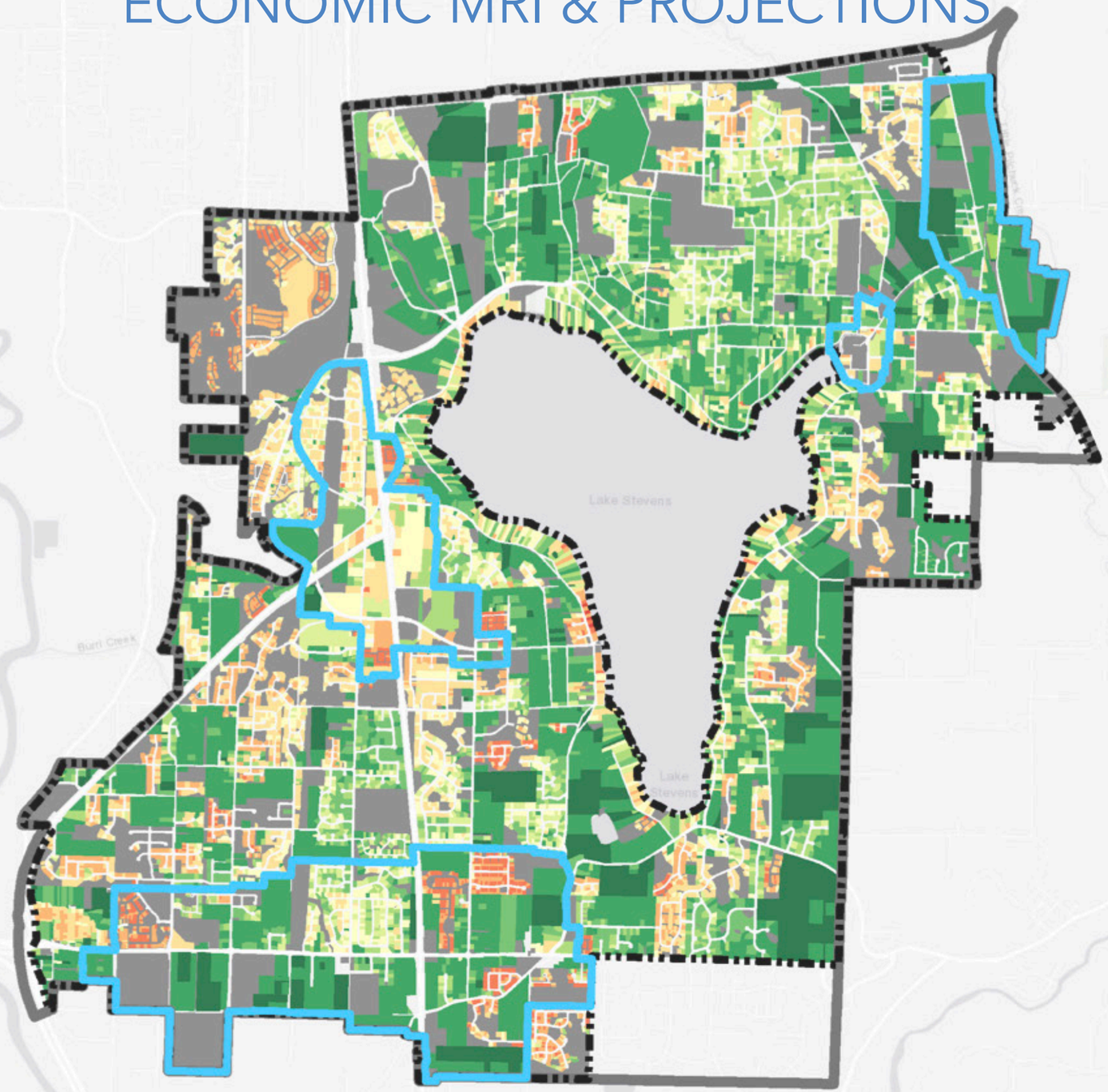
LAKE STEVENS, WA

ECONOMIC MRI & PROJECTIONS



DATE - 2/7/2022

URBAN3

CONTEXT

Lake Stevens is a city in Snohomish County, WA located in the west-central part of the county, lying east of Everett across the Snohomish River valley. Lake Stevens has State Highway 9 running through the western portion of the city. The most prominent geographical feature in the city is the lake, which the city is named after.

