

PORT OF SOUTH WHIDBEY STRATEGIC PLAN

7/25/2023

Final Economic Evaluation

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CHAPTER 1. EXECUTIVE SUMMARY

BST Associates was retained by the Port of South Whidbey to update the economic and financial conditions facing the Port, and to discuss options for future development plans.

The Port's Mission Statement:

“Our mission is to enhance the economic well-being of the community and improve public access to marine areas while respecting the unique rural character and environment of South Whidbey Island.”

Economic Trends

The population of the Port of South Whidbey grew from approximately 14,000 in 2000 to 16,300 in 2022. The median age is higher in the Port District than in Island County or Washington State, median household income is also higher, and a greater percentage of residents have a Bachelor's degree or graduate or professional degree than residents of Island County or the State of Washington.

Marine Access

The Port provides marine access for small and large boats at its boat ramps and South Whidbey Harbor. The number of recreational boats in Island County's has been growing, but there has not been growth in the capacity of boating facilities.

Island County has a relatively small number of moorage slips, and the number of boats that need moorage has increased while the number of slips has not. The Port is planning to expand the South Whidbey Harbor marina at Langley to provide additional moorage.

The number of boats that use boat ramps has also grown, but new ramps have not been built and maintenance issues have made some existing ramps unusable. Hand-powered craft have also seen strong growth, but few new facilities have been built to accommodate them. The Port is evaluating ways to improve the ramps.

Transportation

The Port of South Whidbey seeks to increase employment opportunities for residents who work in South Whidbey, as well as those that commute to jobs off-island. Port facilities also serve visitors to South Whidbey.

A key focus area for the Port is improving transportation options (i.e., providing commuter parking, planning for faster ferry service, and working with other partners to improve access). In 2019, residents of the Port District filled approximately 2,100 of the 3,800 jobs in the district, while 960 workers commuted from North and Central Whidbey and 920 commuted from off island. In addition, approximately 3,900 South Whidbey residents commuted to jobs off-island.

Ferry ridership on the Mukilteo-Clinton route averaged 4 million per year until the Covid pandemic. Prior to that, however, foot passenger traffic declined steadily from 2002 through 2021, due in part to inadequate parking at the terminals, and to transit schedules not being coordinated with ferry schedules. The Port's parking lot and proposed passenger ferry service is designed to improve transportation options for residents, employees and visitors. In addition, it could reduce the number of vehicles traveling on/off the island.

Tourism

Tourism is one of the key drivers of the Island County economy, and South Whidbey accounted for approximately 40% of Island County destination spending in 2021. The size of tourist market in South Whidbey is driven by proximity to the ferry and the large portion of housing used as second homes or rentals. Visitation is impacted by a number of factors such as ferry fares, park fees, fuel prices, weather, and facility availability and capacity.

Destination spending helps owners of businesses in South Whidbey achieve higher revenues, and also supports a larger variety of businesses than would otherwise exist. This adds to the liveability of South Whidbey for residents as well as tourists. However, wages in tourism-oriented businesses are low relative to other jobs in the area.

The Port operates the Fairground in Langley, which hosts the annual Whidbey Island Fair as well as events throughout the year. In addition, the Port is using the Fairground to attract year-round business tenants that serve visitors and residents. The Port is planning to increase usage of the Fairground by creating business incubators and upgrading RV facilities.

Housing

Most of the existing housing (i.e., 89%) in South Whidbey is single-family homes, with the remainder split between multi-family units and mobile homes. Most of the housing in South Whidbey is owner-occupied, and a large share is occupied seasonally (i.e., 32% of housing in South Whidbey is comprised of second homes).

The Port is considering developing workforce housing, which would lead to a more diversified population base, help local businesses retain their workforce, give young residents the ability to remain in South Whidbey, and enable seniors access to care-givers.

Finance

The Port essentially operates as a break-even business, with net income that averaged \$74,000 per year over the most recent decade. This level of net income constrains the ability of the Port to take on new projects, as well as to maintain existing assets.

At the end of 2022, the Port of South Whidbey had \$1.36 million in funds, with approximately \$600,000 in unrestricted funds, and \$700,000 restricted to use on Fairground projects. The Port has current bond debt of \$1.4 million, with annual debt service of approximately \$115,000 until 2039. The Port has also obtained grants to help finance construction projects.

The Port does not have an up-to-date capital improvement plan (CIP) that lays out anticipated project costs and sources of funding. Development of a CIP should be a priority for the Port.

The financial situation for individual lines of business are as follows:

- **South Whidbey Harbor.** The Marina is essentially a break-even venture, with net income that averaged \$1,000 per year from 2013 to 2022. Transient moorage accounts for two-thirds of revenue but is highly seasonal, and this negatively impacts occupancy and income for much of the year. Limited parking at the marina constrains the ability to provide additional long-term moorage.
- **Parks, Boat Ramps.** The Port owns and operates parks and/or boat ramps at Bush Point, Possession Point, and Clinton Beach. Over the past ten years, the combined net loss for these facilities averaged \$40,000 per year.

- **Ferry and Transportation Assets.** The Port-owned Humphrey Road Ferry Parking Lot generated positive net income over the past decade, but the Covid 19 pandemic caused a sharp drop in income.
- **Fairground.** The Port acquired the Fairground in 2015, and the facility operates in the black as a result of property taxes (42% of total revenue from 2013 to 2022)¹. The remaining revenue streams are from fairgrounds events (12%), tenant leases (26%), camping fees (12%), and other sources (9%). However, deferred maintenance at the Fairground is substantial, and the buildings and grounds will require substantial capital improvements in coming years.

Recommendations

The Port needs to address deferred maintenance and proposed projects at all of its lines of business. This includes developing and implementing a capital improvement plan and a financial plan. The Port should increase its reserves in order to enhance resiliency. Additional funding sources should be considered, including a reset of the tax levy or consideration of an industrial development district (IDD), as well as increasing net revenues from operations.

Recommendations for each line of business include the following:

- South Whidbey Harbor.
 - Increase net income by evaluating expenses and reviewing rates annually.
 - Conduct a more detailed analysis of the marina, including addressing deferred maintenance on the existing marina as well as the financial viability of expansion.
- Parks, Boat Ramps.
 - Evaluate other opportunities, such as rebuilding the caretaker house at Bush Point.
 - Work other local and county entities to jointly manage parks and boat ramps in the South Whidbey area.
 - Consider charging a nominal fee for use of the boat ramps to help cover operational costs.
 - Consider finding a way to quantify the number of park and ramp users.
- Ferry and Transportation Assets.
 - The Port should continue to work with partners on potential passenger ferry service. This would require rebuilding the passenger ferry dock at Clinton. Ferry operations would be provided by another public or private entity.
 - The Port should continue to work with partners (WSDOT, Island County et al.) to improve pedestrian access to and from parking at the Clinton terminal.
- Fairground.
 - Modify the Fairground operating plan to improve its financial position. This includes changing the way expenses are allocated for events, developing lease policies that minimize dislocation of tenants during fair week, and seeking new opportunities for revenue (including business incubators and other potential opportunities).
 - Upgrade RV facilities to enhance the visitor experience and Port revenues.
- Workforce Housing.

¹ Property taxes associated with the Fairground are approximately \$200,000 per year and are equally split between operations and capital improvements.

- In addition to the existing lines of business, the Port is evaluating its potential role in providing workforce housing. In particular, the Port is in the early stages studying how a portion of the Fairground property might be used for developing workforce housing.
- The Port should continue to work with the City of Langley and other potential partners to determine the feasibility of this concept.
- Site Development.
 - The Port is also evaluating its potential role in assisting other public and private entities to improve commercial and industrial properties in order to bolster higher wage jobs such as manufacturing, assembly, and incubator spaces, among other uses. These properties are primarily located at Freeland and at the Whidbey Airpark airport near Langley.. The Port is exploring how it may be able to assist private owners and/or the County in the development of sewer infrastructure in appropriately appropriately-zoned properties.

CHAPTER 2. ECONOMIC ASSESSMENT

The following section reviews the socio-economic trends in South Whidbey and provides a discussion of key economic sectors. It is intended to provide a base from which to review the performance of existing and proposed uses at the Port of South Whidbey.

Population and Demographic Trends

Population

The Port of South Whidbey's population base increased from 13,998 in 2000 to 16,337 in 2022, an increase of 0.7% per year. The City of Langley had 1,135 residents in 2022 and increased by 0.8% from 2000 to 2022². The Port's population represents slightly less than 20% of the Island County population.

The Port's population growth rate (0.7%/year) was slightly lower than Island County's (0.9%/year) and Washington State's population growth rate of 1.3% per year.

TABLE 1: POPULATION TRENDS

Jurisdiction	2000	2010	2022	CAGR 2000-2022
Langley	959	1,035	1,135	0.8%
Uninc. Area of PSW	13,039	14,301	15,202	0.7%
Total	13,998	15,336	16,337	0.7%
% County	19.6%	19.5%	18.6%	
Island County	71,558	78,506	87,700	0.9%
% State	1.2%	1.2%	1.1%	
Wash State	5,894,143	6,724,540	7,864,400	1.3%

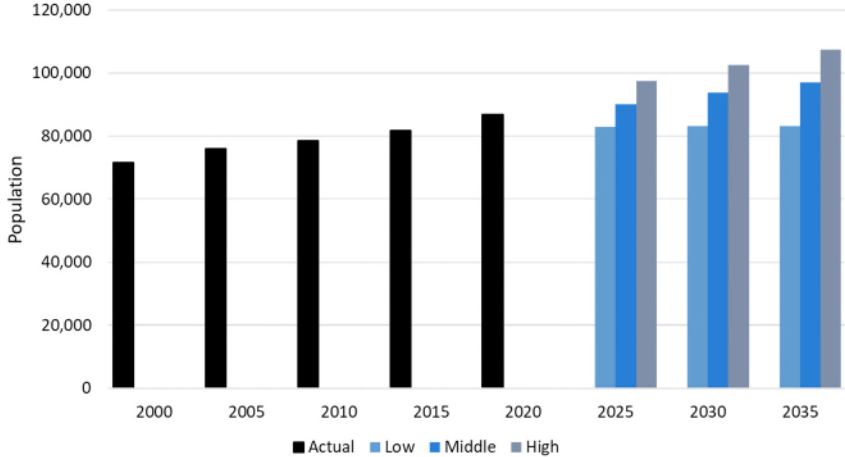
Source: Washington State Office of Financial Management

The Washington State Office of Financial Management (OFM) projects the Island County population to grow from 86,587 in 2020 to between 83,221 (low forecast) and 107,455 (high forecast), and with a medium forecast of 96,903 in 2035. This represents the following average annual growth rates:

- Low Forecast: -0.3% per year,
- Medium Forecast: 0.7% per year, and
- High Forecast: 1.4% per year. (See Figure 1).

² The Port of South Whidbey's jurisdiction is very closely matched to the South Whidbey School District.

FIGURE 1: ISLAND COUNTY POPULATION FORECAST



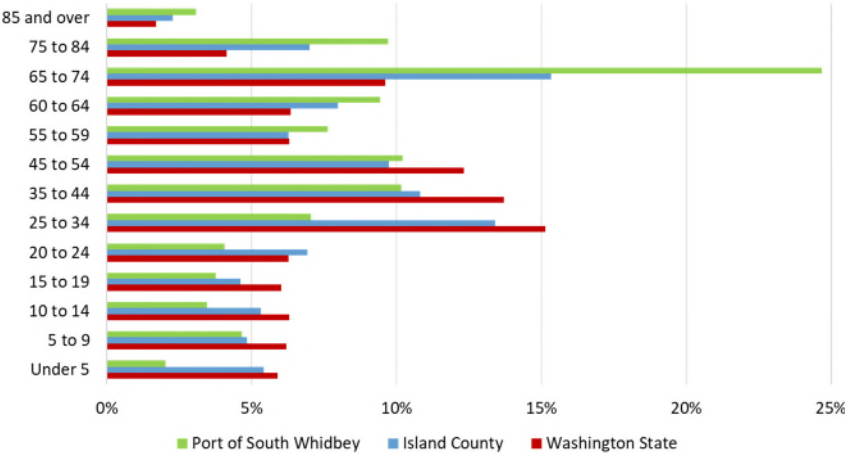
Source: Washington State OFM

Demographics

The population of South Whidbey is relatively old; the median age in South Whidbey was 58.2 in 2021, up from 52.7 in 2013. In comparison, the median age in Island County increased from 43.2 in 2013 to 43.8 in 2021. (See Figure 2).

A larger percentage of the Port of South Whidbey’s population is 55 and older than in either Island County or Washington State, and growth has been fastest in residents over 65 years of age. Conversely, the percentage of Port of South Whidbey’s population under 45 years of age is much lower than in Island County or Washington State, and is partially caused by lack of workforce housing.

