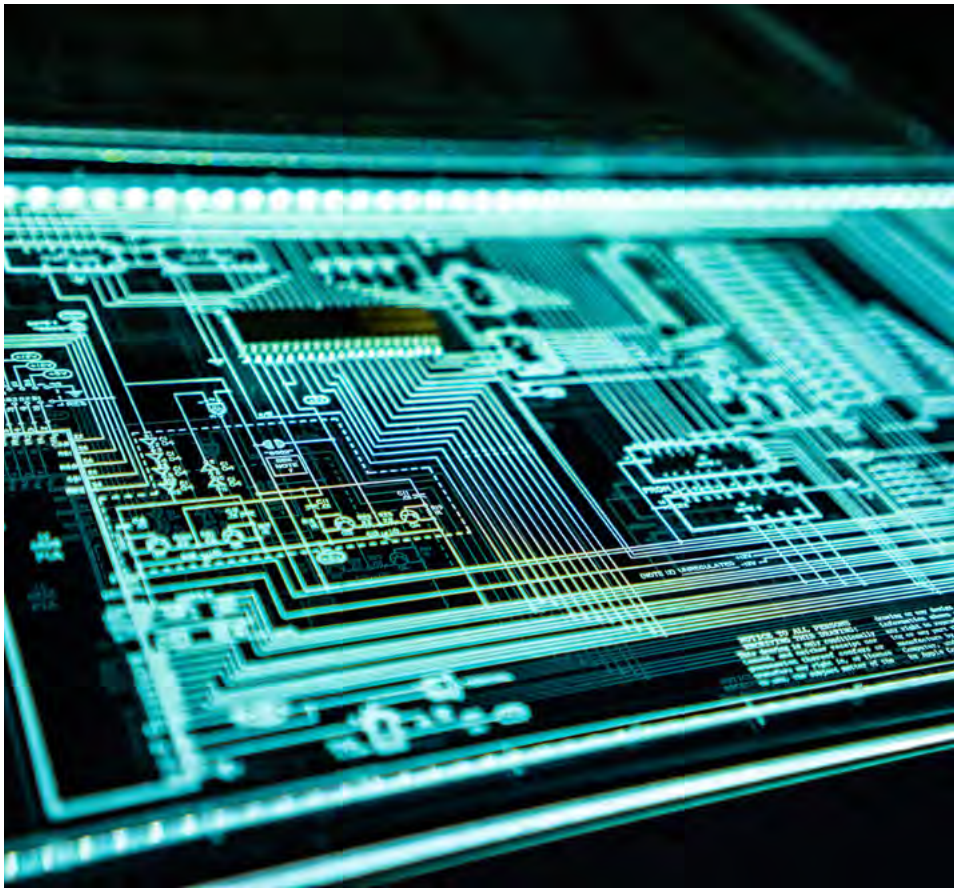
SWOT Sector Cut Sheets | Financial Services

CHALLENGES

- No major banks are headquartered in Washington
- Increasing cybercrime attacks inflicted on financial institution
- Legislative and regulatory landscape
- Increasing barriers for small and medium size firms

OPPORTUNITIES

- Seattle and the state are potentially strong fintech hubs due to existing industry and innovative sectors and educational institutions
- Traditional financial services companies growing investment in modern data and analytics tools, artificial intelligence capabilities, and digital platforms
- Established group of incubators, investors, and institutions in tech or tech-enabled businesses can facilitate a new focus on fintech startups and innovation



Fintech in New York.

New York is one of many up-and-coming fintech hubs. New York's fintech industry includes companies specializing in digital wealth, crytpo, lending, insurance, and B2B fintech. Leading fintech companies include Lemonade and Oscar (insurance), Betterment (robo-advising), Forter (fraud protection), Petal (credit), and Stash (micro-investing). New York also contains incubator and accelerator companies such as TechStars, Citi Innovation Labs, and Fintech Innovation Lab. To date, Fintech Innovation Labs has helped startups raise $1.8 billion in capital investments.

Source: https://thefintechtimes.com/guide-to-north-american-fintech-hotspots-covering-atlanta-boston-chicago-los-angeles-new-york-and-san-francisco/
https://www.fintechinnovationlab.com/regions/new-york/

Appendix

SWOT Sector Cut Sheets | References



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APPENDIX B

ENGAGEMENT – DETAILED NOTES

Appendix

Washington State Legislative Committee on Economic Development & International Relations (WA LCEDIR)

Focus Group Participant Lists & Notes

During the months of October-December 2021, Triangle conducted focus groups with the following:

1. Commission on Asian Pacific American Affairs
2. Washington State Women's Commission
3. Washington State Women's Commission Stakeholders
4. Quinault Prosperity, Health, and Human Services Subcommittee
5. Washington State Labor Council Manufacturing Labor Roundtable
6. Department of Commerce Small Business Resiliency Network
7. Latino Education and Training Institute
8. Seattle Metropolitan Chamber of Commerce REACH
9. Washington State Labor Council Worker Group



Below are the dates, participant lists, and notes from each of the focus group meetings.

OCTOBER 8

COMMISSION ON ASIAN PACIFIC AMERICAN AFFAIRS FOCUS GROUP NOTES

Participants:

- Toshiko Hasegawa, *CAPAA*
- Brenda O'Brien, *CAPAA*
- Chongsun Abbott, *CAPAA*
- Chairman Diaz, *CAPAA*
- Lalita Uppala, *CAPAA*
- Sam Cho, *CAPAA*

Notes:

There is a need for idiomatic and culturally specific support and structural support.

- Small business owners face bureaucratic and administrative challenges and need support with paperwork, bookkeeping and tax duties, hiring and employment, and digital access.
- Specialized support for businesses to ask questions and seek support.
- Provide structural support for businesses to access information, resources, and set up lasting systems.
- Create a trusted space and resiliency network and utilize the trusted messenger model.

Invest in OWMBE businesses and the organizations that support them.

- Contract with OWMBE businesses for state and government work and invest in small businesses through contracts.
  - Provide incentives for procurement managers.
- Empower, educate, and train CBOs or legal clinics on how to support small businesses and provide the resources they need.
- Support immigration and refugee documentation for employers and employees.

Talk with communities and small businesses to understand the barriers and issues they face.

- Conduct community and business interviews to understand the minority-owned business environment and why small businesses face the barriers they do.
- Provide training on how to start a business.
- Provide cultural and geographic accessibility.

OCTOBER 22
WASHINGTON STATE WOMEN'S COMMISSION FOCUS GROUP NOTES

Participants:

- **Jaxon Riley,** ***Executive Director of Leadership Spokane***
- **Maami Hudson,** ***Small Business Support Navigator for the Tacoma Urban League***
- **Ginger Ewing,** ***Terrain Spokane***
- **Amal Joury,** ***Director of Operations at Derma Medical Spa***
- **Terran Echegoyen,** ***Inland Northwest Business Alliance***

Notes:

Understand the barriers and challenges that employees face.

- There is a shortage of professional jobs and jobs that provide living wages.
  - Provide incentives for skills training at community colleges (medical and dental assistants, nurses).
  - Offer mentorship and training.
- There is a lack of available and affordable workforce housing.
- Understand the causes of current and past workforce migration.
- License transfers between states and for immigrant workers create a barrier.

Protect employee rights and consider what is best for workers.

- Protect the right to organize, the right to unionize.
- Amplify labor groups and employee leadership.
- Give employees a voice in the workplace.
- Provide jobs that allow people to support their families.
- Provide benefits and overtime pay for all workers, including in the agricultural sector.
- Protect employees in customer service roles, especially after COVID.
- Reduce the barriers to receive credit and loans for undocumented workers.
- Think about showing up in the workplace more holistically to consider lives outside of work.

Provide support for small businesses and invest in infrastructure solutions.

- Fund government programs and departments that support small businesses, such as the Department of Commerce.
- Recognize and support the role of organizations that support language and cultural access needs for small businesses.
- Support equitable solutions that are already underway.

Improve access to resources and information.

- Information and paperwork required for grants and assistance can be hard to produce.
- Businesses experience digital barriers.
- Smaller business and BIPOC organizations have limited access to capital, financial loans, and PPP aid.
- Improve the accessibility and overall knowledge of assistance programs.

There are needed infrastructure improvements, including:

- Affordable and accessible childcare.
- Affordable workforce housing.
- Training for businesses and microenterprises.

Appendix

Washington State Legislative Committee on Economic Development & International Relations (WA LCEDIR)

OCTOBER 29

WASHINGTON STATE WOMEN'S COMMISSION FOCUS GROUP NOTES

Participants:

- **6th Councilwoman Clarinda Underwood, *Subcommittee Member***
- **3rd Councilman John Bryson, *Subcommittee Member***
- **Treasurer Larry Ralston, *Subcommittee Member***

Notes:

Re-think structural systems and investments:

- Shift state investment priorities to focus on supporting small businesses and the organizations that support them to reduce burdens on impacted communities.
- Adjust state investment priorities to adjust for communities throughout the state; they may be different from one geography to the next.
- Create equitable opportunities for small businesses and non-profits.
- Consider distributed leadership models to empower employees and encourage democratic decision making.
- Provide universal healthcare (including mental health) to reduce burdens on small businesses and support employees transitioning between jobs.
- Provide living wages.

Provide administrative and professional development support:

- Provide culturally specific and in-language resources for small businesses.
- Lower the barrier to entry for small businesses and entrepreneurs with sector specific business professional development support.
- Promote and provide vocational work and education/training, starting at a young age.
- Provide equity training to boards with investing or funding power.
- Build trust with communities.
- Provide universal healthcare (including mental health) to reduce burdens on small businesses and support employees transitioning between jobs.
- Provide living wages.

Invest in employee well-being:

- Support flexibility for employees (i.e., being able to work at 80-90% rather than 100% all the time to accommodate personal schedules, childcare, eldercare, etc.).
- Create room for employees to work at different capacity levels to balance out workload surges. Provide mental health support for small businesses and employees by investing in long-term mental health support and a follow up system.
- Create safe and comfortable workspaces where employees can bring their full selves to work:
  - Normalize pronoun usage.
  - Policies that require education around workplace conduct and how to treat others.

Barriers:

- Cost of healthcare.
- Licensing barriers.
- Stigma around hiring formerly incarcerated employees.
- Stability issues (i.e., houseless, sobriety requirements for housing, access to addiction services, mental health case management/ensure follow through).
- Housing affordability and availability.
- Business rental space affordability and availability.
- Infrastructure issues (i.e., access to broadband, etc.).
- Lack of diversity within companies and Black, Indigenous, and People of Color not feeling welcome or culturally accepted.
- Access to resources for entrepreneurs.
- Subsidized childcare.
- Two-way trust with communities being served (i.e., must trust the communities that are being served to receive trust).

Appendix

Washington State Legislative Committee on Economic Development & International Relations (WA LCEDIR)

NOVEMBER 9
QUINAULT PROSPERITY, HEALTH, AND HUMAN SERVICES SUBCOMMITTEE FOCUS GROUP NOTES

Participants:

- **Regina Malveaux, *Director***
- **Michelle Merriweather, *Chair***
- **Rituja Indapure, *Vice-Chair***
- **Quinn Dalan, *Secretary***
- **Anna Franklin**
- **Grace Huang**
- **Chris Kobdish**
- **Vicki Lowe**
- **Kasi Perreira**
- **Dawn Rains**

Notes:

Infrastructure is a priority.

- The lack of housing infrastructure and affordable housing on the reservation impact job retention.
- Commuting onto the reservation for jobs is too cumbersome for most.
- There is a lack of infrastructure and an outdated and overburdened energy grid (i.e., power, water, sewer, internet).
- Interest in building energy infrastructure and addressing climate change.
- Broadband accessibility is an important part of the infrastructure, and the Quinault built out (and paid for) their own network.
    - More reliable and faster internet access with more bandwidth internet access is needed, and to provide this on the reservation the Tribes need grants, not loans.
    - Communicate clearly with the Tribes on broadband opportunities and networks.
- There are significant investments in education that have been, which is viewed as a partnership with the State.