Lake Stevens is one of the newer cities in Snohomish County, incorporated in 1960. Prior to incorporation Lake Stevens was a resort community, but environmental amenities and the proliferation of commuting via personal automobile encouraged more people to move to the area in the latter half of the 20th Century. Lake Stevens' growth during this period brought suburban development patterns and a lack of a traditional downtown core. More recently, Lake Stevens has experienced significant increases to its population, growing from 6,361 people in 2000 to 35,630 in 2020. This represents an average annual population growth rate of 23% since 2000. Lake Stevens is now the 5th most populous city in the county, up from 11th in 2000. After an annexation in mid-2021, Lake Stevens' population is now approximately 39,000.

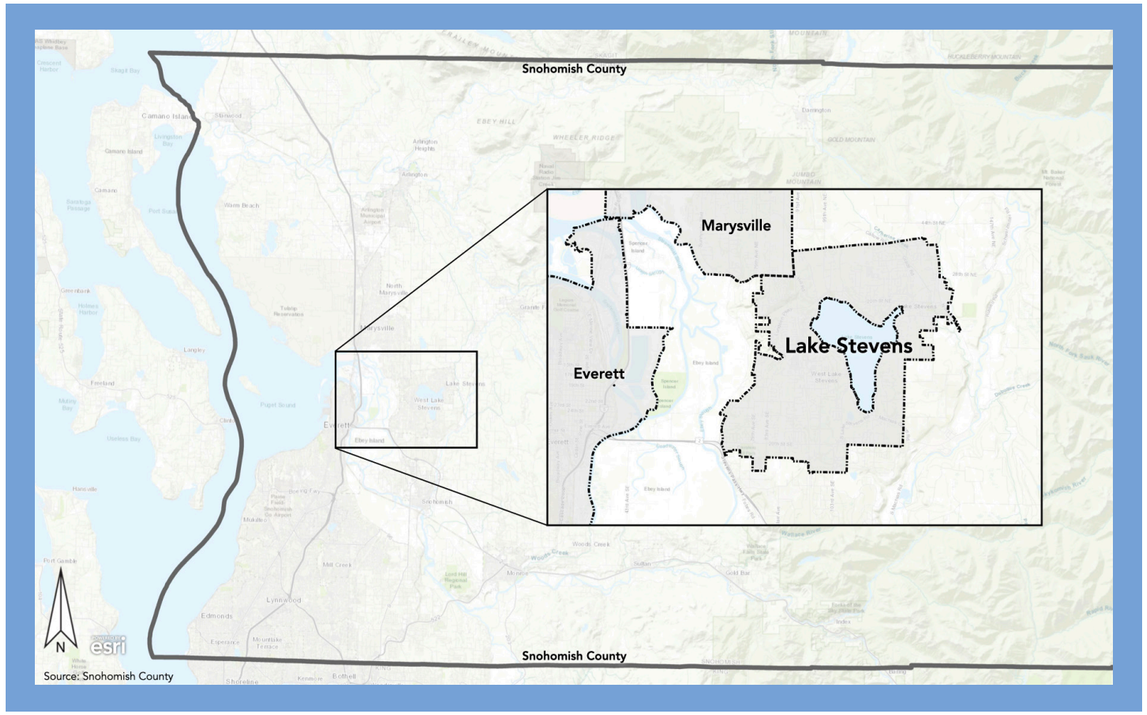


Figure 1 - Location of Lake Stevens in Snohomish County

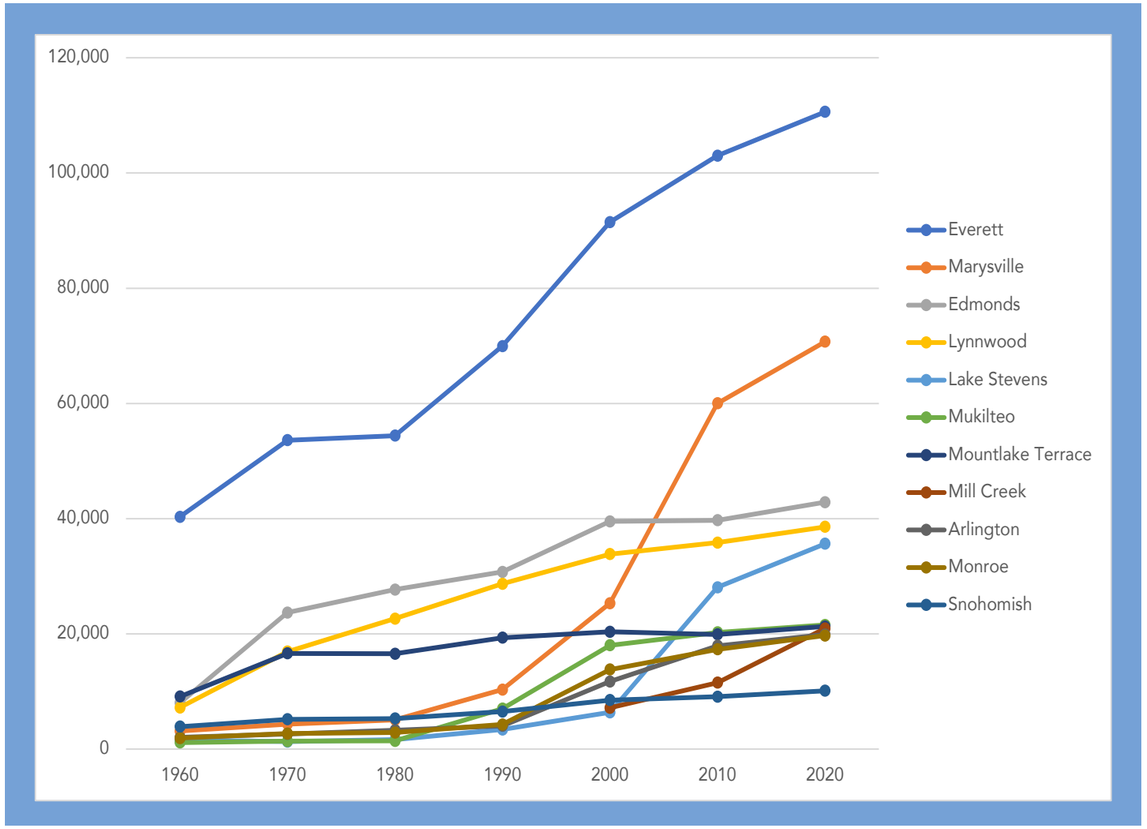


Figure 2 - Population Change in Snohomish County Cities from 1960 to 2020

Our work in Lake Stevens focused on understanding existing development patterns and analyzing four areas of interest for future development opportunities. We mapped Lake Stevens' budget using available data to show how the City's revenues are tied to land use patterns. Using what we learned, we looked at how different development options in key areas could impact future revenues for the City.

PROPERTY TAX SYSTEM

Before jumping into analyzing the data, we must understand the budgetary framework Lake Stevens operates in. Property tax is an important revenue stream for local governments in Washington. In Lake Stevens, about one quarter of the General Fund budget is supported by property tax revenue. Washington has a budget-based property tax system. This means that two factors determine property taxes each year: the dollar amount of the annual budget for jurisdictions and the taxable value of property in those jurisdictions.

There are statutory limits placed on how much a jurisdiction's budget may increase each year, as well as what percentage of regular property tax goes to different jurisdictions. These statutes limit the amount of revenue that can be generated year to year without voter-approved measures. The taxable value of property is typically equal to its estimated market value. However, there are various property tax exemptions that can decrease, or even reduce to zero, the taxable value of a property.