FIGURE 2: POPULATION BY AGE GROUP (2021)



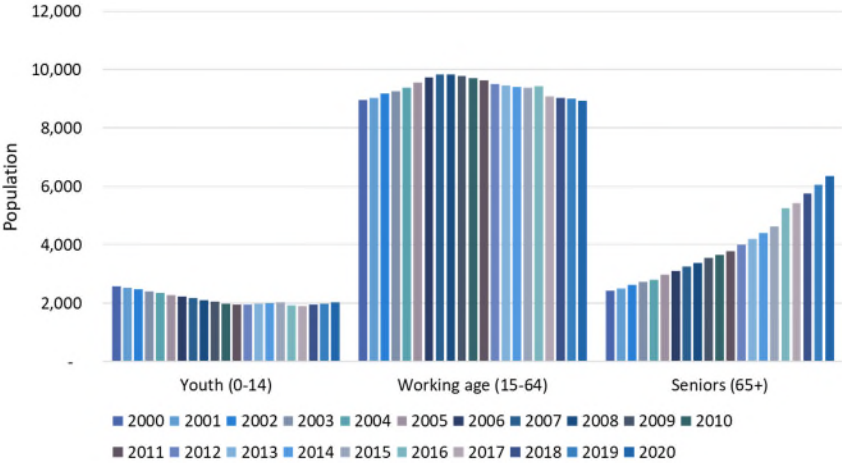
Source: American Community Survey 2021

Changing demographics present a major concern for the South Whidbey economy:

- The population of youth (0 to 14 years of age) declined from 2,595 in 2000 to around 2,000 in 2009 and has remained at this level through 2020.

- The working age population (15 to 64 years of age) grew from 8,959 in 2000 to a peak of 9,841 in 2009 but has since steadily declined to 8,930 in 2020, representing a loss of 911 working age residents between 2009 to 2020. The share of the population in the working age range has decreased from 63.6% in 2000 to 51.5% in 2020.
- At the same time, the senior population (65 years of age and older) has grown rapidly from 3,548 in 2009 to 6,372 in 2020, or at 5.5% per year from 2000 to 2020. Seniors represent 36.7% of the South Whidbey population, up from 23.1% in 2009. (See Figure 3).

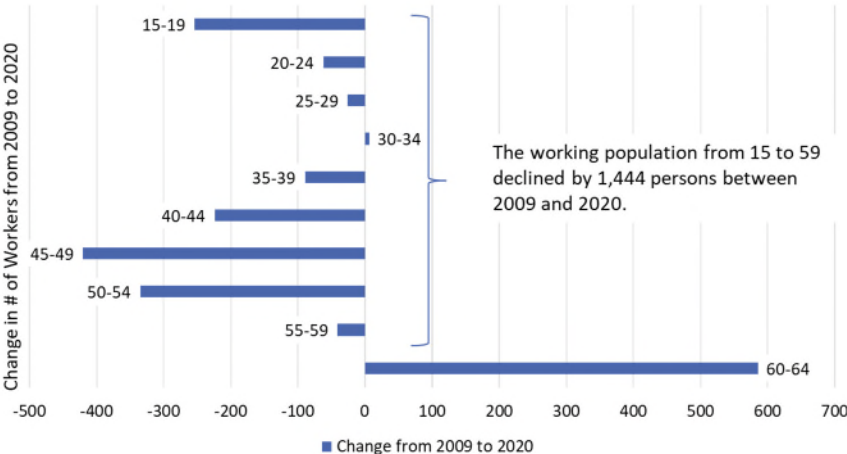
FIGURE 3: SOUTH WHIDBEY POPULATION TRENDS (2000-2020)



Source: Washington State Office of Financial Management

As shown in Figure 4, the working age population (between 15 and 59) declined by 1,444 between 2009 and 2020. The population of South Whidbey is growing older as younger, working age residents leave due to the cost of living (especially the cost and availability of housing) and limited job opportunities.

FIGURE 4: SOUTH WHIDBEY WORKING AGE POPULATION TRENDS (CHANGE 2009 TO 2020)



Source: Washington State Office of Financial Management

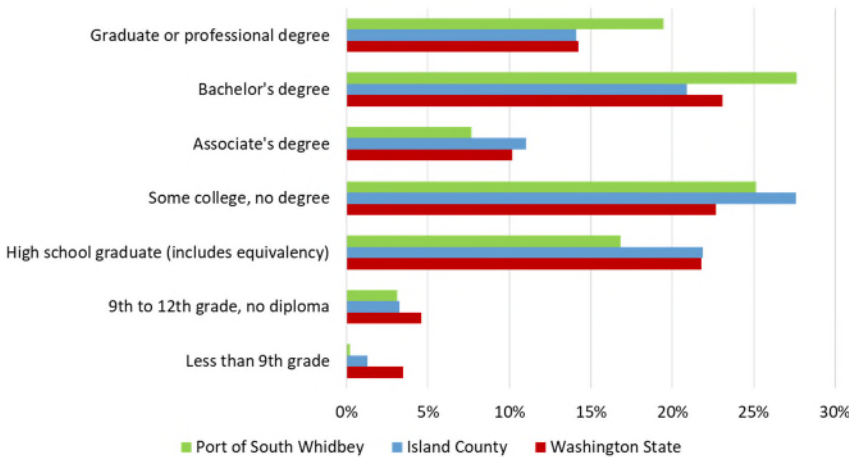
There is a role for Port of South Whidbey in assisting in development of workforce housing and helping to create more higher wage jobs in the Port district.

Educational Attainment

More residents of the Port of South Whidbey have a Bachelor’s degree or graduate or professional degree than residents of Island County or the State of Washington:

- Port of South Whidbey (79%),
- Island County (74%) and
- Washington State (70%). (See Figure 5).

FIGURE 5: EDUCATIONAL ATTAINMENT (2021)



Source: American Community Survey 2021

Sex

There are more females in South Whidbey than males (52% female, 48% male). Island County and the State of Washington are both split evenly (50% female, 50% male).

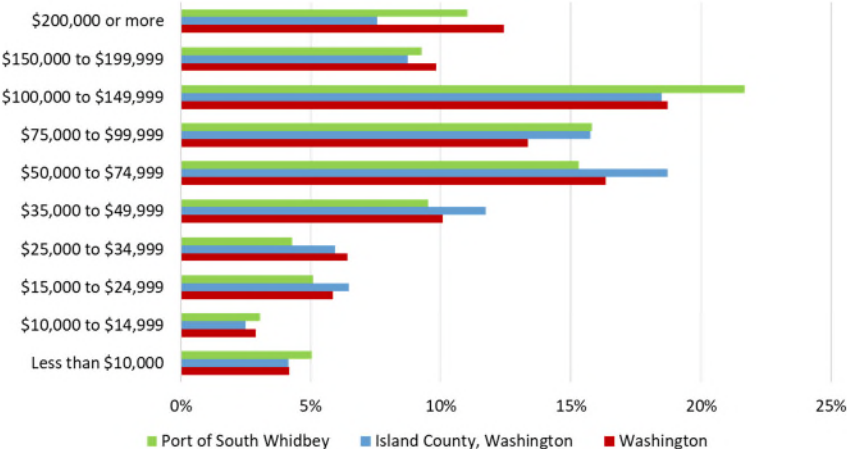
Income

Median household income in the Port of South Whidbey was \$85,104, which was 12.5% higher than in Island County and 3.3% higher than in Washington. (Median income is the level at which half of households have higher income and half have lower income).

Mean household income in the Port of South Whidbey was \$112,405 in 2021, which was 15.5% higher than in Island County and 0.9% higher than in Washington. (Mean income is the average household income).

In South Whidbey, as well as in Island County and Washington, approximately 12% to 13% of households have incomes below \$25,000. However, 58% of households in South Whidbey have incomes over \$75,000, as compared with 54% in the state and 51% in the county. (See Figure 6).

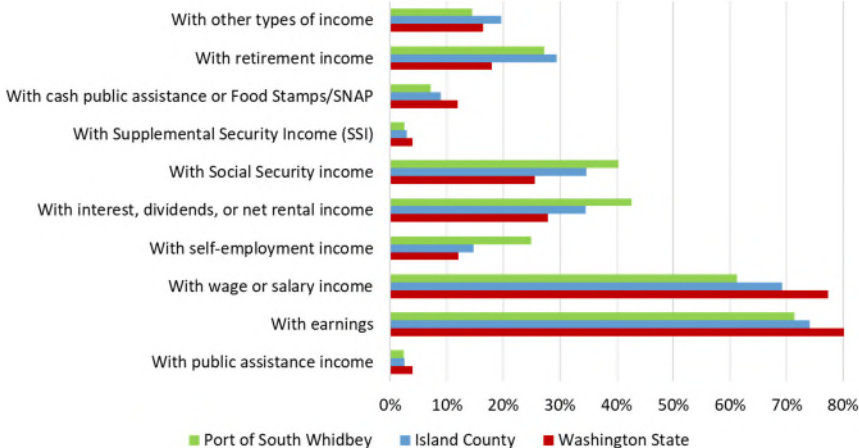
FIGURE 6: INCOME BY RANGE (2021)



Source: American Community Survey 2021

Households in the Port of South Whidbey are less likely to have income from wages or public assistance than households in Island County or Washington, but are much more likely to have income from self-employment, investments and social security. (See Figure 7).

FIGURE 7: INCOME BY SOURCE (2021)



Source: American Community Survey 2021

Employment

Jobs in South Whidbey

According to US Census OnTheMap data, there were an estimated 3,797 jobs in South Whidbey in 2019³.

- 56% of these jobs were filled by residents of South Whidbey,
- 25% were filled by residents of North and/or Central Whidbey, and
- 24% were filled by workers from off island, mainly from Snohomish, King, Whatcom and Skagit counties.

South Whidbey Residents Working Off-Island

Approximately 3,928 residents of South Whidbey residents had jobs off-island in 2019, and most of these jobs were located in King County, Snohomish County, Whatcom County, and Skagit County. There were also approximately 1,500 people in South Whidbey who worked from home (and may not be counted in the above employment estimates).

FIGURE 8: INFLOW/OUTFLOW OF JOBS IN SOUTH WHIDBEY (2019)



Source: US Census OnTheMap 2019, QCEW data

Employment in South Whidbey

As shown in Table 2, the number of employees in South Whidbey increased by approximately 0.5% per year from 2010 to 2020, and grew from 3,141 to 3,409 over the decade. The Covid 19 pandemic, which started in early 2020, caused the number of jobs to drop by nearly 10% (i.e. 368 jobs) from 2019 to 2020.

The top five industry sectors account for approximately 60% of employment. These include:

- Retail trade, with 580 jobs in 2020. Covid 19 impacted retail, resulting in a loss of 52 jobs. This sector has averaged over 600 employees for the past ten years.

³ The jobs in this section include employment by a firm, by the firm's location. They do not include self-employed persons.

- Health care and social assistance is the second largest sector. Employment in 2020 stood at 381 employees, the same as in 2010.
- Manufacturing is the third largest sector with 371 jobs in 2020. Employment peaked at 474 jobs in 2018.
- Construction accounted for 314 jobs in 2020, down slightly for the two prior years but significantly higher than in 2010.
- Accommodation and food services bore the brunt of the Covid 19 impact, declining from levels at 400 or more jobs during prior years to 309 in 2020.

Taken as a whole, the other sectors performed well from 2010 to 2020, with employment growing at 0.9% per year.

Employment by South Whidbey Residents

Employment by South Whidbey residents (both on- and off-island) declined by 239 jobs in 2020 as compared with 2019 (from 6,042 jobs to 5,761 jobs). 2020 employment levels were higher than in 2010, so the number of jobs grew at 0.4% per year over the decade.

The top five sectors account for around 54% of employment. These include:

- Health care and social assistance is the largest sector. Employment in 2020 stood at 783 employees.
- Retail trade accounted for 672 jobs in 2020. The impact from Covid 19 on these jobs was less than in South Whidbey.
- Manufacturing was the third largest sector with 618 jobs in 2020, down 105 jobs from 2019.
- Educational Services accounted for 558 jobs in 2020.
- Construction accounted for 453 jobs in 2020, down slightly from 2019 but significantly higher than in 2010.

Other sectors performed well from 2010 to 2020, growing at 0.4% per year.

The Port of South Whidbey is seeking to enhance employment opportunities for employees working in South Whidbey as well as those that commute off island for employment. Key factors include:

- Improving transportation options, including providing a parking lot and planning for faster ferry service.
- The Port is considering development of workforce housing. This would help employees in health care, retail, accommodations and other sectors that are seasonal or have lower paying jobs.
- The Port is also considering improving commercial and industrial land in conjunction with other public and private partners in order to attract firms engaged in manufacturing, assembly, incubator spaces and other sectors that support higher paying jobs. Improvements required would largely be infrastructure such as sewer, water and roads, among others.