Changes to the mill and fishing industries have significant impacts on the Quinault.

- There is a need for support and strategies for displaced workers.
    - Competitive salaries.
    - Provide state unemployment funds for recently displaced workers.
    - Provide workforce transition training for skill development.
    - Provide options and support for entrepreneurship or artistry.
- It is difficult to encourage change in workers with life-long careers without financial incentives or free training.

There is a lack of trade workers or employees with trade expertise.

- Provide physical and online training opportunities for vocational and trade work.
- Nursing and clinic positions are underfilled.
    - Paid for online and in-person vocational training for young adults and adults (i.e., carpentry, electrical, plumbing), as well as in other industries such as nursing, forestry, light manufacturing, IT, trans-oceanic communication cable, etc.
- Once paid for training is provided, incentives for folks to stay on the reservation are needed.
- Invest in additional education programs, such as Computer Science, at the local college.
- Experienced trade workers move away to work on larger projects and are not available as a resource for the tribe.

Consider the unique challenges the Quinault and other tribes face.

- The Quinault have different needs and issues compared to tribes located on or near the I-5 corridor.
    - Employees have longer commutes.
    - Access is limited.

- Challenges related to COVID-19 continue to cause economic hardship (ex. Sweetgrass Motel still non-operational even after financial incentives added to hiring).

Improve access to resources and information.

- Information and paperwork required for grants and assistance can be hard to produce.
- Businesses experience digital barriers

DECEMBER 13
WASHINGTON STATE LABOR COUNCIL MANUFACTURING LABOR ROUNDTABLE

Affordable housing and cost of living have broad impacts on the workforce.

- Workers are moving to areas with more affordable housing (North Puget Sound to South Puget Sound). On top of manufacturing jobs being in-person, this migration can create longer commutes, which can impact job performance
- Many workers have required response times and must be within a certain distance or time from their jobs
- Housing prices have significant impacts on lots of jobs, especially at the lower end of the manufacturing scale and workers may have to work more than one job to afford housing.
- Workers experience sticker shock if they are transferred within their industry to a new location
- *Suggestions included:*
  - Investing in housing for workforce and providing infrastructure (Kaiser was an example)
  - Investing in worker welfare
  - Investing in childcare options, particularly for non-standard hours

Workforce barriers include lack of training, access to living-wage, high-quality jobs, and employee benefits.

- Disconnect between employers and employees:
  - Employers are looking for ways to address supply chain issues by cutting corners with training and hiring younger workers.
  - Access to healthcare and delays around retirement security hinder people from taking on jobs, especially the younger workforce.
  - Shortage of employers that are willing to provide living wages and high-quality jobs.
- Employees need state registered apprenticeship programs with the following considerations:
  - Pre-apprenticeship as a proven best practice to support equity models
  - Accountability within training programs to recruit and retain workers
  - Requirements and outcomes for results the industry can count on, including the number of jobs in the region, set wages, and job standards.

There can be misrepresentation around the industry that masks workforce issues.

- The term "skill gap" can oversimplify other barriers the workforce faces, including age discrimination, lack of understanding around transferable skills, and other issues.
- Energy intensive and trade exposed industries can face bad press.

Provide technical, permitting, and regulation support.

- Streamline siting and permitting process, including labor standards.
- Provide technical support for registered apprenticeships.
- Enforce regulations to address supply chain issues, foreign competition, and leakage to other states.
- Address issues around misclassification and access to state social safety nets so employees know what resources they have access to.

Appendix

Washington State Legislative Committee on Economic Development & International Relations (WA LCEDIR)

DECEMBER 14

DEPARTMENT OF COMMERCE SMALL BUSINESS RESILIENCY NETWORK

GROUP 1

Affordable housing is a significant issue.

- There is a housing shortage, a lack of affordable housing, and a large houseless population. Suggestions to address this included:
  - Community living that allows more than one family to live on one parcel. A statewide law currently limits county ability to have community living without individual ownership or build ADUs.
  - Zoning code adjustments for more affordable housing.
  - Direct solutions for houseless populations by addressing housing shortages, affordability, and accessibility.
  - Promote equity in new development (example: new apartment buildings should have a percentage of units dedicated to low-income housing.)
- Financial, technological, and cultural literacy impact access to housing.
  - There are language barriers.
  - Technological literacy (social media, Zoom, use of the internet) impacts housing access for those who rely on newspapers or mail.
  - Financial literacy and access to funding support, especially for immigrant, refugee and BIPOC-owned businesses. These businesses do not qualify for commercial rent assistance opportunities because most of them have borrowed from community brokers, family, and friends and owe debt outside of rent.
  - Marketing for housing is not reaching cultural communities, and the application process is burdensome and difficult to navigate.
- Available housing and lack of transportation make it difficult for workers to commute.
  - Ex: Little Saigon and International District housing is too expensive, and employees live further away, which makes it difficult to access.
  - Lack of transportation exacerbates this issue.
- Airbnbs and vacation houses impact available housing.
  - Olympic Peninsula and Jefferson County housing.
  - Forces more workers to commute.
- *Suggestions included:*
  - Zoning code adjustments for more affordable housing, including eliminating exclusionary zoning and height restrictions to maximize the number of new units that can be built on available suitable parcels near amenities. Incremental tweaks in this regard have show a lack of response in the market already, contributing to the statewide housing deficit.

Small businesses lack access to resources, language and technical support, and safe workspaces.

- Small business and the workforce encounter language barriers, technological barriers (Zoom and social media), and access to workforce training.
  - Lack of childcare.
- Workforce training and navigating COVID protocols falls on local communities.
- *Suggestions included:*
  - Conversations with the Chamber of Commerce
  - Support for administrative and paperwork requirements, especially for taxes and finances. Ex: help people understand how to select banks, financial support, and things to look out for.
  - Focus on small businesses. Most state support is directed towards institutions.

Access to capital and lending is a significant barrier.

- Lending, interest rates, and access to capital are barriers.
- There is a stigma around taking on debt.
- The environment around traditional lending does not support small businesses.
- Applications are complicated and time consuming.

- Suggestions included:
  - Patience capital to ensure programs and assistance are available.
  - One-on-one business coaching. It is more time-intensive but necessary.
  - Provide information about what is available and support for applications.
  - Implement Community Development Financial Institutions to provide lending in a non-traditional way.
  - Help small businesses find good matches for loans with fair interest rates and reasonable timeframes for repayment by creating a partnership between lenders and small businesses.

GROUP 2

Affordable housing is a big barrier with financial and cultural impacts.

- There are housing inequities across the state and housing prices have exploded. Wages don't match the growth of housing prices, especially in the working class.
  - Ex: Spokane has the 3rd largest anticipated housing price hike in the country for 2022.
- Individuals can't invest or accrue generation wealth.
- Movement and migration impacts: Workforces are moving outside of urban centers for more affordable housing, or leaving the state entirely.
- Owning a house is an indicator of success, especially in Asian communities.
  - Families or small businesses are selling homes or properties to support their businesses, which impact what is considered success for them.
- *Suggestions included:*
  - Providing housing and residential assistance (Ex. El Centro).
  - Alternative models to housing, including alternative cooperative ownership.
  - State run program that helps people participate in co-buying contracts.
  - Modify Washington State Housing Trust Fund grant programs to allow community-driven co-housing projects to be eligible for funds to help offset development costs to make some units in these projects affordable unites, contributing to highly desirable mixed-income housing stock.
  - Remove or at least increase caps to numbers of residents allowed to cohabitate in a common dwelling to recognize the increasing necessity and popularity of co-living arrangements.
  - Make sure additional tenant protections take into account "tenant in common" living situations.

Small businesses don't have the same resources as larger competitors.

- Costs associated with fringe benefits are high for small businesses and they can't always offer those benefits to employees.
- Bigger businesses have more capacity to provide in-house training, putter smaller and independently owned businesses at a workforce disadvantage.
- Cost of healthcare, insurance, and benefits impact small businesses.
- Bigger businesses, such as Amazon, monopolize advertising space and workforce recruitment, especially for mobile employees.
- *Suggestions included:*
  - Small business support for health insurance and trainings through policy initiatives.
  - Offer portable benefits to workers in the labor pool rather than through individual employers.

Small businesses and employees don't have the resources they need.

- There are barriers to access across all sectors, including lack of program coordination and lack of access to specialized technical assistance.
- There is a large time investment for trainings.
- Access to technology and financial support is a barrier.
- Norms around interviews, professionalism and workplace training can be barriers for employees.

- Documentation and paperwork required for training is a barrier.
- *Suggestions included:*
  - Access to the internet and bringing technology to underrepresented communities.
  - Establish collaborative and inclusive ecosystems across funding and programs.
  - Provide workshops for individuals without access interview knowledge or networks to help with interviewing and hiring processes.

Lack of capital and access to grants is a barrier.

- Small businesses often face too many barriers to overcome – there are barriers at every step of the process.
- Systemic and administrative barriers, including language barriers, prevent small businesses from getting the help they need.
  - Ex: There is not enough help along the way and businesses have issues accessing their money or grants.
- There is a lack of access to grants and financial support.
- Supply chain issues, shipping delays, and increase in the cost of goods impact small businesses
- COVID mandates, vaccine verification and lack of clarity around COVID polices are difficult to navigate and businesses choose to stay closed.
- *Suggestions included:*
  - Clear policy communications and guidelines, especially around COVID
  - Support for small businesses (especially restaurants) to understand COVID mandates and regulations.
  - Support for small businesses in the face of supply chain shortages.

DECEMBER 15

LATINO EDUCATION AND TRAINING INSTITUTE

Economic success means stability, balance, and equality.

- Stability includes housing that is affordable and available. The rapid increase for cost-of-living impacts workers.
- Success is a community that is financially stable and self-sufficient.
- Provide economic balance: having a good, living wage job and the ability to afford or achieve your goals.
- Equal competitive conditions.
- Competitive equality: Employers know the laws and government provides equal service for everyone and equally distributed benefits.
  - Ex: The pandemic affects people who don't have the information or the resources that can help them.

It is difficult for employees/employers to get the resources and support they need.

- Banks are being extremely cautious with lending and it is difficult to find investors.
- There is a lack of resources in Spanish, and those that exist are hard to find.
- There is uncertainty around the support and resources available for small businesses.
- Employees may have skills and experience, but it is difficult to secure work without a degree.
- Employees are balancing work, school, and family and still trying to save up for homes or provide for their families.
  - Sacrifice savings, time with children, etc.
- During COVID, people are not investing professional growth.
- *Suggestions included:*
  - Creating businesses and a business environment with resources to navigate accessing capital or loans with low interest rates.

- Improve access to banking and loans and general understand of policies, laws, and resources.
- Improve access to resources and support.
- Provide government support for programs that offer education and training for higher-wage jobs.
- Educate communities on available resources and how to take advantage of them.
- Provide economic resource and financial literacy training. Ex: Ho to save for college and retirement and savings programs for elders.
- Offer more meetings or trainings related to economic development, especially for youth.
- Offer job training in primary languages.
- Offer more virtual classes and trainings.
- Provide bilingual instructional courses for employees (computer skills, marketing, basic office programs, email, etc.) at low or no cost.

It is difficult to utilize transferable skills or transition to a new career.

- Many Latinos who have come to the U.S. don't use the skills or the accreditations they've acquired in their own country.
- For employees or businesses that struggled during the pandemic, transitioning jobs or utilizing transferable skills was difficult.
- Smaller communities don't receive the same information around economic opportunities and resources.
- The cost of education and obtaining college credits is a big barrier.
- *Suggestions included:*
  - Easier process to validate titles or experience.
  - Provide programs for non-traditional students (first generation Latinos, etc.) to validate and acquire titles to increase their income.
  - Provide instruction or assistance to business owners to legally validate their businesses.
  - Provide information on how to obtain small business loans.
  - Chamber of Commerce and small businesses should partner to analyze products to import and export and offer business fairs in different sectors.
  - Provide training as soon as possible.
  - Reduce the cost of education.