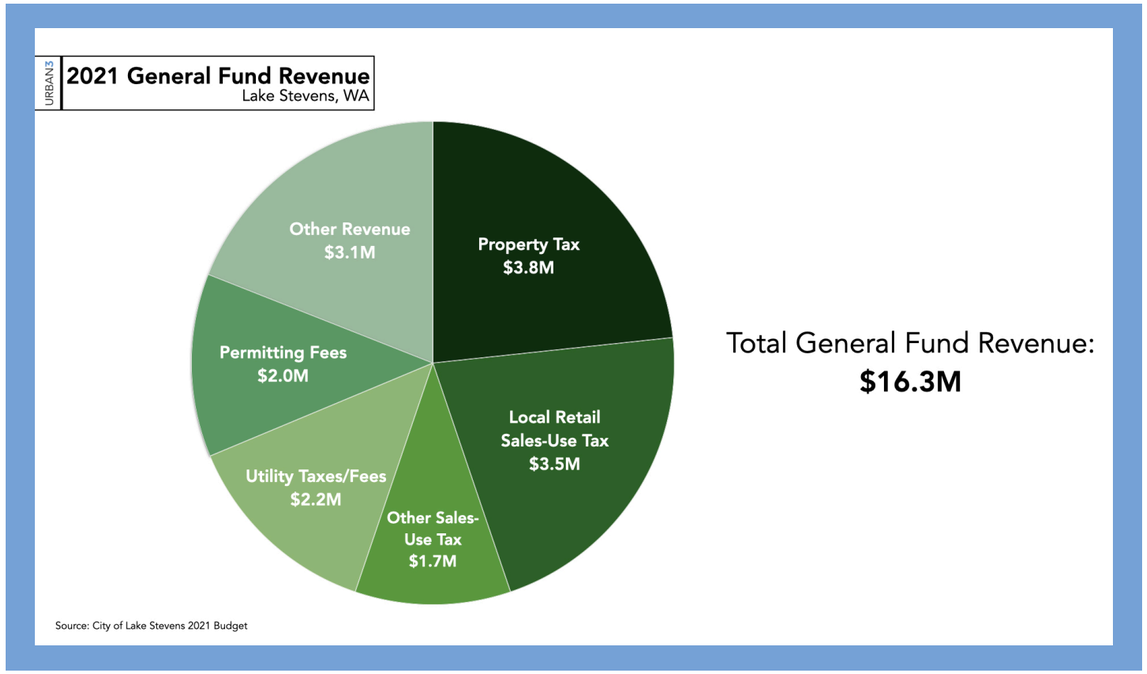


Figure 3 - Lake Stevens General Fund Revenue by Main Categories

Based on these two factors, each jurisdiction ends up with a levy rate, also known as mill rate, that is applied to taxable properties to generate the property tax revenue for that jurisdiction. The levy rate can vary each year based on changes to taxable value of property and changes to jurisdictional budgets.

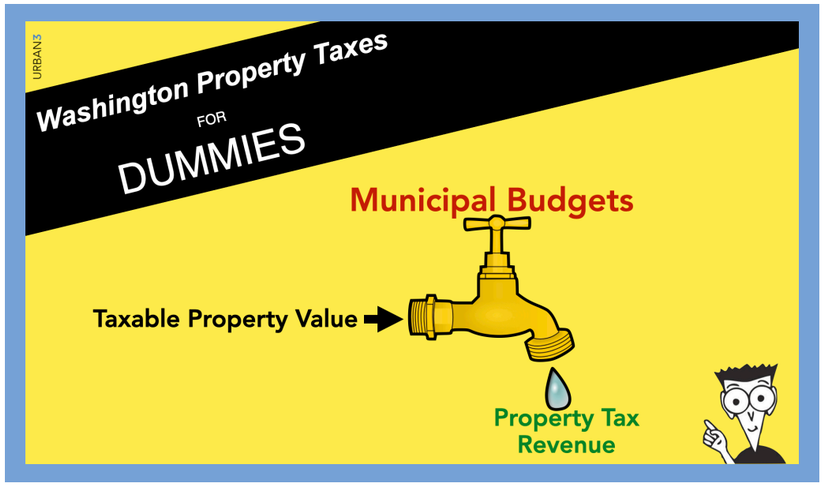


Figure 4 - Washington Property Tax System

Figure 5 - Overview of Property Tax Bill Calculation in Washington

ECONOMIC MRI

Urban3's analysis focuses on the per acre metric as a unity of productivity. Cities and counties are, at their simplest, finite areas of land, and how that land is used has a direct effect on municipal coffers. This metric normalizes total revenues and tax values into a direct "apples-to-apples" comparison, utilizing land consumed as a unit of productivity. Put another way, different cars have different-sized gas tanks, so the gallon is used as a standardized measure, not the tank. Therefore, using "miles per gallon", not "miles per tank" is common practice to gauge efficiency. We apply the same principle to measure the financial productivity of various development types across a community. We call this analysis the "EconomicMRI", looking at peaks and valleys of productivity to determine the fiscal health of a community.