TABLE 2: EMPLOYMENT AT BUSINESSES IN SOUTH WHIDBEY

Jobs by NAICS Industry Sector	2010	2015	2016	2017	2018	2019	2020	CAGR 2010- 2020
Retail Trade	632	577	616	623	665	632	580	-0.6%
Health Care and Social Assistance	380	406	305	319	343	327	381	0.0%
Manufacturing	269	339	375	460	464	383	371	2.2%
Construction	180	266	262	283	325	368	314	3.8%
Accommodation and Food Services	400	403	428	451	489	559	309	-1.7%
Educational Services	340	352	330	329	343	355	291	-1.0%
Professional, Scientific, and Technical Services	175	186	187	209	231	242	260	2.7%
Arts, Entertainment, and Recreation	144	120	127	127	148	191	152	0.4%
Other Services (excluding Public Administration)	101	103	120	194	184	162	143	2.3%
Administration & Support, Waste Management and Remediation	65	93	78	83	90	90	125	4.5%
Information	147	103	110	119	105	113	113	-1.7%
Finance and Insurance	107	77	67	88	104	105	98	-0.6%
Real Estate and Rental and Leasing	50	66	66	63	77	80	76	2.8%
Wholesale Trade	57	83	71	68	63	39	69	1.3%
Public Administration	45	49	39	47	49	55	49	0.6%
Transportation and Warehousing	25	45	41	77	83	31	30	1.2%
Utilities	11	18	17	15	15	14	20	4.1%
Agriculture, Forestry, Fishing and Hunting	13	4	13	10	21	18	15	1.0%
Management of Companies and Enterprises	-	-	-	43	16	13	13	NM
Mining, Quarrying, and Oil and Gas Extraction	=	=	=	=	=	=	=	<u>NM</u>
Total	3,141	3,290	3,252	3,608	3,815	3,777	3,409	0.5%

Source: U.S. Census OnTheMap, ranked by number of employees in 2020

TABLE 3: EMPLOYMENT TRENDS, SOUTH WHIDBEY RESIDENTS WORKING ON & OFF ISLAND

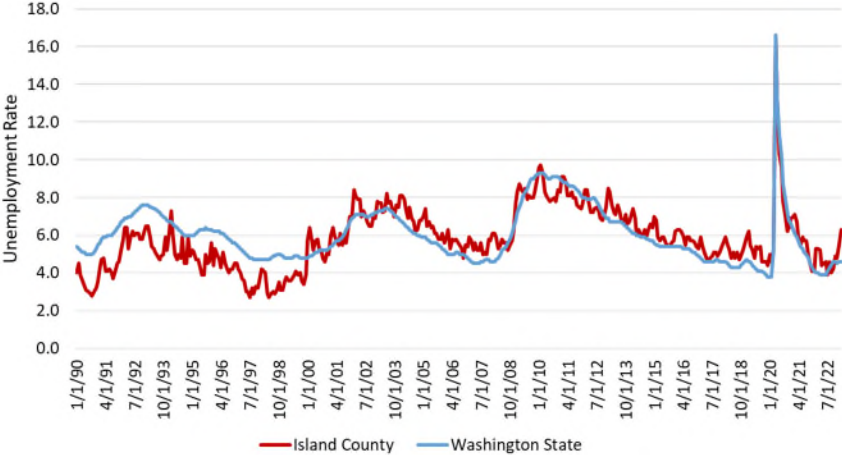
Jobs by NAICS Industry Sector	2010	2015	2016	2017	2018	2019	2020	CAGR 2010- 2020
Health Care and Social Assistance	649	773	734	697	740	702	783	1.9%
Retail Trade	732	776	730	724	748	685	672	-0.9%
Manufacturing	688	745	733	733	682	723	618	-1.1%
Educational Services	616	584	572	576	591	580	558	-1.0%
Construction	300	393	409	439	432	484	453	4.2%
Professional, Scientific, and Technical Services	319	328	352	340	410	346	433	3.1%
Accommodation and Food Services	461	494	549	554	592	643	412	-1.1%
Administration & Support, Waste Management and Remediation	161	164	235	242	260	213	266	5.1%
Public Administration	250	258	245	258	212	225	221	-1.2%
Transportation and Warehousing	217	200	207	223	257	171	205	-0.6%
Information	210	183	198	200	192	178	196	-0.7%
Other Services (excluding Public Administration)	224	200	205	237	227	224	180	-2.2%
Wholesale Trade	183	191	152	202	175	165	172	-0.6%
Arts, Entertainment, and Recreation	144	128	149	157	170	217	167	1.5%
Finance and Insurance	157	157	136	176	187	174	162	0.3%
Real Estate and Rental and Leasing	80	100	128	103	128	115	133	5.2%
Agriculture, Forestry, Fishing and Hunting	61	48	60	55	69	44	54	-1.2%
Management of Companies and Enterprises	48	58	48	77	53	76	51	0.6%
Utilities	19	21	31	36	28	30	20	0.5%
Mining, Quarrying, and Oil and Gas Extraction	<u>5</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>5</u>	<u>5</u>	<u>0.0%</u>
Total	5,524	5,804	5,880	6,031	6,156	6,000	5,761	0.4%

Source: U.S. Census OnTheMap, ranked by number of employees in 2020

Unemployment

Unemployment trends in Island County generally match those in Washington State, although unemployment was lower in Island County from 1990 through 1999 and slightly higher from 2000 to 2023. In addition, unemployment in Island County exhibits much greater peaking due to the seasonal nature of tourism. (See Figure 9).

FIGURE 9: ISLAND COUNTY UNEMPLOYMENT RATE

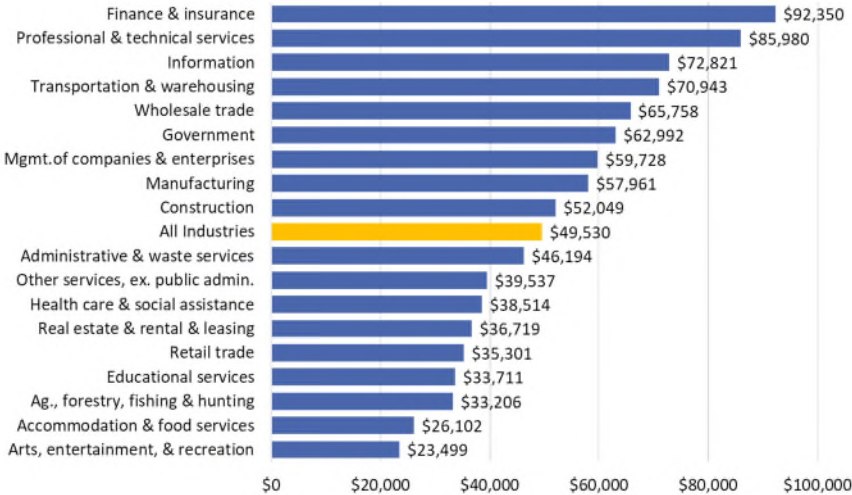


Source: St. Louis Federal Reserve Bank

Wages

In 2021, average annual income in Island County was \$49,530, which is equivalent to an hourly wage of \$23.81 per hour (assuming 2,080 hours per year). The jobs with higher-than-average incomes tend to be in blue collar sectors (construction, transportation/warehousing, manufacturing and wholesale trade), government and white-collar services (finance/insurance, professional/technical and information). Jobs with lower average wages include: arts/entertainment, accommodation & food services, retail trade, educational services and healthcare & social assistance. (See Figure 10)

FIGURE 10: ISLAND COUNTY AVERAGE ANNUAL WAGE (2021)



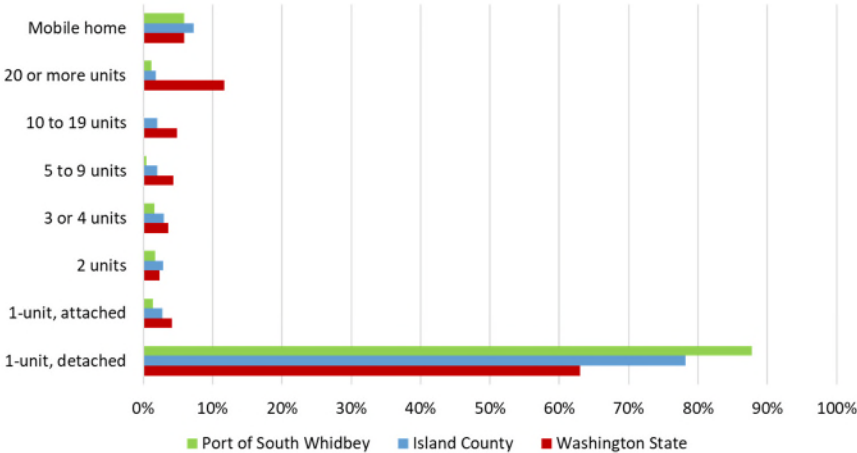
Source: Employment Security Department 2021

The Port is evaluating its potential role in assisting other public and private entities to improve commercial and industrial properties in order to bolster higher wage jobs such as manufacturing, assembly, and incubator spaces, among other uses. These properties are primarily located at Freeland and at the Whidbey Airpark airport near Langley.. One potential role the Port is exploring is assisting private owners and/or the County in the development of sewer infrastructure in appropriately zoned properties.

Housing

South Whidbey’s housing is dominated by single-family homes, which account for 89% of all housing. Multi-family units account for 5% of all housing and mobile homes account for 6%. In Washington State and Island County, multi-family housing represents a much higher share of housing (27% in Washington State and 12% in Island County). (See Figure 11).

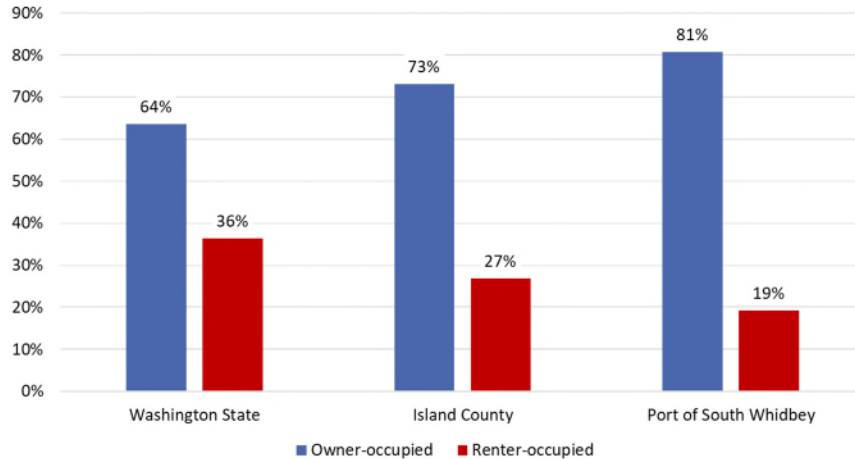
FIGURE 11: HOUSING BY TYPE



Source: American Community Survey 2021

A much higher share of housing in South Whidbey is owner-occupied (81%) than renter-occupied (19%), as compared with Washington State (64% owner-occupied) and Island County as a whole (73% owner-occupied). (See Figure 12).

FIGURE 12: HOUSING BY OCCUPANCY TYPE



Source: American Community Survey 2021

Seasonal housing represents a large portion of the housing inventory and population in South Whidbey⁴. It is suspected that a large portion of the seasonal housing is for rent during part of the year (i.e., Airbnb, VRBO or other formal or informal arrangements). Seasonal housing accounts for:

- 10.9% of the housing units in Island County and
- 22.9% of the housing units in South Whidbey.

The seasonal population accounts for:

- 12.2% of the population in Island County and
- 32.1% of the population in South Whidbey.

⁴ Economic Development Council for Island County, Island County Seasonal Housing Report, May 2022

TABLE 4: SEASONAL HOUSING IN WHIDBEY ISLAND

	Island County	North Whidbey	Central Whidbey	South Whidbey	Camano Island
<i>Housing units</i>					
Total Units	42,270	16,542	7,931	8,960	8,837
Seasonal Units	4,623	352	1,129	2,052	1,090
% Seasonal	10.9%	2.1%	14.2%	22.9%	12.3%
<i>Population est.</i>					
Average occupancy	2.3	2.5	2.1	2.2	2.4
Est. Seasonal Change	10,633	880	2,371	4,514	3,046
Est. Population*	87,100	38,609	13,179	14,036	17,042
Est. % Change	12.2%	2.2%	17.9%	32.1%	17.9%

Source: Economic Development Council for Whidbey Island, Island County Seasonal Housing Report, May 2022

Tourism

Tourism has a strong economic impact in Island County. Recent estimates indicate the tourists spent approximately \$103.3 million dollars in 2021 (preliminary estimate). This spending generated 990 jobs and wages of \$30.2 million, averaging \$30,505 per job. In addition, tourism in South Whidbey generated \$3.4 million in local taxes and \$7.0 million in state taxes.

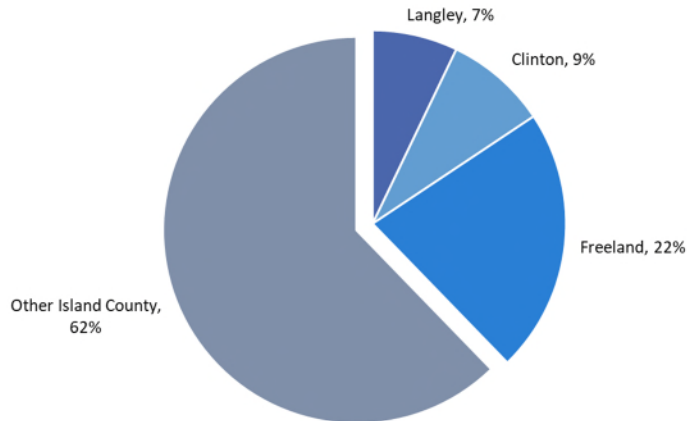
TABLE 5: TOURISM IMPACTS 2021 PRELIMINARY

Category	Spending (\$Million)	Earnings (\$Million)	Employment (Jobs)	Tax Receipts(\$Million)		
				Local	State	Total
South Whidbey estimate	\$103.3	\$30.2	990	\$3.4	\$7.0	\$10.4
% County	37.7%	38.8%	39.4%	37.8%	37.8%	37.8%
% Whidbey Island	40.3%	41.0%	42.5%	40.5%	40.5%	40.5%

Note: South Whidbey includes Langley, Clinton and Freeland.