DECEMBER 15
QUINAULT PROSPERITY, HEALTH, AND HUMAN SERVICES SUBCOMMITTEE MEETING #2

Participants:

- **Aiyana Underwood,** ***Quinault Indian National Policy Coordinator***
- **Christine Winn,** ***QNIB CEO***
- **6th Councilwoman Clarinda Underwood,** ***Subcommittee Member***
- **Guy Capoeman,** ***President of Quinault Indian Nation***
- **3rd Councilman John Bryson,** ***Subcommittee Member***
- **Treasurer Larry Ralston,** ***Subcommittee Member***
- **Marie Sullivan,** ***State Lobbyist for Quinault Indian Nation***
- **Scott Richards,** ***State Lobbyist for Quinault Indian Nation***
- **Kryn Sausedo,** ***EcoNorthwest***
- **Jade Aguilar,** ***EcoNorthwest***
- **Annie Kilburg Smith,** ***Triangle Associates***
- **Claire Wendle,** ***Triangle Associates***

Appendix

Washington State Legislative Committee on Economic Development & International Relations (WA LCEDIR)

There is a lack of affordable and available housing.

- Housing prices are unattainable for $15/hour wages.
  - Grays Harbor County is experiencing extremely high real estate prices.
- There is a lack of new housing due to the recession from the 1980's that stunted housing construction.
  - There are no available or affordable rentals.
  - People are coming from other places to live in the County.
  - New-build houses are not affordable.
- Available real estate impacts businesses, and there is a tax incentive (Opportunities Zone) to invest in the County, but investors buy properties to hold and sell for later, which pushed out businesses and results in empty buildings.
- *Suggestions included:*
  - Workforce housing on the reservation.
  - Housing for the wellness clinic.
  - More affordable housing.

Industry changes and COVID have caused workforce shifts and impacted recruitment.

- The older workforce isn't returning to work (ex. casino workers or workers at the Sweetgrass in Ocean Shores) and there is growth in union membership.
- There have been COVID-induced career changes, which comes with transitioning skillsets and navigating different careers.
- Cost of logging has gone down, which has maximized efficiency but eliminated jobs.
- Hiring benefits are in place but there is a lack of interest from potential employees.
  - Strategies to recruit and retain employees: Benefits include $15/hour minimum wage, hiring, Christmas, and referral bonuses, overtime
  - Strategies to continue services: Shortened hours, streamlined and reduced services and closed departments.
  - There is less interest in QNIB jobs because of non-standard hours (9-5).
- Trade jobs are struggling:
  - There is a lack of homebuilders and workers are outsourced for home construction.
  - It is difficult to obtain county permits.
  - The fishing industry lacks funds even though there is potential for economic development or growth.
  - Grays Harbor Community College lacks the curriculum for trade jobs.
  - Natural resource collapse is forcing people to seek other work or slowing down some industries.
  - Climate change and ocean acidification are affecting the crab and shellfish harvests.
- *Suggestions included:*
  - Infrastructure to help people transition.
  - Use timber resources to boost housing industry.
  - Offer technical training.
  - Invest in timber and fish industries.
  - Provide alternatives and post-secondary education apprenticeships and pre-apprenticeships.

There are infrastructure, policy, and administrative barriers.

- There is a severe childcare shortage, even for employees that work standard hours. There are long waitlists and only 4-5 desirable childcare centers.
- There is inadequate broadband that impacts ability to do virtual school.
- Changes to immigration reform and federal immigration policy negatively impact the Quinault.

- Federally recognized tribes are not eligible for state funds for water, sewer, and storm repairs.
  - Goals to relocate villages to higher ground.
  - Inadequate broadband, water, and sewer prevents additional housing or construction.
  - The Quinault moved forward with their wellness clinic without additional funding.
- Projects are delayed due to permitting and associated costs; long EIN processes.
- Affordable electricity is an issue, especially with newer developments (ex. Seabrook)
- There is poor education in Grays Harbor County, and the only options are private schools and the school in Montesano.
- Enterprises are suffering with a need for employees that can't be filled.
  - Ex: Hiring at the Sweetgrass Hotel in Ocean Shores.
- Lack of infrastructure to support economic growth (housing, jobs).
- *Suggestions included:*
  - Tribal access to grants for infrastructure improvements, including water, sewer, and broadband.
  - Streamline regulation and permitting fees.
  - Support to help burdened communities access funds, including tribes.
  - Invest in natural resources.
  - Continue grants for river restoration and continue restoration work on the Quinault River.

DECEMBER 16
SEATTLE METROPOLITAN CHAMBER OF COMMERCE REACH

Affordable housing and cost of living impact the ability to build wealth and the workforce

- Housing is a primary means to build wealth, and the increase in housing prices impacts access to housing as a wealth building tool.
- It is difficult to find employees for all job levels because they cannot afford to live nearby.
- There is a lack of transportation to jobs.
- *Suggestions included:*
  - Find short term ways to help people build good wealth.
  - Pair transportation and affordable housing for all income levels.
  - Involve employers in affordable housing to address the needs they have.
  - Develop community ownership methods.
  - Investing in childcare options, particularly for non-standard hours.

Workforce barriers include training and access to resources.

- It is difficult to navigate the ecosystem on a state level. CBOs and network partnerships help address this.
- Education is the entry to high level jobs.
- *Suggestions included:*
  - Vocational and traditional training.
  - Help employees and small businesses get the information they need.

Business growth is stymied by access to capital, access to resources, and lack of support.

- Support for small businesses and availability of technical assistance has room for growth.

- Small businesses, start-ups, and venture capital need access to capital and alternatives to credit.
- Commercial availability is a barrier to business growth.
- *Suggestions included*:
  - Coordinated access to export opportunities.
  - Resources to help people start and grow their businesses, including:
    - Culturally appropriate and in-language resources.
    - Technical assistance to build knowledge base and financial access, and access to capital.
    - Static and interactive resources.

DECEMBER 20
WASHINGTON STATE LABOR COUNCIL WORKER GROUP

Workforce barriers include training and access to resources.

- Public School District bus drivers and nutrition services:
  - Workforce was laid off at the beginning of the pandemic. Hours and shared work program were cut, leaving the workforce without enough jobs.
  - Many employees moved to different states.
  - Workers filed for unemployment, and some were denied or disqualified because of reasonable assurance that jobs will be provided.
  - Working to bargain with the school district and ESD and appeals won't be heard until March 2022.
  - Wages are being garnished.
  - Eliminated contracts, and difficult to find qualified workers or those that have been certified to be school bus drivers.
  - Unclear on point of contact or where to go for help or answers.
- Construction Worker:
  - Layoffs for workers were extended after negotiations for strike.
  - Filed for unemployment and didn't receive help for several months.
  - Went back to school but had to return to work to continue to earn wages.
  - Job instability is a risk and very hard.
  - *Suggestions included:*
    - Online or hybrid programs that are offered on the weekends to accommodate workers with 8-10 hour weekday shifts.
- Former Aerospace Consultant:
  - Called unemployment in December 2020 but wasn't placed into TAA orientation until August and will start school in early 2022.
  - Was not assigned a case manager for several months.
  - Automated unemployment process was hard to navigate with lots of hoops to jump through.
  - Lack of support.
  - Had to pay back wages.

The unemployment process is broken—it takes too long, there is no clear point of contact or direction for support or help.

Washington State Legislative Committee on Economic Development & International Relations (WA LCEDIR)

Outreach to collect perspectives from community.

In addition to the key topics listed above, ***employees*** stated that they need support in the following areas:

- **Health care costs** reduced or paid for, including for mental health
- **Overtime compensation** for hourly workers
- **Financial support for displaced workers**
- **Reduced cost or paid for childcare**
- **Support for employee rights and wellbeing**, including the right to unionize, employee flexibility to accommodate schedules and other commitments, mental health resources, and diversity, equity and inclusion training
- **Quality jobs** defined by flexibility during work hours to care for children, elders, or handle other daytime commitments, side hustles, etc.
- **Safe and supportive workplaces** for LGBTQI groups, including education or workplace conduct training

Small business owners stated that they need support in the following areas:

- **Cultural and linguistically specific support**, including in-language materials, administrative assistance, digital access, consistent access to resources, and professional development
- **Incentives to contract with small or minority-owned businesses**
- **Improved access to resources and information**, including financial aid, small business support, and how to find assistance
- **Universal employee benefits**, including healthcare and other luxury expenses to reduce cost burdens on small business expenses
- **Equitable opportunities** for small businesses and non-profits to receive funding and employment opportunities

In most focus groups, participants emphasized the importance of ***outreach to gather community perspectives on barriers***. Participants felt this was important for the State to understand the unique barriers each community faces across the geography of the state to make necessary investments. Location, cultural and language needs, and historical context are among a few factors that participants shared.

Next Steps & Best Practices

Input from focus group participants either helped to confirm existing barriers identified by EcoNW in their analysis of Washington State's economy, highlighted additional barriers and issues in the engaged communities, or supported the overall recommendations made in this report. Facilitators followed up with participants to share the notes from each meeting and will share with them the final recommendations report submitted to the Lieutenant Governor in January 2022.

Two key limitations in engaging communities throughout this process included the:

1. **Condensed timeline for connecting with hard-to-reach communities**
2. **Inability to compensate participants for their time**

In the future, Triangle recommends instilling best practices including extending the outreach timeline to maximize participation and offering stipends or compensation to participants to increase participation and reach a broader swath of communities across the state.





APPENDIX C

FOUNDATIONAL ITEMS AND THEMES

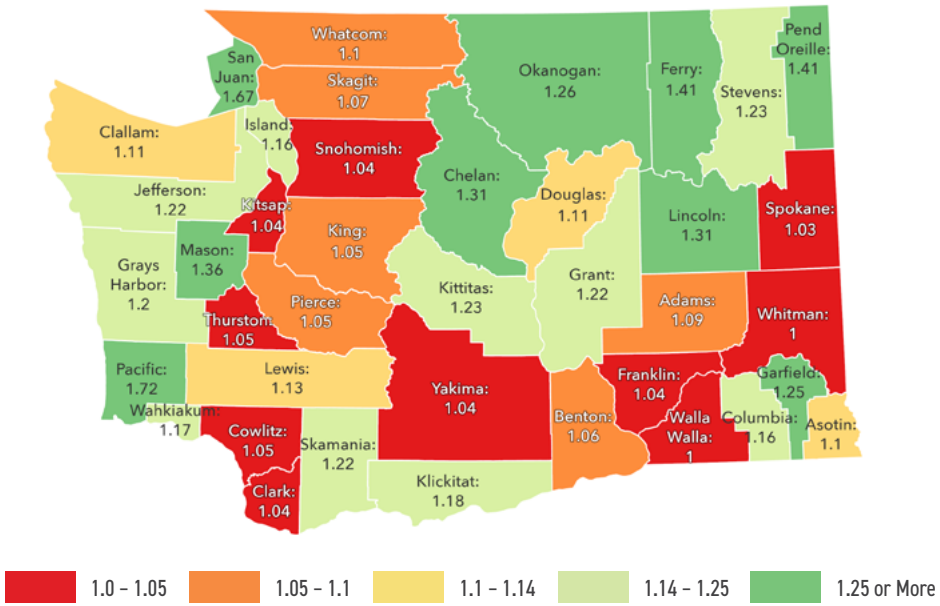
Housing

Washington State has the fewest housing units per household of any state

One way to track housing supply and availability is by calculating the number of homes per household. Washington has only 1.06 housing units per household compared to the national average of 1.14. When accounting for normal vacancy and second homes, this low housing ratio means that there are not enough units to meet housing need in Washington. Even counties with seemingly higher ratios tend to have higher ratios of second homes. This lack of supply is putting strong upward pressure on home prices and rents. Homeownership is becoming more unattainable, particularly for households of color, and affordable rental housing continues to be out of reach across the state.[1] Since 2010, the housing crises is getting worse as the number of units built has not kept pace with household formation over the last decade.[2]

The underproduction of housing is limiting economic productivity, the creation of jobs and perpetuating disparate outcomes of wealth inequity for the next generation of Washingtonians.