The EconomicMRI of Lake Stevens reveals that development in the city is unremarkable and property value productivity is comparable to many other suburban areas in Snohomish County. Significant portions of the city are composed of lower-value

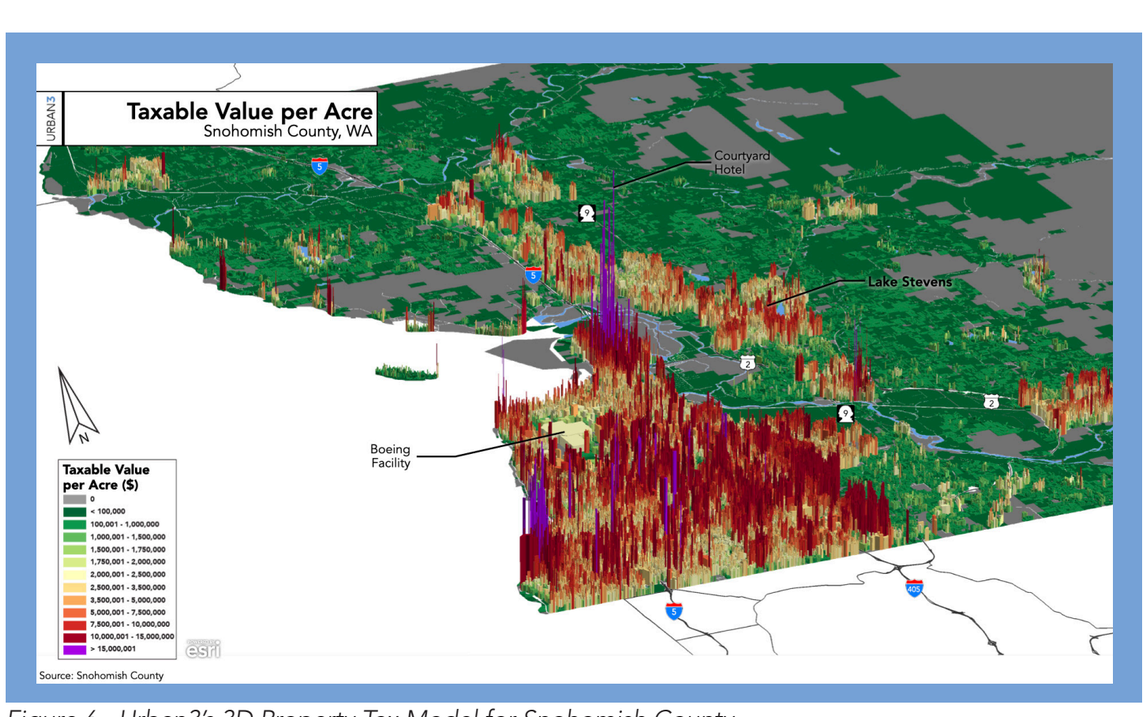


Figure 6 - Urban3's 3D Property Tax Model for Snohomish County

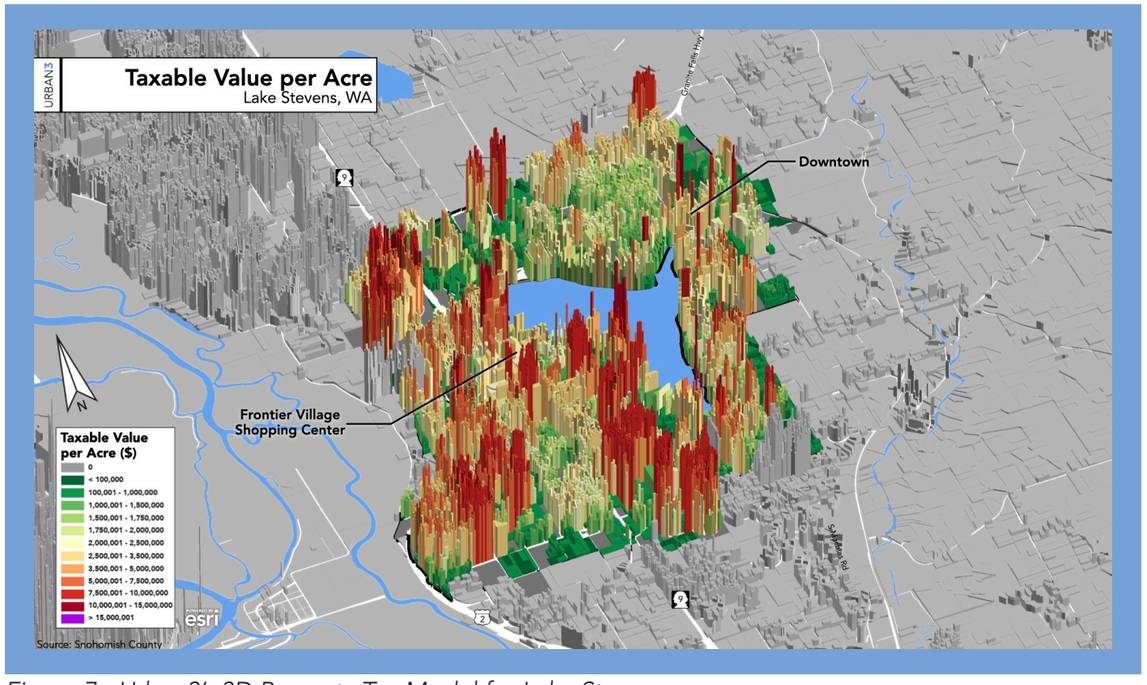


Figure 7 - Urban3's 3D Property Tax Model for Lake Stevens

residential development. These areas have property value per acre numbers ranging from $500,000/acre to $2 million/acre. Newer, compact residential development is seen in western and southern areas of the city. These developments can have property value per acre numbers as high as $7 to $8 million/acre.

Lake Stevens' commercial areas typically have a property value productivity less than or equal to other car-oriented commercial districts in the county. These values generally range from $1.5 to $2.5 million/acre. The lack of a traditional downtown hurts Lake Stevens, as strong downtowns typically have high property value per acre numbers. Cities