Source: Dean Runyan Associates, Island County Travel impacts, May 2022, prepared for Whidbey and Camano Islands Tourism

South Whidbey accounted for approximately 40.3% of Island County destination spending in 2021. (See Figure 12).

FIGURE 13: DESTINATION SPENDING BY LOCATION (PERCENT OF COUNTY – 2020)

Source: Dean Runyan Associates, Island County Travel impacts, May 2022, prepared for Whidbey and Camano Islands Tourism

Visitors stayed at several types of establishments, including:⁵

- Hotels and motels (65% of spending),
- Private homes (for vacation rental; 10% of spending),
- Campgrounds (6% of spending),
- Vacation homes (owner; 6% of spending), as well as
- Day travel (13% of spending).

Destination expenditures included a broad range of business sectors, including:⁵

- Accommodations (20% of spending),
- Food service (40% of spending),
- Food stores (9% of spending),
- Local transportation and gas (6% of spending), and
- Arts, entertainment and recreation (12% of spending), and
- Retail trade (12% of spending).

Businesses in tourism-related sectors require income from tourists as well as from local residents to maintain operations. Tourism also helps to provide goods and services that would not be available without the support of visitors.

Tourism-related businesses are having a very difficult time finding and retaining employees, however. The lack of affordable, long-term rental housing is one reason for this. Relatively low wages in tourism-related businesses is a related reason.

⁵ These statistics are only available at the county level.

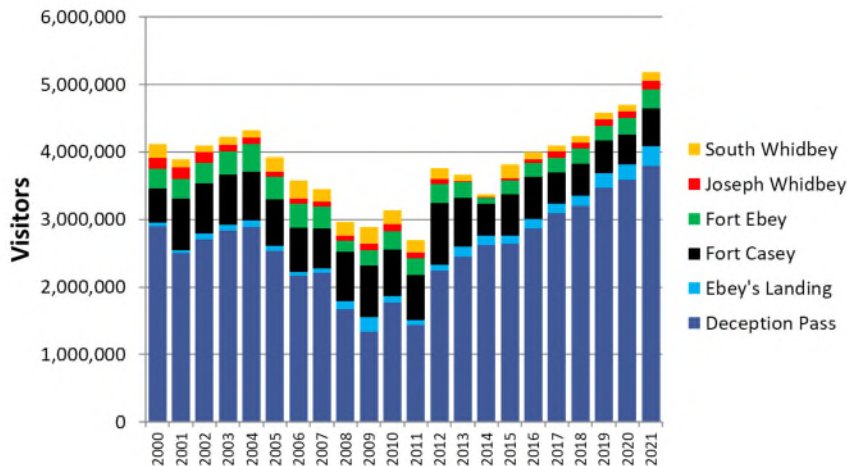
Park Visitors

State parks on Whidbey Island had more than 5 million visitors in 2021, up substantially over prior years. From 2000 to 2005, there were approximately 4 million visitors per year to state parks on Whidbey Island. The great recession drove visitation to a low of 2.7 million in 2011, but visitation began to recover in 2012. (See Figure 14).

Deception Pass State Park accounted for 73% of visits in 2021, followed by Fort Casey State Park (11%), Fort Ebey State Park (6%), Ebey’s Landing State Park (6%), South Whidbey State Park (3%), and Joseph Whidbey State Park (2%).

Several factors impact visitation on Whidbey Island including ferry fares, park fees, fuel prices, weather and facility availability and capacity, among other factors.

FIGURE 14: STATE PARK VISITATION ON WHIDBEY ISLAND



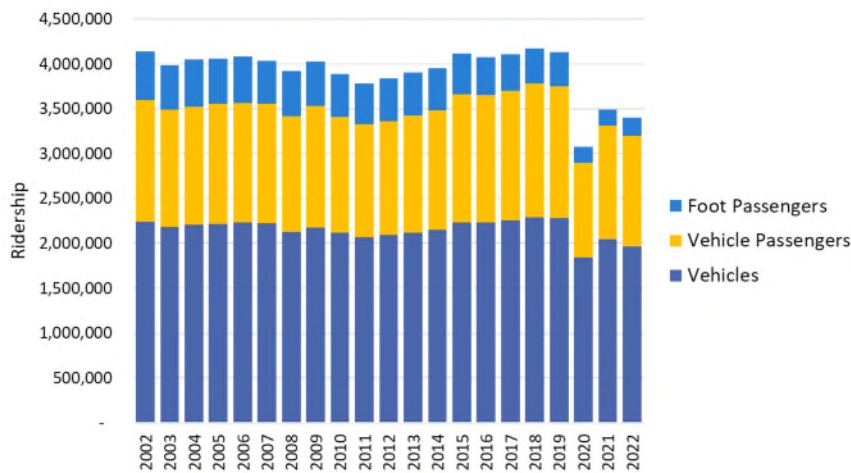
Source: Washington State Parks and Recreation Commission

Ferry Traffic

The Mukilteo-Clinton ferry route is one of the two main ways to get on and off Whidbey Island.

Ridership on this run remained near 4 million from 2002 to 2018, with a dip after the great recession of 2008. Ridership peaked at 4.2 million in 2018, with peak volumes of vehicles and vehicle passengers. Foot passengers peaked in 2002, with a relatively steady decline to 2021. Covid-19 caused a dramatic decline in ridership in 2020, with partial recovery in 2021 to 3.5 million riders. In 2022, traffic fell slightly to 3.4 million. (See Figure 15).

FIGURE 15: MUKILTEO-CLINTON FERRY RIDERSHIP TRENDS



Source: Washington State Ferry System

The decline in ridership is also linked to negative perceptions of ferry service. A recent survey showed that 74% of riders on the Mukilteo/Clinton route have a high level of dissatisfaction, which is higher than on other routes⁶. The top 10 service complaints about the Mukilteo/Clinton route are listed in Figure 16.

Two complaints relate to upland issues and could be actionable items for the Port of South Whidbey:

- Inadequate parking at the ferry terminals, and
- Schedules not being coordinated between the ferry and local transit service.

FIGURE 16: MUKILTEO-CLINTON SERVICE COMPLAINTS

Dissatisfaction	Responses
WSF has on-time dependable departures	70%
WSF has on-time dependable arrivals	68%
Adequate parking near terminals	51%
Bike loading crew provide clear directions	32%
WSF and transit schedules coordinated	28%
Bike loading crew is friendly	19%
Bike loading procedures are efficient	18%
Vehicle loading crew provides clear directions	12%
Vehicle loading crew is friendly	9%
Vehicle loading procedures efficient	9%

Source: Washington State Transportation Commission

⁶ Washington State Transportation Commission. Ferry Riders’ Opinion Group 2022 Winter WSF Performance Survey Results, May 2022.

Recreational Boating

Boat sales are discretionary, with increases during good economic conditions and decreases in bad economic conditions. These fluctuations have occurred during previous economic cycles and are expected to occur in future economic cycles. Boating trends are described in this section.

Registered Boat Trends

The number of recreational boats over 20 feet in Puget Sound increased from 38,443 in 2000 to 46,196 in 2020, which amounts to an average annual growth rate of 0.9%. This is approximately the same rate of growth as the population in Puget Sound.

The number of smaller boats (up to 20 feet) declined over the same time period. However, there are still a very large number of these boats in operation.

TABLE 6: REGISTERED BOAT TRENDS IN PUGET SOUND

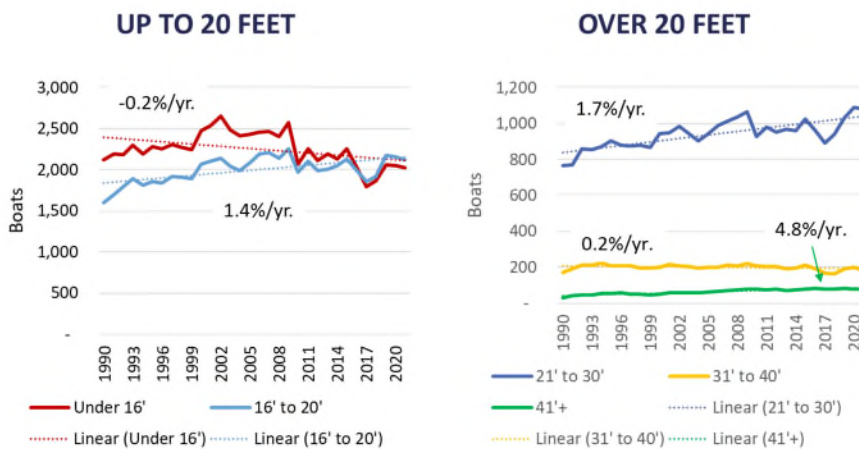
Year	Under 16'	16' to 20'	21' to 30'	31' to 40'	41' to 50'	Over 50'	Total
2000	69,148	65,482	26,799	8,468	2,551	625	173,073
2010	49,988	58,269	29,374	8,106	2,830	804	149,371
2020	45,414	54,443	33,636	8,387	3,114	1,059	146,053
CAGR 2000-2020	-2.08%	-0.92%	1.14%	-0.05%	1.00%	2.67%	-0.85%

Note: includes counties from Clallam County to Whatcom County
 Source: BST Associates, Washington State Dept. of Licensing

Island County's boating fleet experienced similar growth as Puget Sound. Registrations of smaller boats (under 16 feet) peaked in the mid-2000s and has declined. However, boats from 16 to 20 feet long have continued to grow (1.4% per year from 1990 to 2020). (See Figure 18)

Growth in longer boats, particularly 21 to 30 feet and over 40 feet have shown sustained growth. Boats 31 to 40 feet long have been stable with modest growth.

FIGURE 17: REGISTERED BOATS IN ISLAND COUNTY



Source: BST Associates, Washington State Dept. of Licensing

Marina Market

There are approximately 300 marinas in Puget Sound, including public and private marinas, as well facilities owned by tribes, yacht clubs, condominium associations, and neighborhood associations. These

marinas have approximately 36,000 slips. The heaviest concentration is in King County and Pierce County, followed by the region from Snohomish County to Whatcom County and from Clallam County to Thurston County.

The number of marinas and slips has remained steady during the past 20 years, with few demolitions or changes of use. The current status of the marina market in Puget Sound consists of an aging inventory, with most marinas in the 30- to 60-year-old range. Deferred maintenance is evident throughout the Puget Sound region.

Since 2000, the number of new marinas has been limited to a handful, including the Bremerton Marina and the North Marina in Everett (built in 2009). Most of the good locations for marinas have been already been taken, and development in other sites is constrained by environmental regulations. Construction of new marinas is expected to be limited in the future.

Rebuilding existing marinas is the key to the future marina market. This includes rebuilding marinas using the existing slip mix, or reconfiguring to replace older, smaller slips with new, longer slips. This transformation is currently underway at projects in Bellingham, Anacortes, Oak Harbor, Everett, Seattle, and Des Moines, among other areas.

The Port of South Whidbey is evaluating expansion of the South Whidbey Harbor marina.

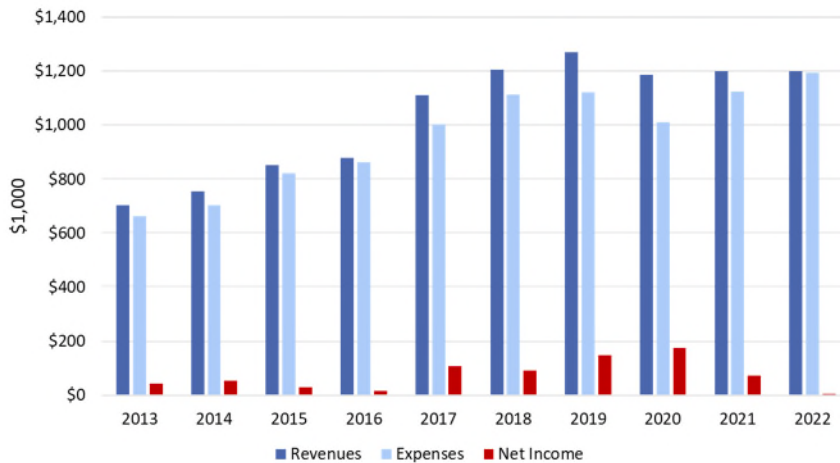
CHAPTER 3. REVIEW OF PORT LINES OF BUSINESS

This section presents a review of the Port of South Whidbey lines of business.

Financial Overview

The Port of South Whidbey's operating and non-operating revenues increased from \$704,000 in 2013 to \$1.2 million in 2022. Expenses increased from \$663,000 in 2013 to \$1.2 million in 2022. Net income averaged \$74,000 per year over the 10-year period. (See Figure 18).

FIGURE 18: PORT OF SOUTH WHIDBEY FINANCIAL TRENDS



Source: Port of South Whidbey

Revenues

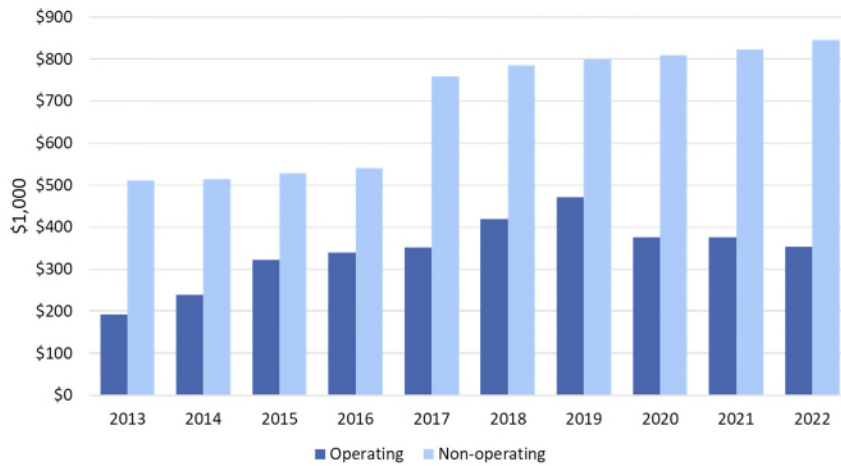
The sources of Port revenue have been relatively constant, with 33% coming from operating revenues (i.e., parking, moorage, lease revenues et al. from lines of business) and 67% from non-operating revenues (primarily property taxes).