RATIO OF HOUSING UNITS TO HOUSEHOLDS IN 2020



Source: U.S. Census, Washington Office of Financial Management



1.14
housing units per household nationally



1.06
housing units per household in Washington

An inadequate supply of housing causes challenges for:

- **Talent attraction**—Relocating workers who must compete for already limited housing.[1]
- **Costs due to higher wages**—Employers need to pay workers more to afford the region.[3]
- **Ability to replace workers**—Employers may have to recruit workers from hours away.
- **Retain customers**—Housing costs may drive lower / middle income residents / customers to other areas.
- **Business attraction**—Businesses may not want to expand to the area due to risk of not being able to secure labor
- **Job stability and educational outcomes**—People are priced out of already precarious living situations.[4]

"Misallocation arises because the constraints on housing supply in the most productive US cities effectively limit the number of workers who have access to such high productivity. Instead of increasing local employment, productivity growth in housing-constrained cities primarily pushes up housing prices and nominal wages."

— Hsieh and Moretti, 2019

[1] Ilina Logani. "Washington State's Housing Affordability Crisis." Office of Lieutenant Governor Denny Heck. (2021).
[2] U.S. Census, Washington Office of Financial Management
[3] Chang-Tai Hsieh and Enrico Moretti. "Housing Constraints and spatial misallocation." American Economic Journal: Macroeconomics, 11(2): 1-39. (2019). https://pubs.aeaweb.org/doi/pdfplus/10.1257/mac.20170388
[4] Up for Growth. "Housing underproduction in Washington State." (2020).

Housing

Washington State has the fewest housing units per household of any state

Current Efforts

The Department of Commerce provides a variety of tools to local governments, nonprofits and community action agencies to support affordable housing including administering the housing trust fund (HTF). While investments are significant, they are not enough to support the growing need for affordable homes.



Recent notable legislation to address the housing crisis include:

- **HB 1406 (2019)** allows local jurisdictions to impose a local state-shared sales and use tax to fund affordable or supportive housing.
- **HB 1923 (2019)** establishes incentives to encourage more urban residential building capacity. HB 2343 and SB 6334 build on HB 1923 to expand housing capacity.[5]
- **HB 1220 (2021)** strengthened the Growth Management Act Housing goal from "encourage the availability of affordable housing to all economic segments of the population" to "plan for and accommodate housing affordable to alle economic segments of the population of the state."[6] Requires anti-displacement measures.

Governor Inslee recently put forward a package of housing policies for the legislature to consider in 2022 to address some of these gaps which included a statewide policy to overturn local bans on "missing middle" housing. This would allow for the creation of a greater variety of housing types such as duplexes and townhouses in most areas of large and mid-size cities, effectively banning single-family zoning.[7] The proposed legislation, meant to address homelessness, also includes $800 million in investments in permanent supportive housing and behavioral health facilities. However, similar bills (HB 2780 and SB 6536) which sought to re-legalize middle housing in most of the state were killed in 2020.

Remaining Gaps

Despite current efforts Washington is still not building enough homes, especially homes that are affordable at lower incomes. Many of the barriers to increasing housing production identified in the 2020 Housing Underproduction in Washington State report and the **2021 Housing Affordability Crisis report remain, including:**

- Zoning restrictions, biased against high-density sites, that prevent adding "missing middle" units in single-family neighborhoods often driven by NIMBYism. *Statewide policies to overturn local bans on "missing middle" housing have been proposed but not yet passed.*
- Escalating and misaligned fee structures, such as impact and linkage fees.
- Poorly calibrated inclusionary housing requirements.
- Lengthy review processes that invite gaming and abuse by growth opponents.
- Future labor concerns especially in the construction trades.



[5] "2019 affordable housing update." Washington State Department of Commerce. (2020). https://www.commerce.wa.gov/wp-content/uploads/2020/03/2019-AHAB-Annual-Report.pdf

[6] "2021 legislative changes to the housing laws: guidance for HB 1220 and related bills." Washington State Department of Commerce. (2021). https://deptofcommerce.app.box.com/s/i01k0sghwo0oo8pf8tnk307i96c689s0

[7] Governor Jay Inslee. "Inslee announces bold proposals for homelessness." (December 15, 2021). https://www.governor.wa.gov/sites/default/files/Homelessness_PolicyBrief_Dec14.pdf

Workforce Replacement

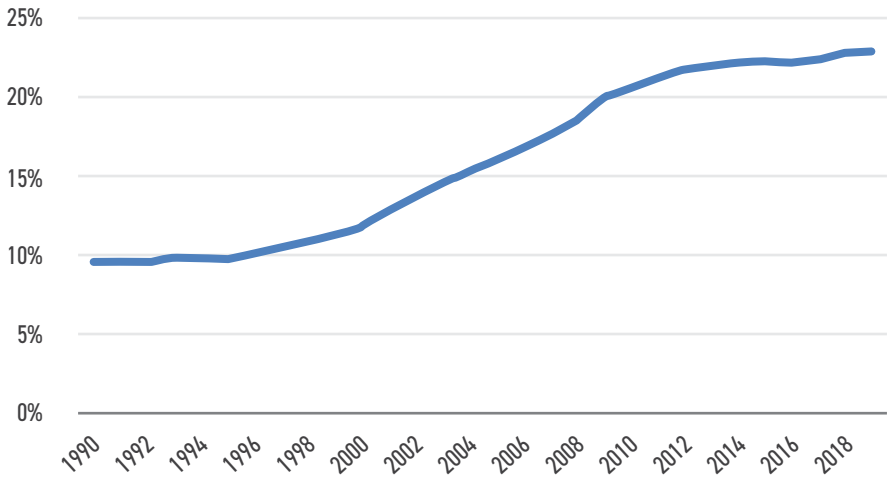
Businesses of all sizes are struggling to find workers to fill vacancies

One of the basic inputs of any enterprise is labor, and that input is lacking in 2021. This is likely the overlap of various factors including: a larger than normal wave of retirements brought on by the COVID pandemic, hesitancy to return to environments some workers may consider unsafe, financial flexibility to wait and pursue jobs that provide better pay or benefits, limited access to childcare, and an economy rebounding from the pandemic.

Many Americans were able to increase their savings in 2020 and 2021. Various federal one-time and ongoing financial assistance programs provided extra cash while pandemic limitations reduced spending on typical goods and services. Some also had equity investments that saw high returns. Placed in stronger financial situations, many were able to wait to return to work. At the same time, certain parts of the economy were thriving, significantly increasing their hiring to keep up with demand. E-commerce increased dramatically, and with it the need for transportation, warehousing, and delivery services. Health care was further fueled by the pandemic. This has resulted in an advantageous position for workers, as employers are in great need while laborers have the financial stability to wait and move around to higher paying positions or careers with greater benefits.



PERCENT OF ALL WORKERS AGED 55 AND OLDER, STATEWIDE IN WA



Source: Quarterly Workforce Indicators

While many of the factors driven by the pandemic will likely resolve themselves, vacancies will be a continuing challenge as a large share of the workforce reaches retirement age e.g., "the Silver Tsunami." The share of workers aged 55 and older in Washington is at an all-time high, and a strong stock and real estate market may provide the financial stability many need to step away from working. Some may also be retiring early to assist with childcare responsibilities for their children or extended family due to the issues surrounding schools and childcare. Many of these vacancies will be in high-skill positions including the trades and may take years to replace the knowledge developed over decades. Continued business growth, especially in STEM and other high demand fields will further fuel the need for workers.

Workforce Replacement

Businesses of all sizes are struggling to find workers to fill vacancies



Current Efforts

Some of the workforce shortage caused by the pandemic will likely resolve itself without state intervention. Employers are increasing wages and adding various benefits, both the traditional health insurance and more time off, and now educational assistance for upskilling. In addition, severe COVID cases are declining, and vaccine utilization is growing, hopefully allowing some additional comfort to return to work. Most likely savings are also starting to slide as no new stimulus has been provided in recent months, and enhanced unemployment insurance has expired.

However, replacing a skilled, retiring workforce will be more challenging. State and local workforce development entities offer a variety of programs to help develop the talent pipeline and connect workers with training programs and job opportunities. Additionally targeted state funding for expanding STEM programs at Washington's public universities has helped drive success in degree production. Private organizations are also working to improve workforce development efforts. The Washington Workforce Portal, a project of the AWB Institute released in 2021 as a pilot effort, is underway in Spokane and the Tri-Cities as a free workforce-based learning matching program.

The Workforce Education Investment Act (2019) has made workforce education more affordable. Starting in the 2020-21 academic year, students with family incomes at or below 100% of the state's median family income qualify for full tuition scholarships to college or apprenticeship training programs (aid is determined on a sliding scale).

Remaining Gaps

Despite current efforts to boost educational attainment, particularly in high-demand fields such as STEM and healthcare, there is a chronic skills gap between the skills employers need and the skills jobseekers have. The 2017 Skilled and Educated Workforce report projected a shortage of 20,000 skilled workers annually between 2020 to 2025. This would require a 30% increase in the number of certificates and degrees granted in the state. Despite this data being several years old, the prognosis is unlikely to have improved given the ongoing challenges with the pandemic. While strong workforce demand is seen at all education levels, particularly in STEM, workers with mid-level skills (associates, certificates, and apprenticeship completers) are in particular demand making up half of the projected need. The 2019 Skilled and Educated Workforce report identified the greatest mid-level workforce needs are in production and trades; business, management, and sales; human and protective services; health professions; and computer and information science.[8]

	Midlevel	Bachelor's	Graduate	Total
Projected annual job openings for skilled workforce (2020–2025)	43,500	33,397	17,410	94,307
Current annual supply of workers	34,996	28,455	10,698	74,149
Net In-Migration (2011–2015)	1,487	3,246	5,852	10,585
Remaining Gap	**7,017**	**1,696**	**860**	**9,573**

Source: Adapted from "A Skilled and Educated Workforce 2017 Update." Washington Student Achievement Council



[8] Washington Skilled and Educated Workforce, 2019-2020. https://wsac.wa.gov/sites/default/files/2019-20.WASkilledEducatedWorkforce.pdf

Child Care

Washington has the 9th most expensive infant care of any state [9]

According to 2019 Child Care Aware data, the average monthly price of full-time childcare was $939 per child or 16% of the median household income for a family with children under six. Many families also lack access to licensed childcare facilities with only 35 childcare slots for infants, toddlers, or preschoolers for every 100 children whose parents work.[10]

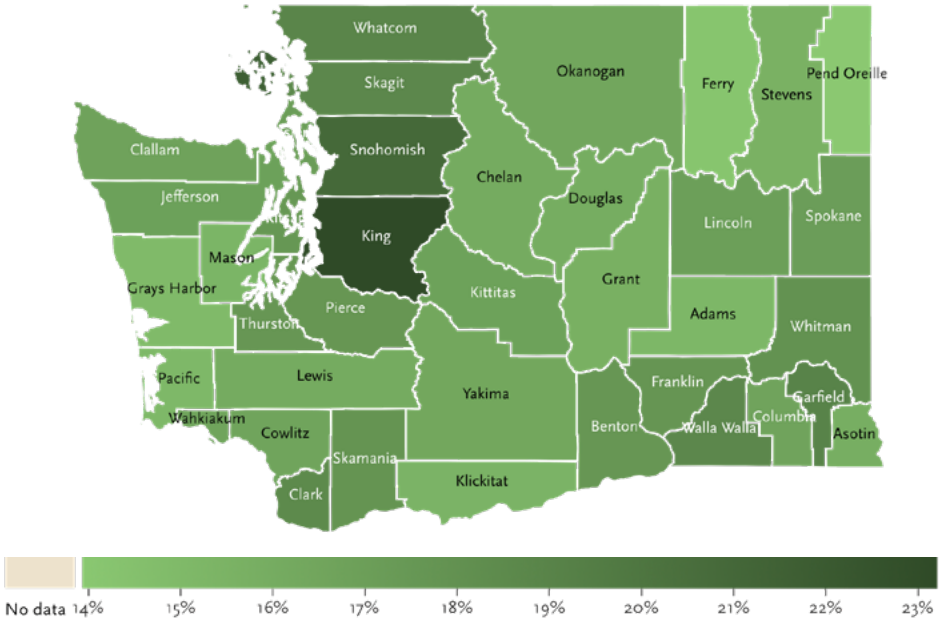
Limited and unaffordable childcare prevents many parents from fully engaging in the workforce, restricting family economic advancement, and employers from filling jobs. According to a 2019 report from the Eastern Washington University Institute, employee childcare issues cost the state's gross domestic product (GDP) an estimated $6.5 billion in lost contributions.[11]

$939
average monthly price of full-time childcare

16%
of the median household income for a family with children under six

35
childcare slots for every 100 children whose parents work

AVERAGE CHILDCARE COSTS BY MEDIAN INCOME



The darker the color, the greater the percent of the median household income for a family spent on child care per child.