like Everett and Edmonds have downtowns with very strong property value per acre peaks. These downtown areas help support less productive low density residential areas. But even a small town like Snohomish has a downtown with significantly higher property value productivity compared to its outlying areas.

SALES TAX DATA

Sales Tax Revenue is also a key part of local budgets in Washington. Lake Stevens is no exception, with just under one-third of the General Fund revenue coming from sales tax. Though sales tax revenue is important to understand, data is only available at the City-level through the Washington Department of Revenue (DOR). The DOR makes the information readily available, but it lacks the specificity needed to understand how varying land uses are connected to sales tax generation. Data from Replica, a data agglomeration company, was used to supplement the DOR data and provide slightly more geographically specific sales tax data.

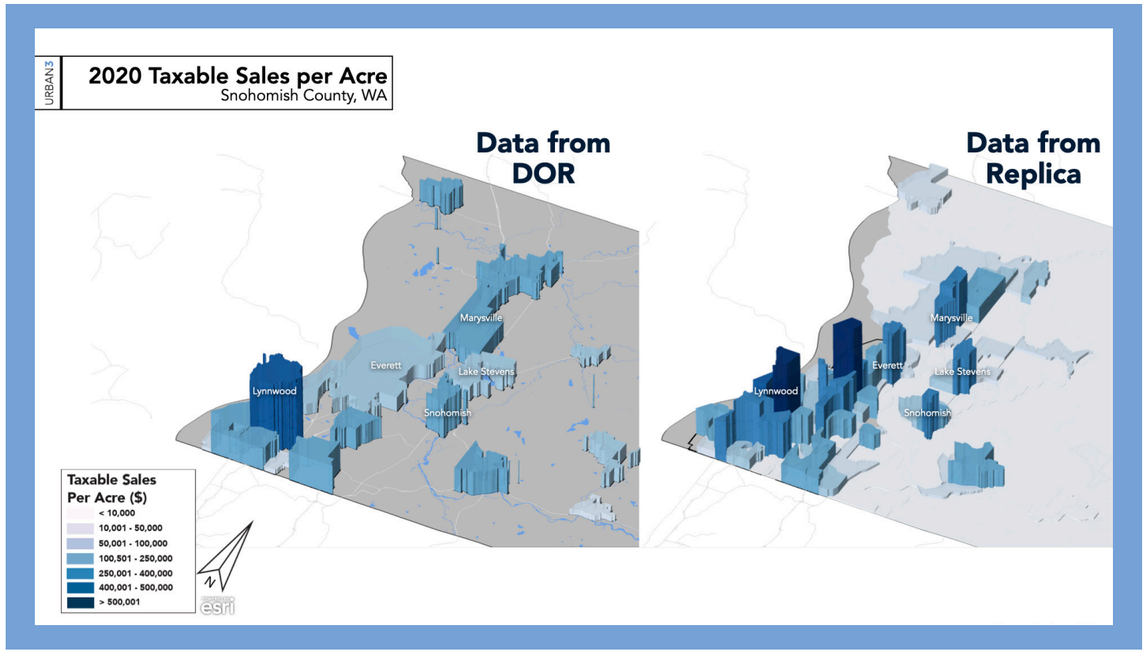


Figure 8 - Comparing Sales Tax Data for Snohomish County from Department of Revenue v.s. Replica