Revenues grew at 5.0% from 2013 through 2022, but non-operating revenues outpaced operating revenues:

- Non-operating revenues grew at an average annual rate of 6.9%.
- Operating revenues increased an average of 1.3% per year.

Some of the decline in operating revenues was due to the Covid 19 pandemic in 2020-2021. However, operating revenues continued to decline in 2022, as the aftermath of the Covid-19 pandemic continued to impact revenues and expenses. (See Figure 19).

FIGURE 19: PORT OF SOUTH WHIDBEY REVENUE TRENDS



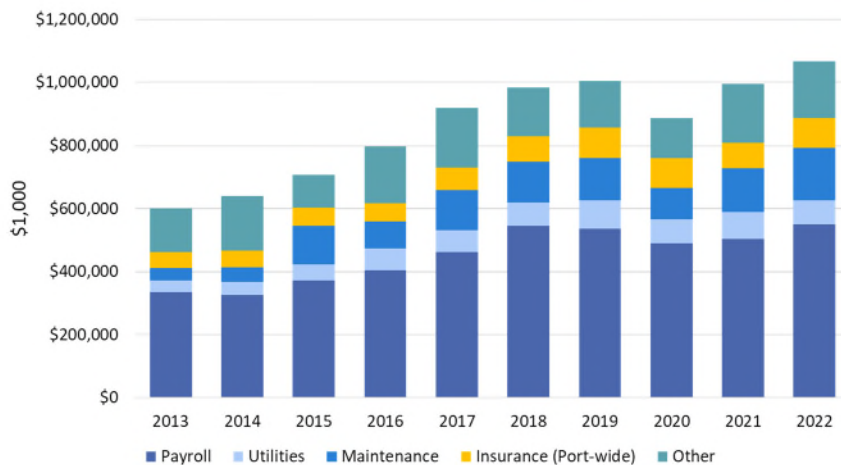
Source: Port of South Whidbey

Operating Expenses

As shown in Figure 20, Port operating expenses grew at 6.6% annually from 2013 to 2022, while revenues grew at only 5.0% per year. The main categories of expenses are:

- Payroll, which accounted for 53% of total expenses. Payroll grew at 5.8% per year from 2013 to 2022, but was relatively steady from 2018 through 2022.
- Maintenance costs account for 12% of expenses and grew at 4.6% per year.
- Insurance costs grew at 7.6% per year and accounted for 9% of expenses.
- Utilities accounted for 8% of expenses and grew at 5.5% per year.
- Other expenses (i.e., outside services, office expenses etc.) account for 19% of expenses but grew modestly in the past 10 years (3.1%).

FIGURE 20: PORT OF SOUTH WHIDBEY EXPENSE TRENDS



Source: Port of South Whidbey

Non-Operating Revenues and Expenses

Financing

The Port borrowed a combined total of \$1.9 million (in 2012, 2016 and 2018) to finance construction projects. The remaining debt is \$1.4 million. (See Table 7.)

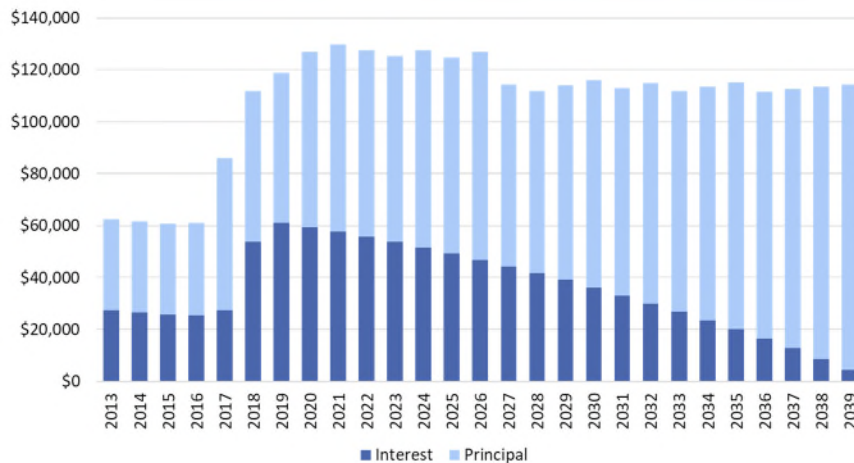
TABLE 7: PORT OF SOUTH WHIDBEY DEBT

Bond/Loan	Loan Amount	
	Original	Remaining
Limited Tax General Obligation Bonds, 2018A	475,000	465,000
Limited Tax General Obligation Bonds, 2018B	475,000	450,000
Limited Tax General Obligation Bonds, 2012	850,000	465,000
Heritage Bank Loan 2016	<u>150,000</u>	<u>62,940</u>
Total	1,950,000	1,442,940

Source: Port of South Whidbey

Annual debt service ramped up from around \$60,000 per year from 2013 to 2016 to around \$120,000 in 2019, and is expected to be average \$115,000 from 2023 to 2039. As noted above, there is approximately \$700,000 of unused debt from the 2018 bond issues. (See Figure 21).

FIGURE 21: PORT OF SOUTH WHIDBEY DEBT SERVICE TRENDS



Source: Port of South Whidbey

In addition to debt financing, the Port has also obtained grants to help finance construction projects.

Construction

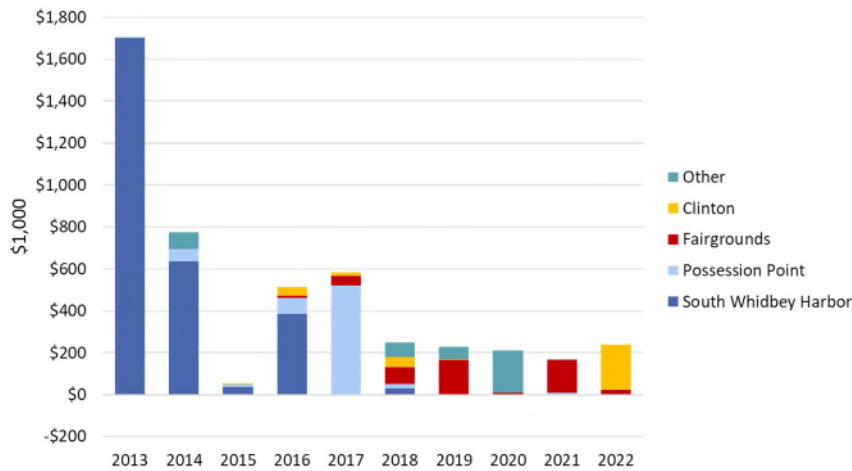
The Port undertook \$4.7 million in construction projects from 2013 to 2022⁷. As shown in Figure 22, construction was most active in 2013, 2014, 2016 and 2017. In recent years, construction spending averaged approximately \$200,000 pe year.

⁷ The total includes some equipment purchases as well.

Construction spending by line of business included:

- South Whidbey Harbor - \$2.8 million (59% of total),
- Possession Point - \$0.7 million (15% of total),
- Fairground - \$0.5 million (10% of total),
- Clinton - \$0.3 million (7% of total), and
- Other \$0.4 million (9% of total)

FIGURE 22: PORT OF SOUTH WHIDBEY CONSTRUCTION TRENDS



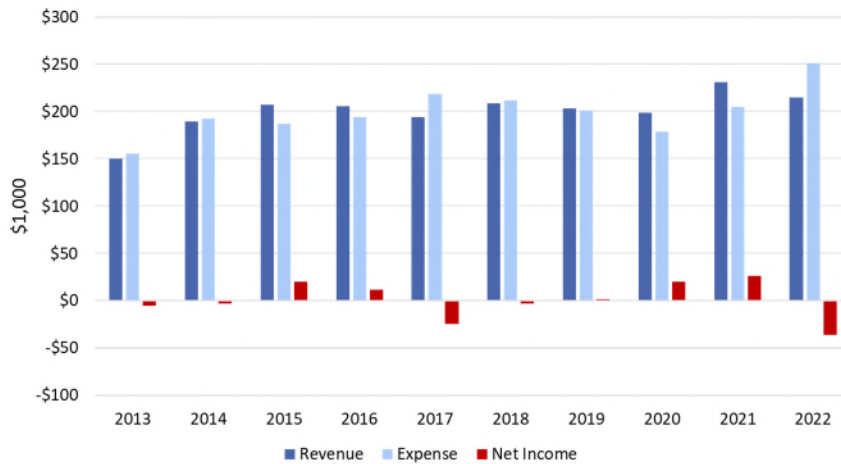
Source: Port of South Whidbey

Lines of Business

South Whidbey Harbor

The Port acquired the Langley Marina from the City of Langley in 2009. After acquisition, the Port improved the marina (renamed South Whidbey Harbor) by acquiring a large float for use as a breakwater with moorage capability. The harbor has 31 slips, as well as side-tie moorage, on three floats. There is approximately 1,500 lineal feet of marina space. The Port is developing plans to expand the marina in the future.

The Marina is essentially a break-even venture, with operating revenues covering operating expenses. As shown in Figure 23, the annual average net income from 2013 to 2022 was \$1,000.

FIGURE 23: SOUTH WHIDBEY HARBOR FINANCIAL TRENDS

Source: Port of South Whidbey

Revenues

Harbor revenues increased 3.9% annually from 2013 to 2020, but much of the growth in revenue occurred in 2014, when the harbor was expanded. From 2015 to 2022 revenues were flat, with average annual growth of 0.1% per year. (See Figure 24).

The harbor serves transient and monthly/annual tenants. Transient moorage is the largest source of income, accounting for 65% of revenues (average from 2013 to 2022). Transient overnight moorage and transient daily moorage account for 60% and 5%, respectively. Over the past 10 years, average annual transient use included:

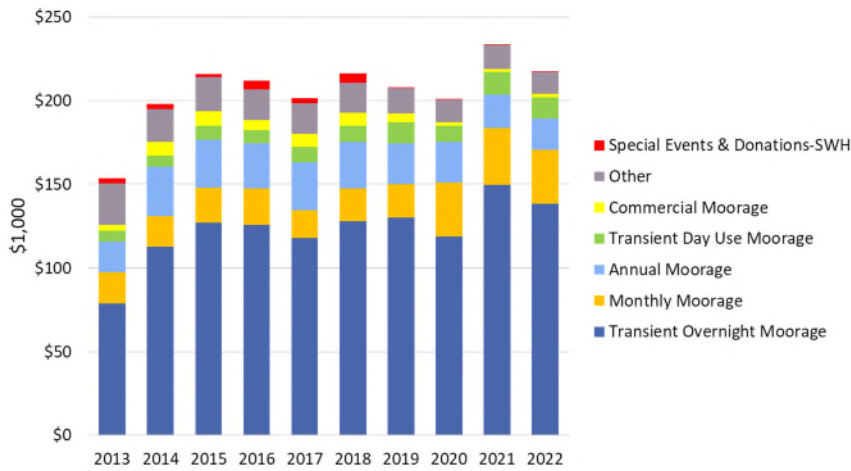
- Daily visiting boats – 1,346 boats for 2-hour to 5-hour visits, and,
- Overnight visiting boats – 3,152 boats.

Transient moorage is very seasonal, with 49% of activity occurring in July and August; and 82% during the peak season from May to September. Off-peak season averages 2.6% of transient boats per month (October through April). This seasonality constrains facility utilization and financial performance. Building additional transient moorage may increase the seasonality, with higher occupancy rates in the peak season and lower occupancy rates in the off-peak.

Monthly and annual moorage accounted for 11% and 12% of harbor revenue, respectively. Monthly and annual moorage typically accommodate around 16 boats per year. The ability to provide additional monthly and annual moorage is constrained by a lack of parking. Improved access to the uplands would be beneficial.

Other sources of revenue (commercial moorage, dinghy moorage, ice sales, showers et al.) accounted for the remaining 12%.

FIGURE 24: SOUTH WHIDBEY HARBOR REVENUE TRENDS



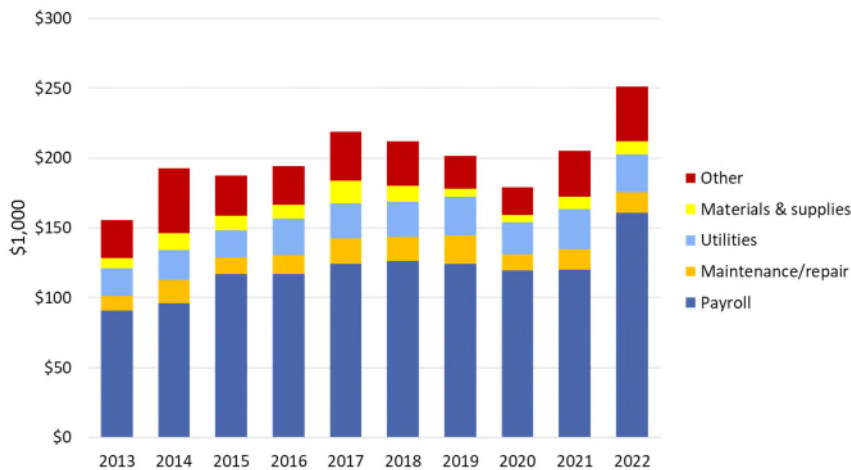
Source: Port of South Whidbey

Expenses

Expenses at South Whidbey Harbor increased from \$150,000 in 2013 to \$200,000 per year from 2014 through 2021. Expenses increased to \$250,000 in 2022.