Source: https://www.childcareaware.org/our-issues/research/ccdc/state/wa/

Additionally, childcare providers tend to make low wages and lack access to other benefits including health care. This results in high turnover in the industry with providers having to compete with other sectors such as retail that offer comparable or better pay with less training and education.[12]

Current Efforts

The Fair Start for Kids Act, which was signed into law on May 7, 2021, aims to make childcare more accessible and affordable throughout the state. The legislation increases the number of families who can qualify for financial assistance through the Working Connections Child Care Program (WCCC) by raising income eligibility limits and reducing income cliffs.[13] Over the next seven years the limits will be raised three times from 200% of the federal poverty level prior to October 1, 2021 to 85% of the state median income (SMI) by July 1, 2027. The legislation also reduces income cliffs by preventing co-payments over 7% of family income, which will allow families to accept raises and promotions without experiencing an offsetting increase in childcare costs.[13]

[9] Economic Policy Center Institute https://www.epi.org/child-care-costs-in-the-united-states/#/WA
[10] Child Care Aware Data. (2019). https://www.childcareaware.org/our-issues/research/ccdc/state/wa/
[11] The Mounting Costs of Childcare. (2019). Department of Commerce.
[12] Washington State Child Care Access Strategy, Child Care Collaborative Task Force Report to the Legislature and Governor under 2SHB 1344, Laws of 2019. (2021). Washington Department of Commerce.
[13] FINAL BILL REPORT E2SSB 5237 https://lawfilesext.leg.wa.gov/biennium/2021-22/Pdf/Bill%20Reports/Senate/5237-S2.E%20SBR%20FBR%2021.pdf?q=20210917092716

Child Care

Washington has the 9th most expensive infant care of any state [9]

The legislation increases the subsidies providers earn to 85% of market rate from 65% in 2020, enhancing providers ability to pay higher wages.[14] The legislation also instructs the Department of Children, Youth, and Families (DCYF) to build upon the work of the Child Care Collaborative Task Force to develop and implement a childcare cost estimate model. This completed model would be used to identify and recommend subsidy rates sufficient to compensate for the full costs of providing high quality childcare in the future. The DCYF was further instructed to evaluate options to support access to affordable health care insurance coverage for licensed or certified childcare providers.

Remaining Gaps

The Fair Start for Kids Act provides a solid foundation for addressing Washington's gaps in childcare access and affordability, including providing direction for future research and improvements. . While it is hard to know right now how effective this legislation will be at meeting the extent of need in Washington, it certainly provides a strong path forward. The state should continue to monitor the efficacy of this Act to identify if additional policy action is warranted in the future.



[14] 2020 Childcare Policy Recommendations, Child Care Collaborative Task Force Report to the Legislature and Governor under 2SHB 1344, Laws of 2019. (2020).

Broadband

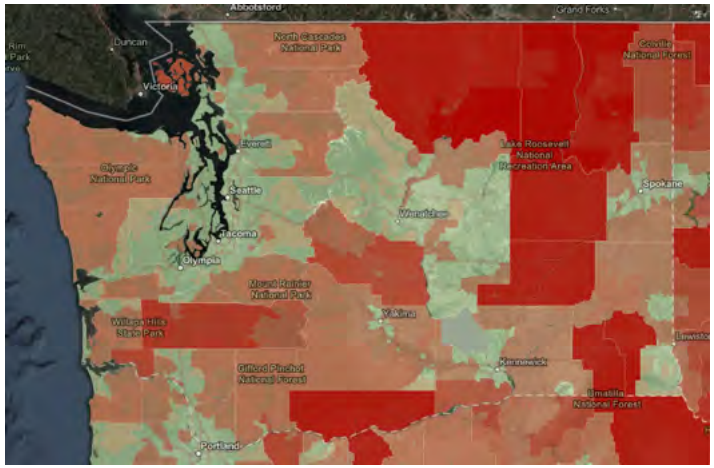
Over 338,000 Washingtonians lack access to a broadband connection

Washington ranks 16th of all states in terms of broadband connection.[15] However current regulatory definitions and measurement techniques may not adequately capture broadband needs. For example, target speeds of 25/3 are no longer considered adequate to meet growing demand. Recent work by the U.S. Department of Commerce's National Telecommunications and Information Administration indicates that Washington's broadband infrastructure needs are much greater.[16]

Limited access to reliable, affordable, and fast internet access prevents workers from taking advantage of work from home opportunities or other training opportunities that enhance economic mobility. Businesses that do not have adequate broadband cannot maintain a web presence or access certain services. Additionally, the ability to telework may "increases employee retention and job satisfaction.[17]" Rural residents are more likely to lack access due to infrastructure deficiencies, whereas urban residents may have the infrastructure but be unable to afford it.



MANY WASHINGTONIANS LACK ACCESS TO BROADBAND EITHER ENTIRELY OR AT SUFFICIENT SPEEDS TO MEET MODERN DEMANDS



LEVEL	INDICATOR OF BROADBAND NEED	YES	NO	NO DATA
COUNTY	Speed Tests – M-lab Median Speeds Fixed Broadband Below 25/3 Mbps			
	Usage – 75% or More of Devices Connect to Microsoft Updates/Services via Fixed Broadband Download Speeds below 25 Mbps			
CENSUS TRACT	Speed Tests – Ookla Median Speeds Fixed Broadband Below 25/3 Mbps			
	American Community Survey – 25% or More of Households Report No Internet Access			
	American Community Survey – 25% or More of Households Report No Computer, Smartphone or Tablet			
CENSUS BLOCK	FCC Form 477 – No Provider Reports Consumer Fixed Broadband Services at 25/3 Mbps			NA

Source: NTIA Indicators of Need Map. Accessed October 2021 https://broadbandusa.maps.arcgis.com/apps/webappviewer/index.html?id=ba2dcd585f5e43cba41b7c1ebf2a43d0

Current Efforts

The FCC, through its Broadband Data Collection (BDC) program is in the process of updating its current broadband maps with more detailed and precise information on the availability of fixed and mobile broadband services. The BDC program will give the FCC, industry, state, local and Tribal government entities, and consumers the tools they need to improve the accuracy of existing maps. This is important for local and state governments as they determine where to focus efforts to improve / expand infrastructure.

Washington State is also working on improving broadband infrastructure. In 2019 the State Legislature enacted legislation that established access and download / upload speed goals for residences, businesses, and communities as well as a grant and loan program to support the extension of broadband infrastructure to unserved areas.[18] The Washington State Broadband Office mapping initiative will help identify areas of broadband infrastructure need in order to advance the state's goal to have universal broadband access in Washington by 2024.

[15] BroadbandNow, Washington Internet Coverage and Availability, accessed February 2022. https://broadbandnow.com/Washington

[16] The U.S. Department of Commerce's National Telecommunications and Information Administration (NTIA) has a newly released Indicators of Broadband Need Tool. In addition to using the internet service provider's (ISP) volunteer data that the FCC primarily relies on, NTIA takes data from the Microsoft update services, the M-Lab and Ookla speed tests, and the American Community Survey data about internet access and device use. This tool paints a much clearer picture of which areas have the greatest need.

[17] Urban Land Institute. "Broadband and Real Estate." (2021).

[18] Second Substitute Senate Bill 5511. https://lawfilesext.leg.wa.gov/biennium/2019-20/Pdf/Bills/Session%20Laws/Senate/5511-S2.SL.pdf?q=20210629153124

Broadband

Over 338,000 Washingtonians lack access to a broadband connection

Goals are:

BY 2024
25/3 Mbps scalable

BY 2026
1/1 Gbps all anchor

BY 2028
150/150 Mbps all residents and businesses

Additionally, the Public Broadband Act which went into effect in July 2021, ended the restriction on public utilities offering public broadband services directly to residents. Municipalities will now be better positioned to access federal funding which often requires telecommunication grant applicants to also deliver service to customers.[19] The Infrastructure Investment and Jobs Act allocates a minimum of $100 million to help provide broadband coverage across the state. The Act will also benefit 19% of Washingtonians who will be eligible for the Affordability Connectivity Benefit which helps low-income families afford internet access.[20]

Remaining Gaps

Washington is already addressing the gaps in access and affordability of broadband by establishing goals, providing funding, and allowing public utility districts to directly provide broadband to residents. Established goals go above and beyond current FCC standards. While there is still a "last mile" challenge for some businesses / workers, the influx of money from the Infrastructure Investment and Jobs Act will go a long way in achieving these goals. The real question is how to best leverage the broadband that is coming to have a strong effect on business.



[19] Aaron Kunkler. "Two big broadband bills became effective yesterday." (July 26, 2021). https://washingtonstatewire.com/two-big-broadband-bills-became-effective-yesterday/

[20] The Infrastructure Investment and Jobs Act will Deliver for Washington. https://www.whitehouse.gov/wp-content/uploads/2021/08/WASHINGTON_Infrastructure-Investment-and-Jobs-Act-State-Fact-Sheet.pdf

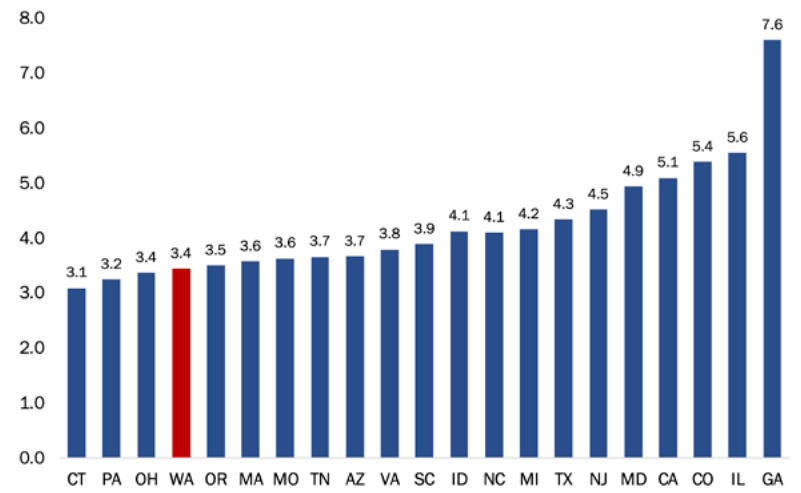
High-growth / Innovation Firms

Washington is forming fewer high-growth potential businesses than a decade ago and less than most peer states

Entrepreneurship has been on the decline nationally and in Washington over the past 40 years.[21] Of particular concern, Washington's high-propensity business formation—those most likely to turn into a business with a payroll and living wage jobs—have declined 30% from the early 2000s (per capita), and now rank 4th lowest among peer states.[22] While Washington remains competitive on most traditional economic development measures, low growth in high-propensity firms could indicate limited potential for future economic expansion and shared prosperity. Factors contributing to the decline of entrepreneurship include macroeconomic conditions such as population growth and aging, market conditions / concentration, and microeconomic policies including the regulatory environment and access to business supports.[23]

Limited business formation in after the Great Recession hindered the country's economic recovery, however, the pandemic recovery is shaping up differently. Nationally, in 2020 business applications including high-propensity business applications reached all-time highs. Given the role that employer startups play in job creation, innovation, and productivity growth, this surge could indicate economic restructuring.[24] While most peer states experienced growth in high-propensity business applications from 2019 to 2020, Washington declined.

HIGH-PROPENSITY BUSINESS APPLICATIONS (PER 1K POPULATION) 2020



Source: Business Formation Statistics, Census



[21] Business Dynamics Statistics

[22] *The identification of high-propensity applications is based on the characteristics of applications revealed on the IRS Form SS-4 that are associated with a high rate of business formation. High-propensity applications include applications: (a) from a corporate entity, (b) that indicate they are hiring employees, purchasing a business or changing organizational type, (c) that provide a first wages-paid date (planned wages); or (d) that have a NAICS industry code in manufacturing (31-33), a portion of retail (44), health care (62), or accommodation and food services (72).* https://ssti.org/blog/useful-stats-high-propensity-business-applications-state-2006-2020

[23] Lisa Abraham and Benjamin K. Master. "Entrepreneurship in America: Challenges and Opportunities." Rand Corporation. (March 2021).

[24] John C. Haltiwanger. "Entrepreneurship during the Covid-19 pandemic: evidence from the business formation statistics." NBER working paper series. National bureau of Economic Research. (June 2021).

High-growth / Innovation Firms

Washington is forming fewer high-growth potential businesses than a decade ago and less than most peer states

Current Efforts

As the state's economic development agency, the Washington State Department of Commerce is involved in ongoing efforts to improve and increase jobs and facilitate business development in Washington. Commerce focuses on strengthening key high-growth industries by promoting public-private partnerships, enhancing the workforce, and advancing strategies that support small business growth and expansion. Small business supports encompass a variety of programs including education and technical assistance, grants and loans, and crisis planning. There are also a variety of local and regional entities that provide supports for entrepreneurship and small business growth.

Recent legislation that could support formation in high-growth businesses includes SHB 1170. Enacted in July 2021, it established the goal of doubling the state's manufacturing employment base, the number of small manufacturing businesses, and the number of women-and minority-owned manufacturing businesses in the next 10 years. It tasks commerce with identifying and developing strategies to achieve this goal.

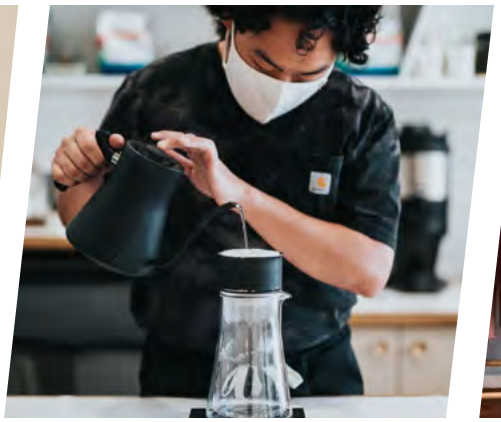


Remaining Gaps

Washington has historically done well when measured by traditional economic indicators. A few leading industries and businesses have driven great success for a subset of the population. This success has masked the need for greater support for, and focus on, high-growth business formation. Washington, like the rest of the nation, can expect to continue to grapple with the macroeconomic conditions of an aging population as well as unstable market conditions exacerbated by the pandemic. However, Washington has room to improve targeted regulatory policies and business supports for high-growth firms. Doubling manufacturing in the state would improve high-propensity business formation, but to date, no specific policies have been developed to achieve this goal.









Regulatory Environment

A variety of regulatory barriers are discouraging businesses of all kinds from forming, growing, and competing in the global economy

The regulatory environment is a limiting factor that comes up across industries for both small and startup businesses as well as expanding businesses. The Wharton Residential Land Use Regulatory Index ranks the Puget Sound regions as the 4th most regulated region in the country for permitting and land use, behind only New York, San Francisco, and Providence.

Stakeholders consistently expressed frustration with the complex, costly, growing and competing regulations that often disproportionately impact small businesses. The Washington State Auditor's Office in 2015 found that 26 state agencies administer 1100+ regulations. One rule filing can impose dozens of changes to different sections of the Washington Administrative Code (WAC) making it challenging for small businesses to keep track. Studies also suggest that more regulations lead to less business entry and a greater likelihood of a startups closing. Regulations may harm startups more than large and established businesses in three ways:[25]

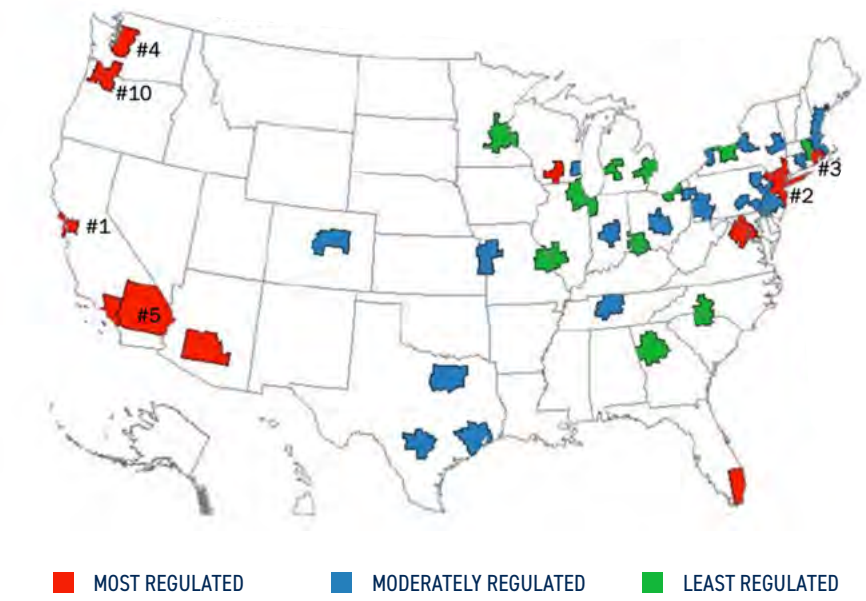
Disproportionate cost burdens

Economies of scale in compliance

Entry barriers

Stakeholders also noted that there is limited shovel-ready land for industrial uses due to land use laws, zoning limitations, and lack of infrastructure. Industrial uses require larger plots of land which can be hard to come by in urban areas where competing commercial and residential uses can drive up costs and eat away at current land. Areas that have larger parcels of land may not be served by adequate infrastructure to sustain industrial operations. While land use and growth management has created amenity value and produced environmental benefits in Washington, it has contributed to the limited number of available and suitable sites for business expansion. An industrial lands analysis in the Central Puget Sound Region in 2017 found that while the region seems to have sufficient industrial land for future demand, non-industrial land will likely continue to absorb industrial jobs and may increasingly do so.

RESIDENTIAL LAND USE REGULATORY RANKING LARGEST 44 REGIONS (CBSAS)



Source: Wharton Residential Land Use Regulatory Index, 2018



"Growth in our town cannot happen without the general infrastructure to be addressed."

—Survey Respondent

[25] Chris Edwards. "Entrepreneurs and regulations: removing state and local barriers to new businesses." CATO Institute. (May 5, 2021). https://www.cato.org/policy-analysis/entrepreneurs-regulations-removing-state-local-barriers-new-businesses#regulations-businesses

Regulatory Environment

A variety of regulatory barriers are discouraging businesses of all kinds from forming, growing, and competing in the global economy

Current Efforts

Washington has made some strides to centralize and coordinate efforts across regulatory agencies. The state has improved support for small businesses as they navigate regulatory processes through infrastructure investments such as the Office of Regulatory Innovation and Assistance, the Small Business Liaison Team, and the Washington Business Hub. For the most part individual agencies work to simplify state regulations and improve practices and policies.

HB 1352, adopted in 2017, required the Attorney General to review the Administrative Procedure Act, related administrative rules, similar statutes, and case law to identify rights and protections afforded to small business owners selected for agency enforcement action. The Attorney General then recommended steps to improve those rights or protections and/or access to timely information about them.





Remaining Gaps

The regulatory environment is a barrier to business formation and growth. Businesses would benefit from reduced regulatory complexity as well as further assistance navigating regulatory processes. A report by the Attorney General's Office recommended the following changes[26]:

1. **Improve efforts to provide transparent, accessible information and assistance to operating businesses early in the process.**
2. **Improve efforts to share effective practices among agencies.**
3. **Expand the role of business associations and other groups in coordinating the sharing of information between small business owners and agencies.**
4. **Be deliberate about how "small business" is defined.**
5. **Consider targeted expansion of the use of special advocates or Ombud's to help disseminate information and resolve noncompliance issues or disputes.**

[28] Bob Ferguson Attorney General. "Report to the Legislature, HB 1352." (November 30, 2017). https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=HB%201352%20Final%20Report_b96c86e0-a9ea-4955-ba75-edb5b7180a6a.pdf

Access to Capital

Both new and existing businesses lack the capital they need to succeed

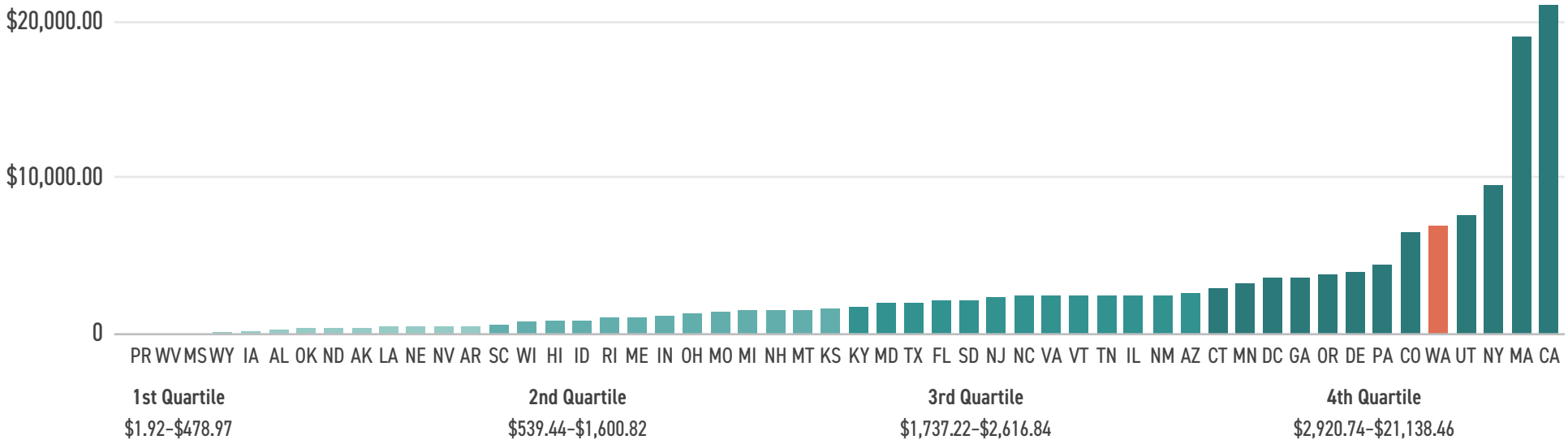
Capital is a necessary ingredient to fuel business growth throughout the state. While Washington is in the top quartile of states for venture capital investments (trailing the big two states: California and Massachusetts) many businesses struggle to access it due to a variety of reasons: poor credit or insufficient collateral, discriminatory lending practices (conscious or unconscious), language barriers, digital barriers, and lack of information on resources available and how to obtain them. These barriers are especially acute for people of color. Black-owned applicant firms were half as likely as White-owned applicant firms to be fully approved for loans, lines of credit, and cash advances in 2019.

While data is unavailable at the state level, lack of access to capital remains a consistent theme across industries in Washington. It came up in both the focus groups and survey results. Stakeholders indicated challenges accessing:

1. **Startup capital to get new businesses off the ground.**
2. **Working capital which includes lines of credit to continue and grow business. In many cases, federal grant money (in response to COVID) has ceased but businesses are still struggling.**

This challenge can be worse for some industries due to the level of risk tolerance banks are willing to accept. For example, businesses like restaurants and hospitality can be highly seasonal in nature or have a lot of competitors which may make them less desirable for bank lending.