Payroll is the largest expense (60% of all expenses) and grew at 6.5% annually from 2013 to 2022. Utilities (12% of expenses), grew at 3.8% per year from 2013 to 2022. Maintenance and repair (6% of expenses), grew at 3.6% per year. Materials and supplies (5% of expenses) grew at 2.6% per year. Other expenses (merchant fees, DNR tideland lease and others) account for the remaining expenses (16%), and increased at 4.1% per year. (See Figure 25).

FIGURE 25: SOUTH WHIDBEY HARBOR EXPENSE TRENDS



Source: Port of South Whidbey

Findings

Moorage rates were increased only once between 2013 and 2022; in 2019; rates were increased modestly for transient moorage but not for monthly or annual moorage. The Port should review rates annually to assure that revenues are sufficient to cover O&M costs as well as some capital costs.

The median rates for monthly moorage at other marinas in the region are significantly higher than the current rates at South Whidbey. At South Whidbey, the rate is \$11.00 per foot per month for annual moorage and \$11.50 per foot per month for monthly moorage, regardless of the length of the boat. Monthly moorage rates at other marinas in the region (i.e., selected marinas from Des Moines to Blaine⁸) include:

- 35 to 38 feet:
 - Range from \$8.27 to \$16.38 per foot per month
 - Median of \$12.33 per month
- 50 to 59 feet
 - Range from \$9.67 to \$21.79 per foot per month
 - Median of \$14.28 per month

Other marinas:

- typically raise rates every year, and
- charge a higher rate for longer slips than for shorter slips.

The rate for transient moorage at South Whidbey is \$1.35/ft/night, for all boat lengths and for both peak and off-peak seasons. Current transient rates in selected marinas from Des Moines to Blaine⁹ are:

- 30-foot:
 - Range from \$1.00/ft/night (peak and off-peak seasons) to \$1.85/ft/night (peak) and \$1.75/ft/night off-peak.
 - Median rates: \$1.43/ft/night (peak) and \$1.25/ft/night (off-peak).
- 50-foot:
 - Range from \$1.00/ft/night (peak and off-peak seasons) to \$1.85/ft/night (peak) and \$1.75/ft/night (off-peak).
 - Median rates: \$1.50/ft/night (peak) and \$1.25/ft/night (off-peak).

Peak-season median rates for transient moorage are slightly higher at other marinas than at South Whidbey, but off-peak transient rates are slightly higher at South Whidbey. Most marinas do not adjust transient moorage on an annual basis, but this does not address covering the expenses of owning and operating a marina. The Port should consider: 1) raising the rate during the peak season, and 2) changing longer boats a higher rate.

Expenses should also be evaluated, with a goal of improving net income. Some marinas use online services (such as Dockwa) to reduce the costs associated with managing transient moorage scheduling.

The potential demand for both transient and monthly/annual moorage should be evaluated in greater detail. Most marinas generate the majority of their revenue from monthly/annual moorage. This improves financial performance by generating revenue in both the peak and off-peak seasons. In order to provide

⁸ Monthly moorage rate comparisons include data from Blaine, Cap Sante, Des Moines, Everett C/S, Friday Harbor, Kingston, La Conner, Oak Harbor, Port Townsend, Skyline, Squalicum and Winslow Wharf. The list excludes marinas in Seattle.

⁹ Transient moorage rate comparisons include data from Blaine, Cap Sante, Des Moines, Edmonds, Everett, Kingston, La Conner, Oak Harbor, Port Townsend, Shelter Bay, Squalicum and Winslow Wharf. The list excludes marinas in Seattle.

additional monthly/annual moorage at the South Whidbey Harbor, the Port will need to find solutions to access and parking.

The Port should do a more detailed analysis of the financial viability of marina expansion as well as addressing deferred maintenance on the existing marina. The Port could consider working with the City of Langley to develop a harbor plan, which would improve access to federal grants. This effort could also evaluate the economic impact generated by marina users in the City of Langley and throughout the Port District.

Parks, Boat Ramps

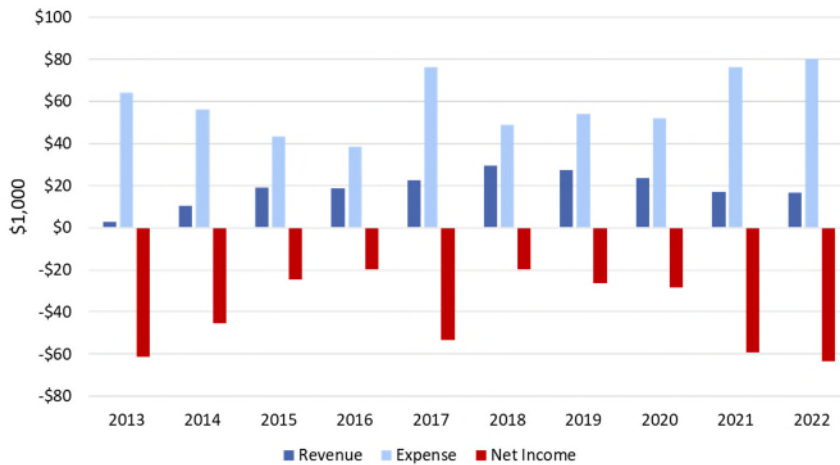
The Port owns and operates parks and/or boat ramps at Bush Point, Possession Point and Clinton Beach.

The financial performance for these three assets is presented in Figure 26. Over the past ten years, these assets have had an average net loss of \$40,000 per year. In 2021 and 2022 this loss increased to \$60,000 per year, due primarily to the loss of rental income at Bush Point.

Essentially all of the revenue generated at parks comes from the rental of accommodations to caretakers at Bush Point and Possession Point. Having on-site caretakers can be a useful way to provide on-site security. However, the deteriorated condition of the house at Bush Point has made it uninhabitable since 2020.

Expenses at the parks increased 2.5% per year from 2013 to 2022. Maintenance represents the biggest cost (61%) and grew rapidly (at 12.6% per year from 2013 to 2022). Utilities account for 30% of expenses on average, but remained flat or declined during the period due to shutting down the caretaker house at Bush Point. Payroll represents a small portion of expenses (8%) and did not increase, because less payroll was allocated to the parks in from 2014 to 2022.

FIGURE 26: PORT OF SOUTH WHIDBEY – PARKS & RAMPS



Source: Port of South Whidbey

Findings

As noted in the previous section, the number of smaller boats in the Port District has grown modestly but they represent a large group (i.e., there are approximately 1,000 boats under 26 feet on South Whidbey Island). The boat ramps are very important to residents and visitors, but there are few statistics on the actual use of these parks/ramps. The Port could consider finding a way to quantify the number of park and ramp users.

The Port should address the deferred maintenance and other needs/opportunities at parks and ramps by developing and implementing a capital improvement plan, linked to potential funding sources. There are funds available for ramp and related facilities through the Washington Recreation and Conservation Office. The Port should also consider charging for ramp use and parking.

Other uses of the facilities should also be evaluated in greater detail. This could include rebuilding the caretaker housing at Bush Point, among other options.

The Port's district is quite large. It may be useful to develop an Inter-local agreement with local and county entities to share security and improvements of other assets in the South Whidbey area.

Ferry and Transportation Assets

The Port is actively engaged in enhancing travel on and off the island. The Port has been engaged in several efforts to improve access for commuters, visitors and employees. In these efforts, the Port has served as either the lead agency or as a supporting agency.

Humphrey Road Ferry Parking Lot

The Port of South Whidbey owns and operates the Humphrey Road Ferry Parking Lot, which is located immediately above the Clinton Ferry Terminal. The lot provides 109 permit slots and 100 daily slots, and serves commuters who walk on the ferry. (See Figure 27).

FIGURE 27: HUMPHREY ROAD FERRY PARKING LOT

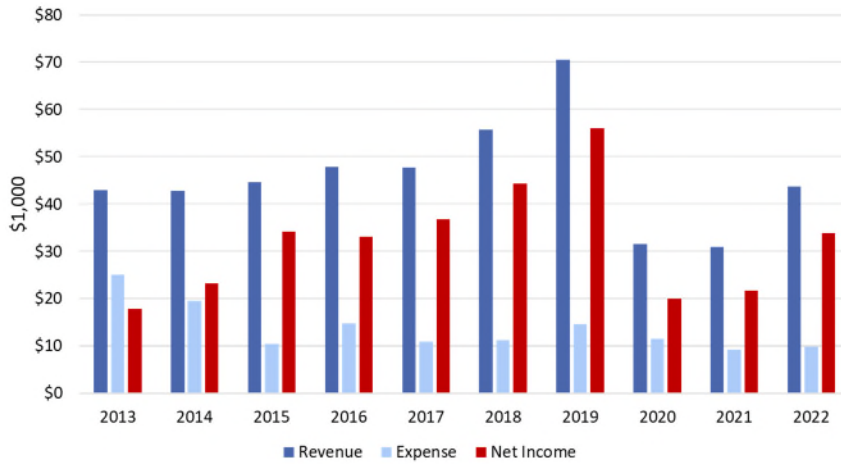


Source: Port of South Whidbey

Revenue from parking fees increased substantially from 2016 through 2019. Revenue dropped by more than half in 2020 (to the lowest level since 2013) due to the impact of the Covid pandemic. Strong recovery occurred in 2022, but revenues are still down more than 40% from the peak (adjusted for inflation). Expenses also declined from, 2020 through 2022.

Net income peaked in 2019 at \$56,000, but fell in 2020 and 2021 to around \$20,000; net income increased to \$34,000 in 2022. (See Figure 28).

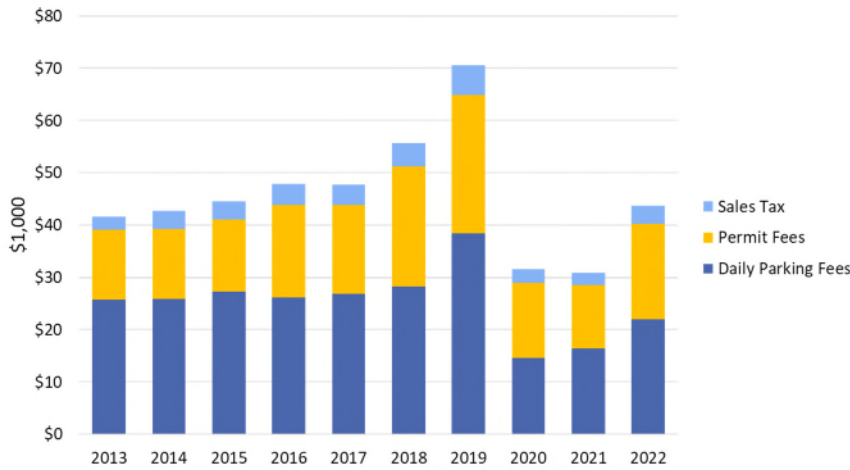
FIGURE 28: PORT OF SOUTH WHIDBEY – HUMPHREY ROAD PARKING LOT



Source: Port of South Whidbey

Revenues consist primarily of daily parking fees, permit parking fees, and sales taxes. Over the past 10 years, daily parking fees generated 55% total revenue, permit parking fees generated 7%, and sales taxes generated 8%. The share of revenues from permit fees is growing slightly faster than from daily parking fees. (See Figure 29).

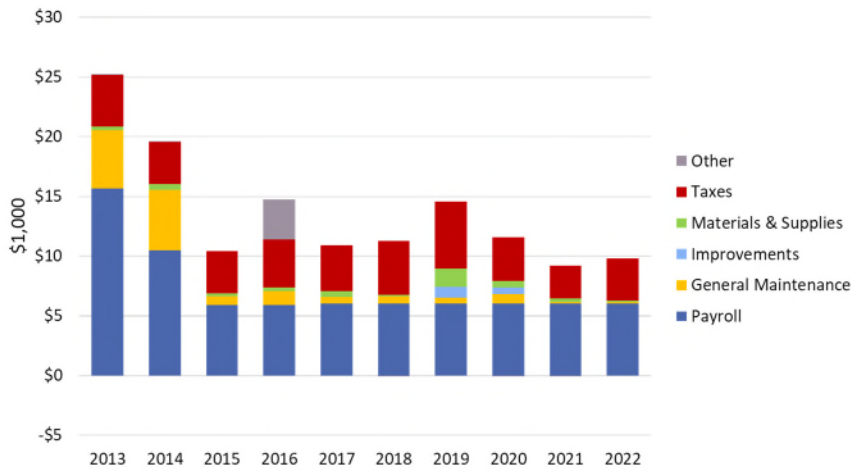
FIGURE 29: HUMPHREY ROAD PARKING LOT REVENUES



Source: Port of South Whidbey

Expenses primarily consist of payroll, sales taxes, general maintenance, and materials and supplies. Over the past 10 years, payroll accounted for an average of 54% of total expenses, sales taxes (31%), general maintenance (8%), and materials and supplies (3%). (See Figure 30).