AVERAGE SIZE OF VENTURE CAPITAL DEAL BY STATE



Source: National Science Foundation: PitchBook, Venture capital and private equity database, data available as of February 2021; U.S. Bureau of Economic Analysis, Gross Domestic Product data (various years), data as of May 2020; Government of Puerto Rico, Office of the Governor, Gross Domestic Product data (various years), data available as of May 2020

Access to Capital

Both new and existing businesses lack the capital they need to succeed

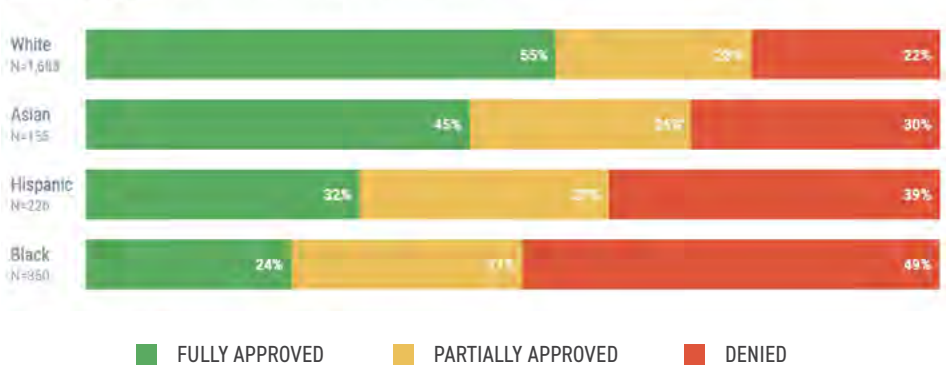
Current Efforts

The Washington Department of Commerce supports several loan programs targeted toward small business. The Small Business Flex Fund helps small businesses and nonprofits access up to $150,000 in low-interest loans through Community Development Financial Institutions (CDFIs). CDFIs have a lower barrier to assistance than traditional funding institutions. In addition, ARPA reauthorized and expanded the Small Business Jobs Act of 2010, which established the original State Small Business Credit Initiative (SSBCI) program. The new version of the program provides a combined $10 billion to states, the District of Columbia, territories, and Tribal governments to empower small businesses to access capital needed to invest in job-creating opportunities. The funds will support recipient jurisdictions in promoting American entrepreneurship and democratizing access to startup capital across the country, including in underserved communities.

The Equitable Access to Credit Act (HB1015) is also under consideration by the Washington State legislature. If passed it would award grants to qualified lending institutions (QLIs) to provide access to credit for underserved, largely rural communities.

OUTCOMES OF LOAN, LINE OF CREDIT, AND MERCHANT CASH ADVANCE APPLICANT, PRIOR 12 MONTHS

(% OF EMPLOYER FIRM LOAN, LINE OF CREDIT, AND CASH ADVANCE APPLICANTS)



Source: Small Business Credit Survey, 2021 Report on Firms Owned by People of Color.

SMALL BUSINESS FLEX FUND

UP TO $150,000

IN LOW-INTEREST LOANS THROUGH CDFIS

SMALL BUSINESS JOBS ACT OF 2010

COMBINED $10B

FOR JOB-CREATING OPPORTUNITIES

Remaining Gaps

Many of these programs are time limited and rely on funds being reallocated. There is not a consistent source of funding. Additionally, while equity has risen to the forefront of consideration fueled by the pandemic, ensuring that underserved groups are able to access funding will require more than just ensuring funding is available. It will also require flexible opportunities for access (due to lack of collateral), as well as technical assistance and language and culturally appropriate information. There may also be opportunities to target certain high-propensity businesses which are desirable to grow jobs.





APPENDIX D

BUSINESS COMPETITIVENESS METRICS

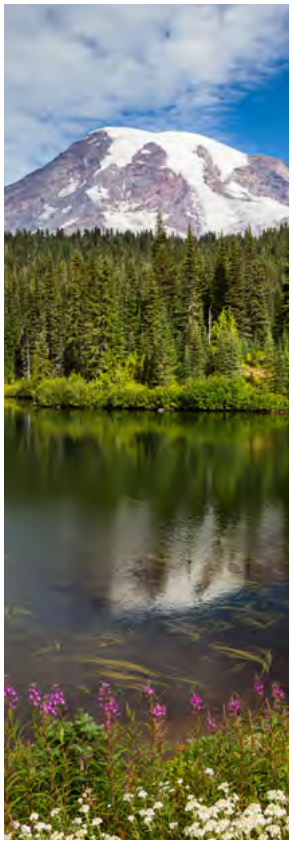
Appendix

Business Competitiveness Metrics

A comparative metrics dashboard designed to create a data-driven narrative and shape state strategy.

To keep this new definition of economic competitiveness front-and-center in policy and strategy discussions, the following section details a repeatable approach to create a dashboard that assigns specific metrics that measure capacity builders and realized outcomes as described throughout the report. This section:

- Creates an approach for a dashboard.
- Identifies appropriate peer states for Washington.
- Specifies data points that best capture key realized outcomes and capacity builders.
- Documents how data can be used to track performance over time.

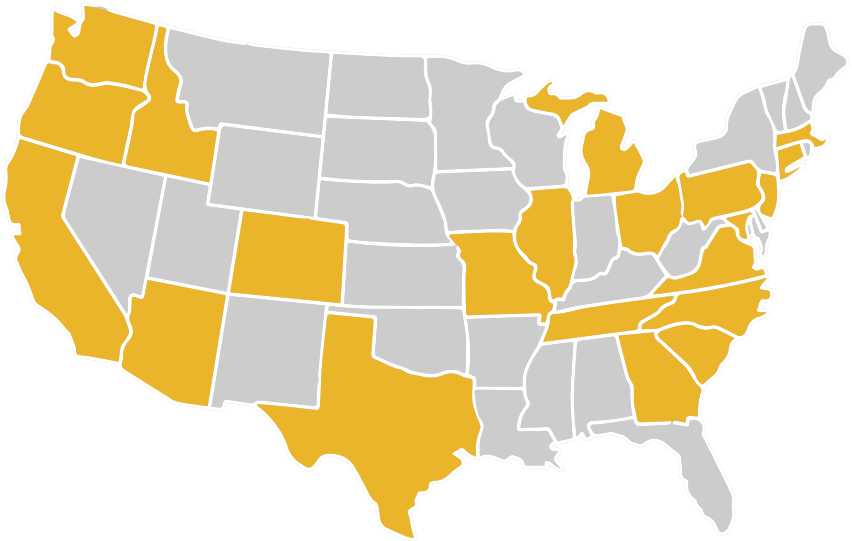


Peer State Selection

In each of the metrics in this dashboard, Washington is compared against a set of 16 other states that meet the following criteria:

- **Size:** between half the size of Washington and twice the size of Washington (3.5 million to 14 million).
- **Innovation:** rank in top 30 of ITIF's State New Economy Ranking, which combines data on knowledge jobs, globalization, economic dynamism, digital infrastructure, and innovation.
- **Economic Geography:** the second largest metro area in the state has a population of at least 400,000, in order to capture states that have to balance the needs of multiple metro areas in addition to rural areas.

In addition to these 16 states, Washington is also compared to California, Idaho, Texas, and South Carolina, because they are of particular interest to leaders in Washington, despite not meeting the above criteria. The group of 21 states, including Washington, is as follows.



Metrics and Definitions

This section details the 14 specific measures selected for the comparative metrics dashboard and the rationale for including each.

The general approach to selecting these metrics was to identify those that were aligned with the realized outcomes and capacity builders described in the report and met these criteria:

- Regularly updated.
- Can be disaggregated by race.
- Available at the state and local level (county or metro area).

In several cases, it wasn't possible to satisfy all three of these criteria, but overall the dashboard focuses heavily on racial equity. Where possible, the dashboard includes data on the state's Black population rather than the BIPOC or minority populations, because in some cases that aggregated data can obscure the size of White-Black disparities, which are typically the most disparate.

Appendix

Business Competitiveness Metrics

Metrics for Key Outcomes — Quality Jobs

Quality Jobs

The following two metrics were used to represent quality jobs:

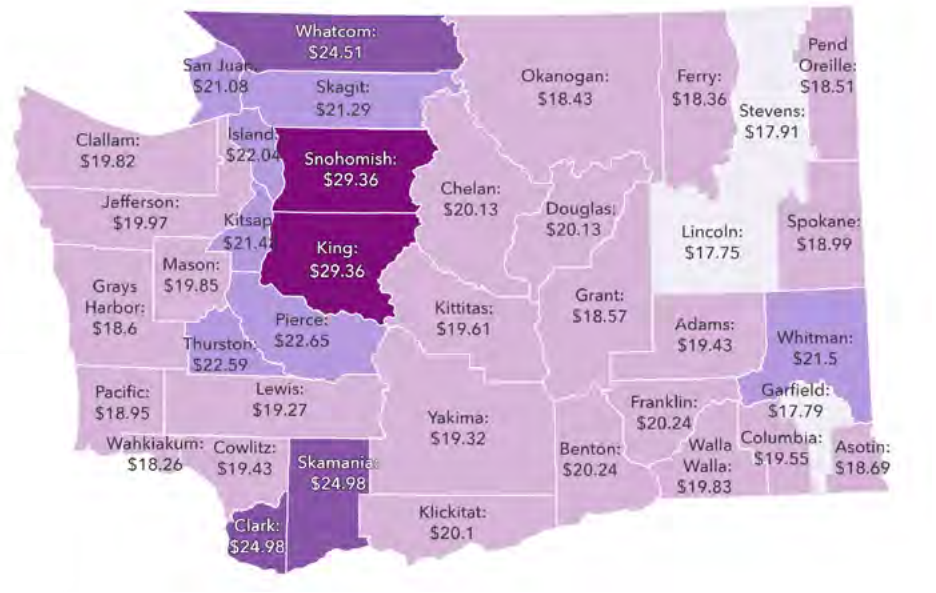
- Share of working-age adults (18-64 years old) with a quality job.
- Share of Black working-age adults with a quality job.

Definition and Rationale

There is no simple way to define a quality job. At ***minimum***, however, a quality job should allow families to cover their basic expenses: food, childcare, health insurance, housing, transportation, and other necessities. There are several "living wage" calculators that measure, by region and family type, what hourly wage meets this threshold. The living wage in a given region can vary substantially based on family type. According to the MIT Living Wage calculator, the living wage in the Seattle metro area ranges from about $19 per hour for a single adult without children to $58 per hour for a single adult with three children. For the purposes of economic strategy and policy, however, there needs to be a single wage threshold that can be used to measure performance.

In 2021, The Brookings Institution did an analysis of wage levels required to lift half of economically struggling families to self-sufficiency in different regions. For example, in Seattle, almost 35% of families are economically struggling, and a wage of about $25 per hour would be enough to lift half of those families to self-sufficiency. For example, earning a $25 per hour wage would be enough to move a family with two working adults and two children to self-sufficiency, but not enough for a family with one working adult and three children. The Brookings Institution called these "family-sustaining" wages. To apply this approach to all of Washington, we compared Brookings "family-sustaining" wages to data from the MIT Living Wage Calculator, which is available for every county in Washington to analyze how they compare. This approach to defining a quality job

QUALITY JOBS HOURLY WAGE THRESHOLD BY COUNTY, 2021



Source: MIT Living Wage Calculator, The Brookings Institution, Census PUMS

represents approximately the wage that would lift half of currently-struggling families in each county to self-sufficiency. This approach was then replicated for each of the peer states, allowing for the calculation of the number of jobs in each state that pay above the threshold of "family-sustaining", and for the purpose of this report are referred to as quality jobs.

It is important to note again that this is a self-sufficiency wage, not a thriving wage. It enables only half of families to be self-sufficient – and self-sufficiency is a low bar. It does not provide for entertainment, restaurant meals, any time off work for leisure or education, or savings for housing or education. Some may perceive this to be too modest a goal for Washington leaders to have in mind when making policy and investment decisions, but the reality is that currently only 34% of workers in the state have a job that meets this threshold. Strategies and policies that aimed to create more jobs that meet this threshold would substantially improve the quality of jobs in the state.