FIGURE 30: HUMPHREY ROAD PARKING LOT EXPENSES



Source: Port of South Whidbey

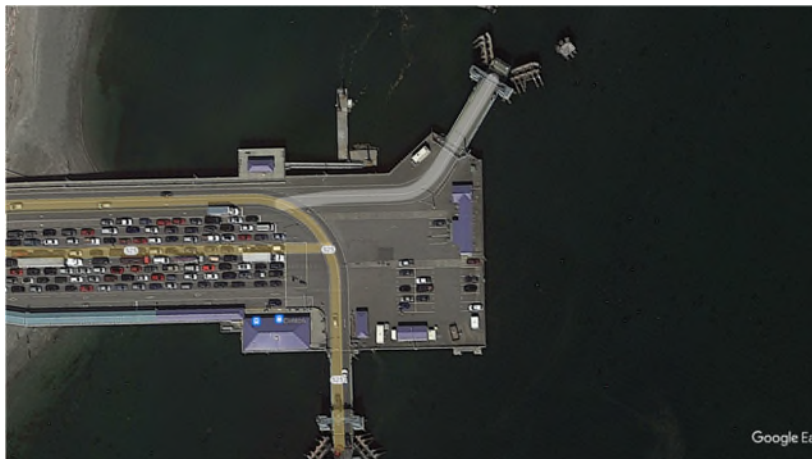
Findings

Net income from the Humphrey Road Parking Lot is expected to increase with improved service by Washington State ferries and by introduction of new passenger service.

Clinton Passenger Ferry Facility/Service

The Port of South Whidbey owns the passenger ferry dock at the Clinton Ferry Dock. The passenger ferry dock was damaged in 2020, and is planned for reconstruction. The Port is seeking grant opportunities to finance this reconstruction.

FIGURE 31: CLINTON PASSENGER FERRY DOCK



Source: Google Earth

A plan for a passenger ferry that would connect Island County with Snohomish County was developed in 2021.¹⁰ This year-round passenger-only route would connect Whidbey Island to Everett, and would augment the existing WSF Clinton-Mukilteo car ferry service. The passenger-only service would provide

Puget Sound Regional Council. Puget Sound Passenger-Only Ferry Study, January 2021.

Whidbey Island residents access for work, appointments, and essential services, and would improve the resiliency of the Whidbey Island transportation system. Due to the relatively short transit time, this service would be a likely candidate for electrification.

- Service Type: Commute focused, year-round, 5 days a week
- Departure Schedule: 3 hourly AM peak departures and 3 hourly PM peak departures
- Top Service Speed: 35 knots
- Electrification Potential (See Figure 32).

FIGURE 32: PROPOSED PASSENGER FERRY SERVICE FROM CLINTON TO EVERETT



Source: Puget Sound Regional Council

This plan was part of a region-wide study of potential passenger-only ferry routes that was developed by the Puget Sound Regional Council. The study found that the South Whidbey to Everett route ranked 7th of all passenger ferry systems evaluated. Key points included:

- Resiliency - Whidbey Island experiences highway congestion, and island residents are dependent upon a bridge and two ferry routes. These ferry routes experience tidal constraints that impact service. By providing an additional option, this route provides resiliency to the transportation system. The route also increases transportation resiliency for the Whidbey Island population by increasing access to jobs and essential services on the mainland. The small rural hospital 30 miles from the ferry dock has limited capacity, and this route increases access to necessary medical services in the Everett area.
- Implementation Outlook - The first step toward implementation is identifying a lead agency that will plan, fund, implement and manage the POF route. Following this identification, the selected agency will need to complete the actions required for start-up of any POF service, which are listed in the Implementation and Conclusions section of the report. Additional hurdles and/or opportunities for this route, beyond those shown below, may present themselves later in the route implementation process.

- Ridership - Ridership estimates were also based on the total POF trip time and an assumed fare level that was based upon comparable existing passenger transit modes. Induced demand was not included in ridership estimates.
 - Estimated Ridership
 - Estimated Daily Riders 60
 - Projected Annual Ridership 14,500
- Cost Summary - All operating cost estimates were calculated based on the established operating profile using the best available data.
 - Annual Operating Costs (in thousands) \$1,750
 - Operating Labor \$625
 - Energy / Fuel \$120
 - Maintenance (Labor, Materials, & Contracts) \$445
 - Insurance & Other \$270
 - Management, Support, & Overhead \$290

FIGURE 33: EVALUATION OF THE CLINTON-EVERETT PASSENGER FERRY OPERATION

Step 3 Score Card										
Highest priority elements					Secondary priority elements					RANK
Travel Time Savings	Existing Commute Demand	Potential Commute Demand	Support Criteria	Modal Connections Quality	Relative Recreational Potential	Modal Connection Distance	Resiliency	Seaworthiness		
*Tacoma – Seattle	●	●	●	●	●	-	●	○	-	1
Suquamish – Seattle	●	●	●	○	●	-	●	●	-	2
*Bellingham – Friday Harbor	●	○	○	●	●	●	●	●	-	3
*Kirkland – UW	○	●	●	●	●	-	●	○	-	4
Gig Harbor – Seattle	●	●	●	○	●	-	●	●	-	4
*Kenmore – UW	●	●	●	●	●	-	●	○	-	6
*Whidbey – Everett	●	○	○	●	●	-	●	●	-	7
*Renton – SLU	●	●	●	●	●	-	●	○	-	8
*Renton – UW	●	●	●	●	●	-	●	○	-	9
Shilshole – Seattle	●	●	●	●	○	-	○	○	-	10
Port Townsend – Seattle	●	○	○	○	●	●	○	●	▼	10
Southworth – Des Moines	●	○	○	○	●	-	●	●	-	12

Source: Puget Sound Regional Council

Findings

The Port will be seeking public and/or private entities to provide the ferry service.

One option for initiating service after the passenger ferry dock is rebuilt is to undertake a demonstration study of ferry operations and ridership. An example is the service that the City of Des Moines initiated in 2022. This 60-day pilot project used a 63-passenger whale watching vessel to provide four daily, round-

trip sailings between Des Moines and the Bell Harbor Marina in downtown Seattle (from Wednesday through Sunday). The service was provided by Puget Sound Express for \$87,500 per month.¹¹

Kitsap Transit operates fast ferries to Seattle from three locations in Kitsap County (Kingston, Bremerton, and Southworth). Funding for capital improvements is primarily from federal grants. Operations are paid by fares (estimated at \$2.3 million in the 2022 budget) as well as by sales taxes (estimated at \$20.5 million in the 2022 budget).

Mukilteo Parking Lot

The Port of South Whidbey has long advocated for improved parking availability in Mukilteo to provide options for riders on the Mukilteo-Clinton route. In 2018, \$500,000 in state funding was allocated to study parking options at Mukilteo. Based on this analysis, the Port of Everett acquired the former ferry vehicle holding lanes property and built a parking lot. This new parking lot provides 99 spaces, and cost approximately \$3.5 million.

- 63 stalls for hourly and overnight visitors,
- 23 stalls for monthly parking, and
- 13 stalls reserved for waterfront employees.

FIGURE 34: MUKILTEO PARKING LOT



Source: Port of South Whidbey

The new lot will help riders on the Mukilteo-Clinton route, especially those using multi-modal systems (car to ferry to transit).

The Port of South Whidbey supported actions by the Port of Everett to buy and improve the parking lot at Mukilteo.

¹¹ Des Moines Passenger Ferry Pilot Program; <https://waterlandblog.com/2022/06/30/des-moines-council-approves-passenger-ferry-pilot-project-to-seattle-launches-aug-10/>

Improvements to the Clinton Ferry Terminal

The Port of South Whidbey has engaged in planning activities to make the Clinton Ferry Terminal work more seamlessly.

Washington State Department of Transportation is undertaking a connectivity project that will improve the pedestrian access route on State Route 525 in Clinton, from the Park & Ride at Deer Lake Road (milepost 8.96) to the Washington State Ferries - Clinton Ferry Terminal (milepost 8.51). Based on input from the community and ferry riders, as well as a thorough maintenance evaluation, this section of pedestrian access from the Park & Ride lot to the ferry terminal is in need of significant rehabilitation. Areas of concern include:

- Narrow and missing sections of sidewalk
- Groundwater seepage resulting in excessive water flow over the sidewalks and roadway near the entrance to the ferry terminal
- Poorly lit streets and sidewalks to and from the ferry terminal

Plans call for new sections of sidewalk, new crosswalks, additional lighting, and enhanced safety features to provide a more secure route for pedestrians and cyclists. Other work includes upgraded traffic controls, reconfiguring the stormwater system and erosion control to eliminate the flow of water across the sidewalk and roadway near the entrance to the ferry terminal. (See Figure 35).

FIGURE 35: CLINTON FERRY TERMINAL PEDESTRIAN CONNECTIVITY

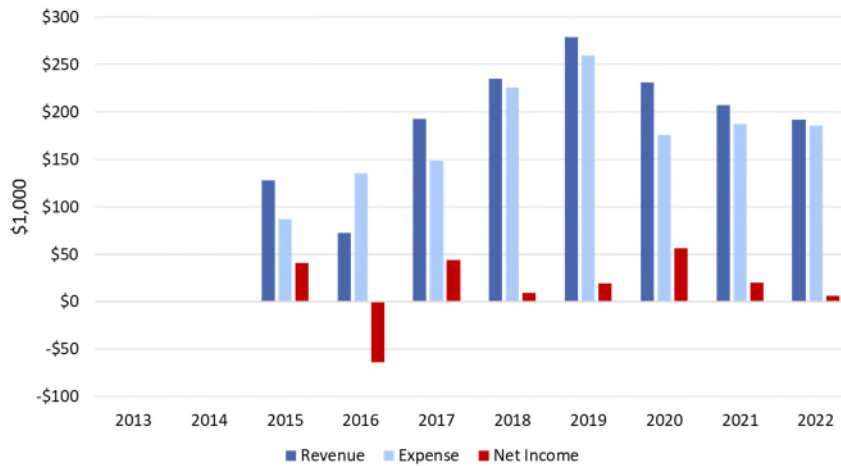


Source: WSDOT

Fairground

The Port acquired the Fairground in 2015. In 2017, the Port began to receive property taxes to assist with capital improvements and operations of the Fairground. From 2015 to 2022, revenues averaged \$202,000 per year, expenses averaged \$176,000, and net income averaged \$26,000. (See Figure 36). The Covid 19 pandemic had a large effect on the Fairground revenue during 2020 and 2021, but the impacts lingered through 2022.

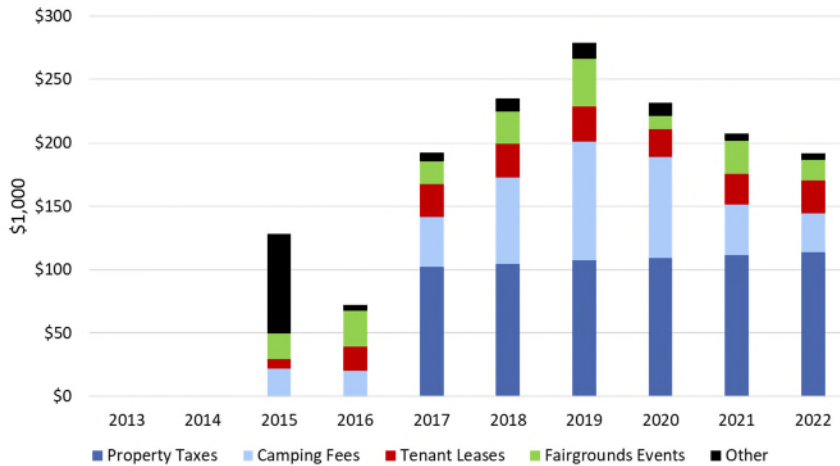
FIGURE 36: PORT OF SOUTH WHIDBEY – FAIRGROUND



Source: Port of South Whidbey

Property taxes accounted for 42% of fairground revenues from 2015 to 2022, followed by camping fees (26%), fairground events (12%), and tenant leases (12%). Taxes and other miscellaneous revenues account for the remaining 9% of revenues. Camping fees and fairground events were both impacted by Covid-19 pandemic. (See Figure 37).

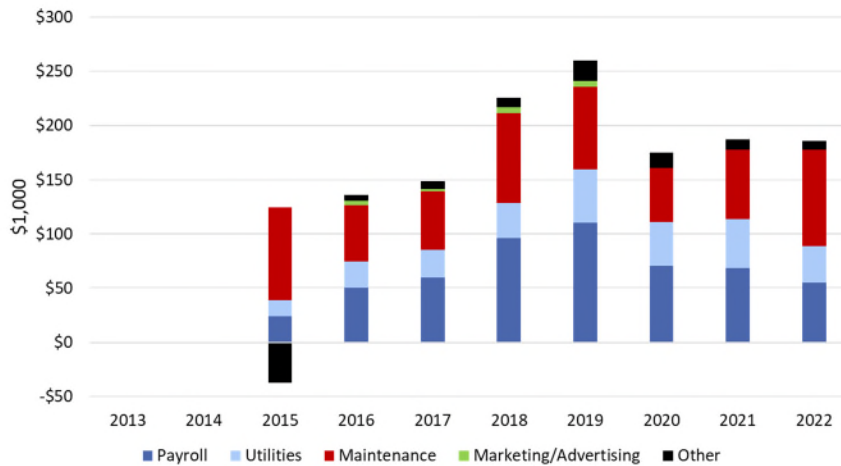
FIGURE 37: FAIRGROUND REVENUES



Source: Port of South Whidbey

As shown in Figure 38, expenses at the Fairground include:

- Maintenance - 39% of total expenses (average of the past 10 years),
- Payroll - 38%
- Utilities - 19%
- Marketing/Advertising - 1%
- Other (taxes and miscellaneous expenses) – 3% of total expenses.