Appendix

Business Competitiveness Metrics

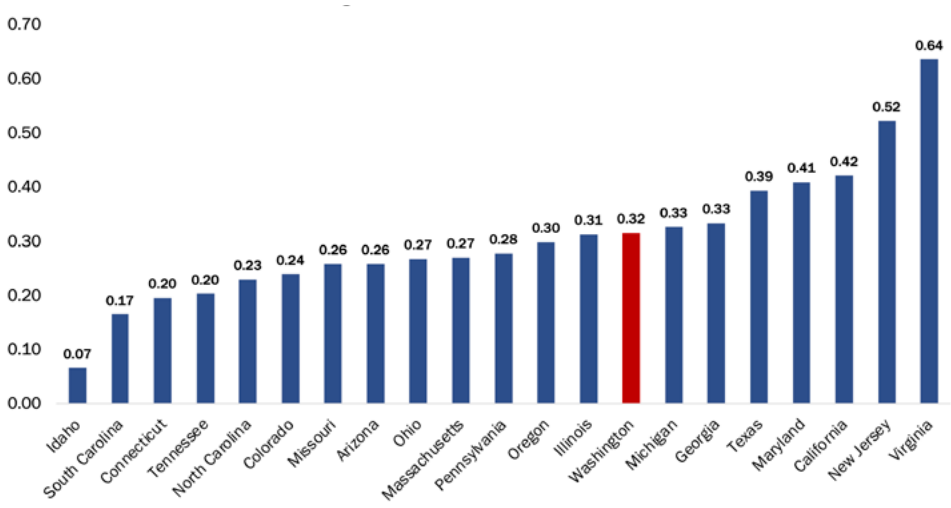
Metrics for Key Outcomes — Wealth Creation

Wealth Creation

The following four metrics were used to represent wealth creation:

- Share of households 18 to 64 years old that own their homes.
- Share of Black households 18 to 64 years old that own their homes.
- High-growth potential business applications per capita.
- Proportion of businesses owned by minorities in high growth industries.

BIPOC-OWNED HIGH-GROWTH POTENTIAL BUSINESSES — FAIR SHARE RATIO



Source: Census Annual Survey of Entrepreneurs

Definition and Rationale

There is very limited data available to directly measure individual or household wealth, and no data that does so directly with detail by race/ethnicity. The metrics selected for this portion of the dashboard use proxies to explore wealth creation trends and disparities in Washington. As previously mentioned in the report, there is an opportunity for the State to conduct additional research to produce and maintain metrics that directly measure wealth by race/ethnicity.

This dashboard uses homeownership and ownership of high-growth businesses as proxies for wealth. Homeownership, and in this instance measured as the rate of homeownership, is well documented as a key contributor to household wealth. The emphasis on high-growth businesses merits further explanation. A small share of businesses are responsible for the majority of growth, and therefore wealth creation. The metrics in this dashboard are designed to capture these high-growth potential businesses, as the growth of a business is what leads to wealth creation. The Census Bureau tracks firms whose business applications are for corporate entities, or indicate that they plan on hiring employees, or fall into certain high-growth industries.

There isn't data available on ownership of these high-growth potential businesses by race/ethnicity. To fill this gap, the Annual Survey of Entrepreneurs measures ownership of businesses by race/ethnicity within individual industries at the state level. The dashboard summarizes data on BIPOC-owned business in three traded-sector industries (professional services, manufacturing, and information technology) in which high-growth, innovation-driven firms are concentrated. In order to evaluate if businesses owned by people of color are underrepresented, the share of BIPOC-owned businesses needs to be weighted by the share of population in each state. For example, 9.9% of businesses in these growth oriented traded sector industries are BIPOC-owned in Washington State, compared to 33% of the total statewide population. Weighted by the share of population in Washington State these business owners are underrepresented by 3.29 times—higher proportions indicate more underrepresentation.

Appendix

Business Competitiveness Metrics

Metrics for Key Outcomes — Talent Development and Innovation

Talent Development

The following four metrics were used to represent talent development:

- Share of young adults (age 25-34) with associate's degree
- Share of Black young adults with associate's degree
- Share of young adults with bachelor's degree
- Share of Black young adults with bachelor's degree

Innovation

The following four metrics were used to represent innovation:

- Share of workers in advanced industries
- Share of Black workers in advanced industries
- Share of jobs in young firms
- Output per worker (productivity)

Definition and Rationale

Educational attainment does not translate as directly into economic opportunity as is often believed. For example, wages of the bottom 60% of earners among college graduates fell from 2000 to 2018. There is, however, still on average a wage premium for workers with a college degree: those with an associate's degree make 33% more over their lifetime than high school graduates, and those with a bachelor's degree make almost 75% more. Even if the wage premium for graduates continues to decrease in coming years, creating equitable opportunities for Washington residents to develop their talents is fundamental to quality growth. Data for other forms of talent development (e.g., certificates and apprenticeships) is limited, these are important and valuable opportunities for skill development. Creating a more robust dataset in the State would be valuable for tracking progress, and could be included in the dashboard in the future.



Definition and Rationale

As with education, innovation does not translate directly to widespread and equitable opportunity. Many measures of innovation, including patent rates, R&D spending, and venture capital funding, tend to reflect what is happening among just a few large and fast-growing firms. A state like Washington can excel in these measures due to the outsized impact of a few large Seattle-area employers, while at the same time many workers across the state are excluded from the benefits of this innovation. It is important to understand whether the typical Washington firm is innovating and becoming more productive. Data on individual firm performance isn't available in any public datasets. However, the quality jobs metric can serve as proxy, capturing whether Washington firms are successful enough to pay a family sustaining wage. Nevertheless, innovation is still a crucial precondition for quality, sustained growth.

Advanced Industries are a set of 50 industries, as defined by The Brookings Institution and McKinsey, that are highly R&D-intensive and employ above-average shares of workers with STEM skills. These industries not only provide quality jobs for workers within them, but also create many "spillover" jobs in supply chains and local services. Similarly, employment in young firms matters because it captures the impact of entrepreneurship —as in, whether newly-created firms are actually achieving significant growth in their first five years. Productivity is a crucial measure of an economy's ability to create opportunity —without increased productivity, it is difficult to achieve sustained increases in wages. As Nobel laureate Paul Krugman has said: "Productivity isn't everything, but in the long run it is almost everything".

Appendix

Business Competitiveness Metrics

Pulling the Data Together: A Business Competitiveness Index

While each of the fourteen data points in this dashboard is meaningful in its own right, there may be venues in which it is important to have just one or two top-line numbers that capture whether Washington's economy is moving in the right direction and improving relative to peer states. This new set of metrics is an alternative to existing high-profile rankings for public- and private-sector leaders that focuses on prioritized outcomes and the leading indicators enabling those outcomes. We propose a straightforward approach to creating such an index.

The index includes two metrics:

1. Washington's overall performance on capacity builders relative to peer states.
2. Washington's overall performance on key realized outcomes relative to peer states.

Overall performance is calculated as a simple average of the state's rank on each metric in the category.



Following this approach, using the latest data available, Washington ranks 1st among 21 states on capacity builders, ahead of the next highest performers Colorado, Virginia, and Massachusetts. However, Washington ranks 15th out of 21 states on realized outcomes (between Missouri at 14th and South Carolina at 16th).

The discrepancy between Washington's rank on capacity builders and realized outcomes is what this index is designed to highlight. It emphasizes that despite having more "raw material" than any other state, in terms of talent and innovation, Washington does not currently have the policies and practices in place to generate widespread and equitable opportunity. The index providers a framework for policymakers to evaluate priorities and the effectiveness of their implementation through a consistent evaluation tool. Currently the dashboard reveals that a more targeted portfolio of policies and investments is needed that are focused on improving realized outcomes. Washington cannot simply continue to boost its performance on capacity builders (bachelor's attainment, advanced industries employment, etc.) and expect widespread and equitable opportunity to result. Rather, more targeted interventions are needed that prioritize creating quality jobs and opportunities to create wealth, particularly for people of color. For example, specifically targeting growth in industries or occupations that create quality jobs for workers without college degrees, or creating programs and funds specifically targeted at entrepreneurs of color.

Appendix

Business Competitiveness Metrics

Pulling the Data Together: A Business Competitiveness Index

BUSINESS COMPETITIVENESS PEER STATE DASHBOARD — CAPACITY BUILDERS

PEER STATE	CAPACITY BUILDERS AVERAGE	CAPACITY BUILDERS RANK	BACHELOR'S ALL (2019)	BACHELOR'S BLACK (2019)	ASSOCIATE'S ALL (2019)	ASSOCIATE'S BLACK (2019)	ADV INDUSTRIES, ALL (2020)	ADV INDUSTRIES, BLACK (2020)	JOBS IN YOUNG FIRMS (2020)	JOBS PRO-DUCTIVITY (2020)
WASHINGTON	4.4	1	9	8	3	4	1	4	5	1
ARIZONA	13.3	18	21	11	9	9	19	14	8	15
CALIFORNIA	8.4	5	10	4	17	16	7	10	1	2
COLORADO	6.4	2	4	5	16	3	5	6	3	9
CONNECTICUT	11.9	13	3	6	20	15	8	19	21	3
GEORGIA	11.6	11	13	10	13	10	16	11	9	11
IDAHO	12.9	16	20	16	1	1	21	21	2	21
ILLINOIS	11.8	12	6	12	10	11	14	15	19	7
MARYLAND	9.8	6	5	2	18	20	6	5	16	6
MASSACHUSETTS	8.1	4	1	1	21	5	4	17	12	4
MICHIGAN	12.1	14	17	21	6	14	3	1	18	17
MISSOURI	12.9	16	11	18	4	6	17	13	15	19
NEW JERSEY	11.1	9	2	3	19	18	13	18	11	5
NORTH CAROLINA	11.4	10	12	14	5	17	12	8	10	13
OHIO	15.9	21	16	20	11	21	11	12	20	16
OREGON	12.4	15	14	17	12	2	18	16	6	14
PENNSYLVANIA	14.5	20	8	13	7	19	20	20	17	12
SOUTH CAROLINA	10.9	8	19	19	2	8	9	3	7	20
TENNESSEE	14.1	19	15	15	15	12	15	9	14	18
TEXAS	10.1	7	18	7	14	13	10	7	4	8
VIRGINIA	7.3	3	7	9	8	7	2	2	13	10

BUSINESS COMPETITIVENESS PEER STATE DASHBOARD — REALIZED OUTCOMES

PEER STATE	REALIZED OUTCOMES AVERAGE	REALIZED OUTCOMES RANK	QUALITY JOBS, ALL (2019)	QUALITY JOBS, BLACK (2019)	HOMEOWN-ERSHIP, ALL (2019)	HOMEOWNER-SHIP, BLACK (2019)	HIGH-GROWTH POTENTIAL BUSINESSES, ALL (2020)	HIGH-GROWTH POTENTIAL BUSINESSES, MINORITY-OWNED (2020)
WASHINGTON	12.8	15	8	5	17	21	18	8
ARIZONA	16.7	20	17	16	20	20	13	14
CALIFORNIA	12.7	13	19	11	21	18	4	3
COLORADO	10.0	10	9	12	12	8	3	16
CONNECTICUT	9.8	9	1	4	9	5	21	19
GEORGIA	9.0	7	16	13	15	3	1	6
IDAHO	12.3	11	15	14	2	13	9	21
ILLINOIS	7.5	3	6	10	6	12	2	9
MARYLAND	3.3	1	4	1	5	1	5	4
MASSACHUSETTS	13.3	17	5	15	18	14	16	12
MICHIGAN	8.8	5	11	17	1	9	8	7
MISSOURI	12.7	13	13	9	7	17	15	15
NEW JERSEY	5.5	2	2	3	13	7	6	2
NORTH CAROLINA	14.2	18	18	20	14	6	10	17
OHIO	14.2	18	7	19	8	19	19	13
OREGON	16.7	20	20	18	19	16	17	10
PENNSYLVANIA	8.8	5	3	6	3	10	20	11
SOUTH CAROLINA	13.2	16	21	21	4	2	11	20
TENNESSEE	12.3	11	14	7	10	11	14	18
TEXAS	9.2	8	10	2	16	15	7	5
VIRGINIA	7.8	4	11	8	11	4	12	1