FIGURE 38: FAIRGROUND EXPENSES

Source: Port of South Whidbey

Findings and Recommendations

There is extensive deferred maintenance throughout the Fairground, which places the operation in a difficult financial position. Property taxes help to finance operations of the Fairground, and events provide a small portion of revenues, but the funds needed for capital improvements are substantially higher than the Port can generate. In 2018, the Port undertook GO bond financing to repair one of the buildings at the Fairground, but due to escalating construction costs, the funds generated through this bond were insufficient to pay for the improvements.

As a result of the financial situation of the Fairground, the Port is considering modifications to the operating plan to improve the financial position. These modifications include:

- Allocate expenses to the events based on usage,
- Pursue lease policies that minimize the dislocation of year-round tenants during the fair,
- Pursue business park development including incubators at the fairground buildings for food processors at the existing buildings as well as other potential business development opportunities, and,
- Seek new opportunities that enhance the financial performance of the Fairgrounds.

The best opportunities to enhance revenues appear to be:

- Reducing impediments to tenants. The Port should proceed with options to allow year-round activities at key buildings that would reduce tenant dislocation during the fair.
- The Port should consider updates to the RV facilities to enhance the visitor experience.

Revenues from these activities could reduce the losses at the Fairground. However, the buildings and grounds are in poor condition and will require substantial capital improvements in coming years. The Port should include a five-year CIP for the Fairground. A key part of this effort should be on grants for capital improvements.

One of the ideas being considered by the Port is construction of workforce housing above the existing concession stands. This concept is reviewed in the next section.

Workforce Housing

There are significant housing issues facing working families in South Whidbey Island. Businesses are having a hard time retaining employees because the cost of housing is too steep. Younger residents of South Whidbey are leaving South Whidbey Island in search of jobs in areas that are more affordable. Senior residents are concerned about the supply of health care and other-related services without housing. Availability of housing is important to the fabric of the community:

- “Quality of Life - low vacancies prevent all generations and families from trading up or trading down their housing. Recent graduates looking for work seek housing they can afford at entry-level wages. Families make decisions on whether and where to raise children based on the availability and location of housing that fits their needs. The ability of seniors to have familial or hired caretakers relies on the availability and price of housing for themselves and healthcare workers.
- Protecting Rural Landscapes - the lack of housing in the city puts pressure on the development of rural farms, forests, and resource lands outside of the city.
- Economic Development and Essential Workers - local Anacortes businesses, industries, and essential services like policing, teaching, and healthcare depend on a stable workforce. Having housing choices affordable to most people earning local wages is critical to building a diverse economy and thriving community.
- Traffic and Emissions - without financial and practical options to live where they work, workers will mostly drive into Anacortes from elsewhere. This contributes to increased traffic congestion, safety risk, and carbon emissions. Transportation is the biggest contributor to carbon emissions in the state.
- Avoiding Displacement - higher housing costs make more people more vulnerable to losing their home, which affects their ability to hold down a job, graduate school, care for children, or contribute to community. Providing options for all socio-economic groups and ages helps provide a vibrant culture, which is desired by residents, workers and visitors.”¹²

Recent surveys demonstrate public support for workforce housing:¹³

- Housing costs are a top issue:
 - 77% say rents are too high
 - 75% say it costs too much to buy a home
- The State needs more housing:
 - 83% say more reasonably priced housing is needed in their communities
 - 78% say they want more housing options for people in their communities, including seniors, teachers, firefighters, childcare workers, and health care workers
- Housing is hard to find:
 - 49% find it difficult or very difficult to find affordable housing that meets their needs
 - 74% have experienced one or more difficulties finding or affording housing
 - 76% are directly impacted or know someone affected by housing costs and availability
- People want government to do more:
 - 82% say government agencies should work together to address the need for housing

¹² Anacortes Housing Action Plan, January 2023, prepared by MAKERS Architecture & Urban Design for the City of Anacortes.

¹³ Puget Sound Regional Council & Washington State Department of Commerce, Housing Survey, December 2022

- 64% say government agencies should do more to provide housing not being delivered by the market

This issue is also important in South Whidbey Island according to a survey conducted by the City of Langley.¹⁴ Survey respondents considered housing options as insufficient for renters (76%) and homeowners (62%) and businesses indicated that 66% of their employees had housing related issues.

TABLE 8: CITY OF LANGLEY HOUSING SURVEY

Question	Yes	No	Don't Know
Are there enough housing options for renters	4%	76%	20%
Are there enough housing options for homeowners	7%	62%	31%
If yes, do any of your employees have housing related issues	66%	17%	17%

Source: City of Langley

Affordability

Housing affordability has continued to deteriorate in recent years as measured by the housing affordability index (HAI), which evaluates the ability of a middle-income family to carry the mortgage payments on a median price home. When the index is 100 there is a balance between the family's ability to pay and the cost. Higher indices indicate housing is more affordable and lower indices that housing is less affordable.¹⁵

As shown in Figure 39, the HAI in Island County has declined from:

- All households: the HAI declined from 90.8 in Q4-2020 to 67.3 in Q4-2022
- First time buyers: the HAI declined from 66.4 in Q4-2020 to 48.0 in Q4-2022

¹⁴ City of Langley's Planning Advisory Board Affordable Housing Working Group, City of Langley Affordable Housing Challenges Report, August 2021; referencing a survey conducted in 2018 by the City of Langley's Planning Department.

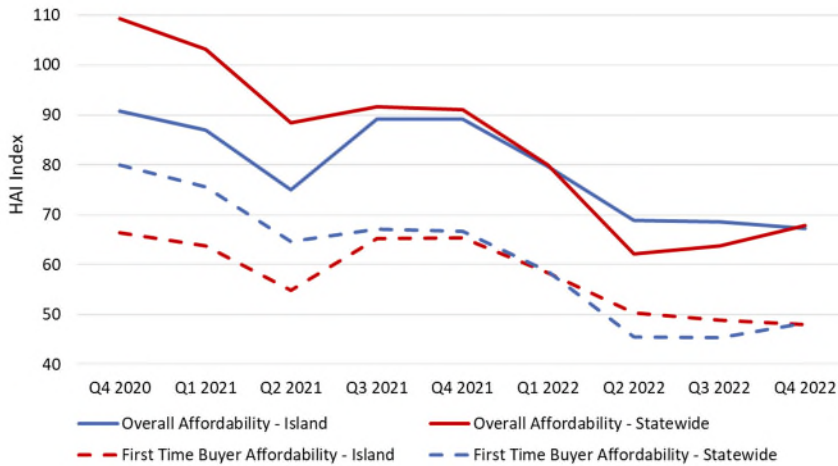
¹⁵ Washington Center For Real Estate Research; Runstad Department of Real Estate, College of Built Environments, UW Washington Market Highlights: Fourth Quarter 2022

Notes: All loans are assumed to be 30-year loans.

All buyer index assumes 20% downpayment. First-time buyer index assumes 10% down.

It is assumed 25% of income can be used for principal and interest payments.

FIGURE 39: HOUSEHOLD AFFORDABILITY INDEX

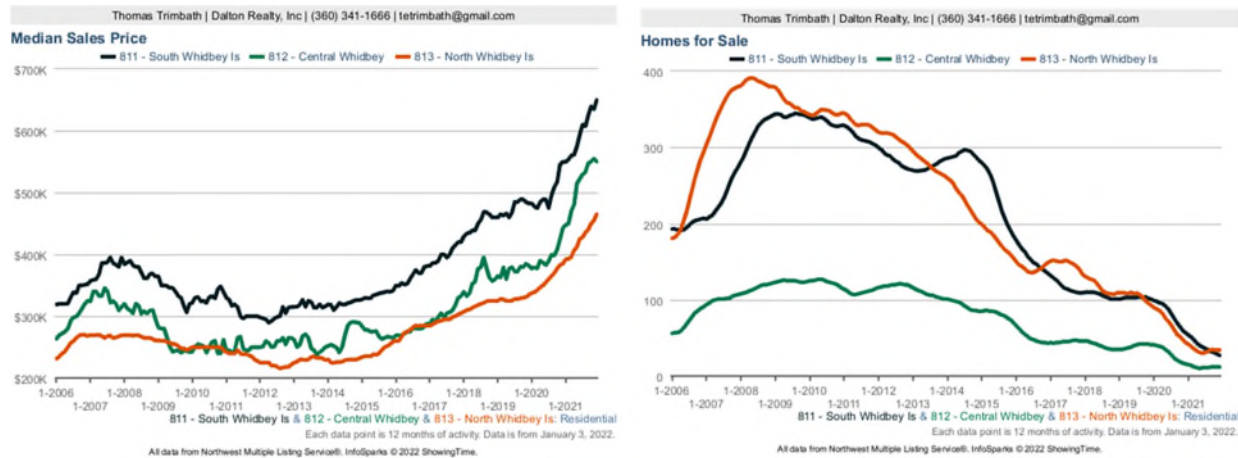


Source: Washington Center for Real Estate Research; Runstad Department of Real Estate, College of Built Environments

The median price of a house in South Whidbey decreased from around \$400,000 in 2008 to a low of around \$300,000 in 2012 and then increased to \$650,000 in early 2022.¹⁶ At the same time, the number of houses for sale decreased from 300 in 2012 to around 30 in early 2022 and the number of days a house is on the market has also decreased.

The imbalance of demand and supply of housing has negatively impacted housing affordability. Changes in the ratio of median housing price to median household income represents a way to understand affordability. In the period 2011 to 2015, the ratio in South Whidbey was 6.44. In early 2022, the ratio had increased to 10.2. The ability for a medium income family to buy a house in South Whidbey has become more difficult, which has impacted the region’s ability to retain and attract workers.

FIGURE 40: HOUSING MEDIAN PRICE AND AVAILABILITY BY OCCUPANCY TYPE



¹⁶ Dalton Realty’s most recent comparison is January 2022. <https://aboutwhidbey.com/2022/01/03/whidbey-real-estate-and-affordability-trends-january-2022/>

Source: Whidbey Real Estate and Affordability Trends – January, 2022, Tom Trimbath, January 3, 2022

In 2021, average income was \$49,530 per worker across all economic sectors. However, the situation is dire for several important sectors in Island County that lag significantly behind the average income:¹⁷

- Arts, entertainment, & recreation - \$23,499
- Accommodation & food services - \$26,102
- Agriculture, forestry, fishing & hunting - \$33,206
- Educational services - \$33,711
- Retail trade - \$35,301
- Real estate & rental & leasing - \$36,719
- Health care & social assistance - \$38,514.

Providing workforce housing is an important component of supporting these economic sectors and enhancing the quality of life for residents and visitors in South Whidbey. Workforce housing can help South Whidbey retain and attract essential workers.

HUD estimates that fair market rents in Island County have increased by approximately 26% from 2021 to 2023.

TABLE 9: FAIR MARKET RENT IN ISLAND COUNTY

Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
2021	\$847	\$853	\$1,091	\$1,561	\$1,889
2022	\$917	\$923	\$1,215	\$1,726	\$2,080
2023	\$1,079	\$1,086	\$1,376	\$1,956	\$2,326

Source: U.S. Housing and Urban Development Department

Findings

Provision of workforce housing is directly linked to the economic health of South Whidbey. The Port of South Whidbey is considering provision of workforce housing at the Fairground. This effort will include several steps: permits and design, financing, construction and operations. Additional effort is required to plan and implement this project.

¹⁷ Employment Security Department latest annual data available, weighted average based upon number of employees in each sector.

CHAPTER 4. APPENDIX

TABLE 10: PORT OF SOUTH WHIDBEY FINANCIAL TRENDS (\$1,000S)

Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CAGR	
											2013-22	2015-22
Revenues												
Operating	\$193	\$240	\$322	\$339	\$351	\$419	\$472	\$376	\$375	\$354	7.0%	1.3%
Non-operating	\$511	\$515	\$529	\$540	\$759	\$785	\$799	\$809	\$823	\$845	5.7%	6.9%
Total	\$704	\$755	\$851	\$879	\$1,110	\$1,204	\$1,271	\$1,185	\$1,198	\$1,199	6.1%	5.0%
Expense												
Operating	\$600	\$640	\$707	\$797	\$920	\$984	\$1,005	\$886	\$996	\$1,068	6.6%	6.1%
Non-operating	\$63	\$62	\$115	\$66	\$83	\$128	\$117	\$125	\$129	\$127	8.1%	1.3%
Total	\$663	\$702	\$822	\$863	\$1,003	\$1,112	\$1,121	\$1,012	\$1,124	\$1,194	6.8%	5.5%
Net Income	\$42	\$53	\$29	\$16	\$107	\$92	\$149	\$174	\$74	\$5	-21.9%	-23.2%

CAGR is compound annual growth rate

Source: Port of South Whidbey