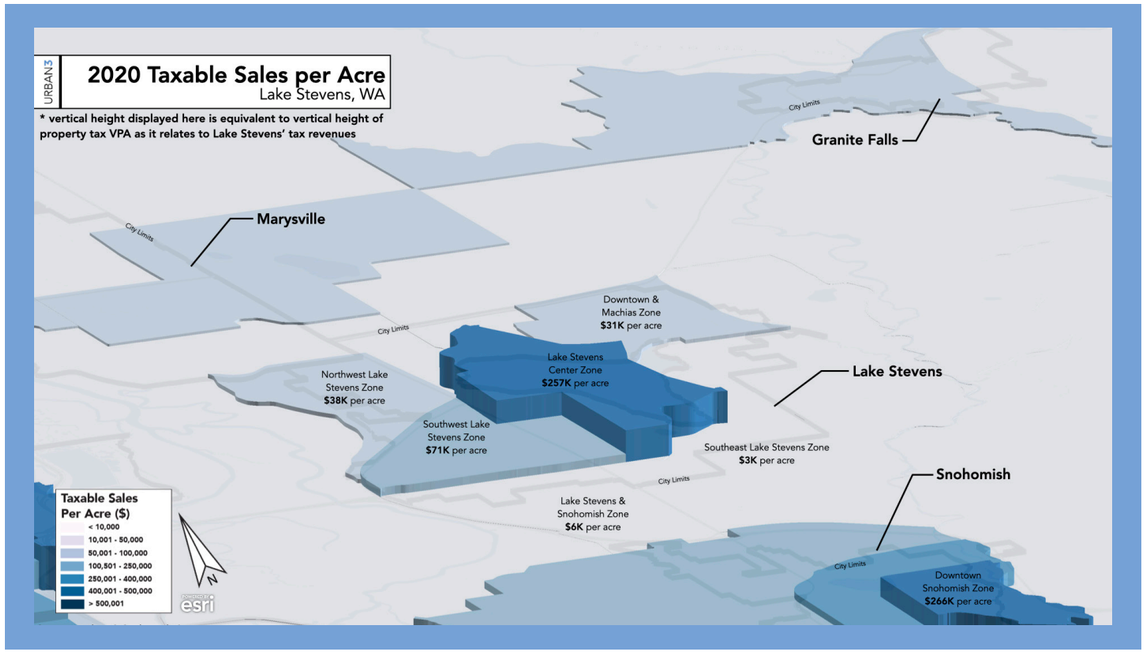


Figure 9 - 2020 Sales Tax Data from Replica for Lake Stevens Area

Using spending data from Replica, we were able to estimate total annual taxable sales at the census tract level. This helped identify more productive sections of Lake Stevens, with the tract containing Lake Stevens Center standing out. However, auto-oriented commercial districts weren't necessarily superior. The tract containing downtown Snohomish, with its walkable main street district, matched the taxable sales of the Lake Stevens Center tract on a per acre basis.

To get a better idea of how specific development types vary in terms of sales tax revenue generation, more complete and reliable data will need to be collected. Current data does not have consistent physical location information for businesses. In Lake Stevens, every dollar of taxable sales is worth about seven and a half dollars of taxable property value. This difference makes understanding spatial characteristics of sales data important to the City. We encourage Lake Stevens to collaborate with other cities and work with Washington DOR to generate more spatially specific sales tax data.

SOUTHEAST INTERLOCAL ANNEXATION

In August of 2021, approximately 500 acres of unincorporated land in the southeast corner of Lake Stevens was annexed into the city. This annexation, called the Southeast Interlocal Annexation, closed the City's boundary around the lake, bringing it into the City's jurisdiction as well. The newly annexed area is residential in nature, with a couple compact subdivisions, but generally has a low density development pattern. The area added just over $500 million in taxable property value to the city. However, the average property value per acre is just over $1 million/acre. Prior to the annexation, the average property value per acre for the city was $1.4 million/acre. This annexation brought down the average slightly, but not significantly.

More importantly, the annexation didn't really add any value to the city, in terms of property tax, and spread out the liabilities of the city, in terms of service delivery. Completely enclosing the lake is significant, but it will be important to consider the value future annexations may offer the city compared to the added costs of serving those areas.

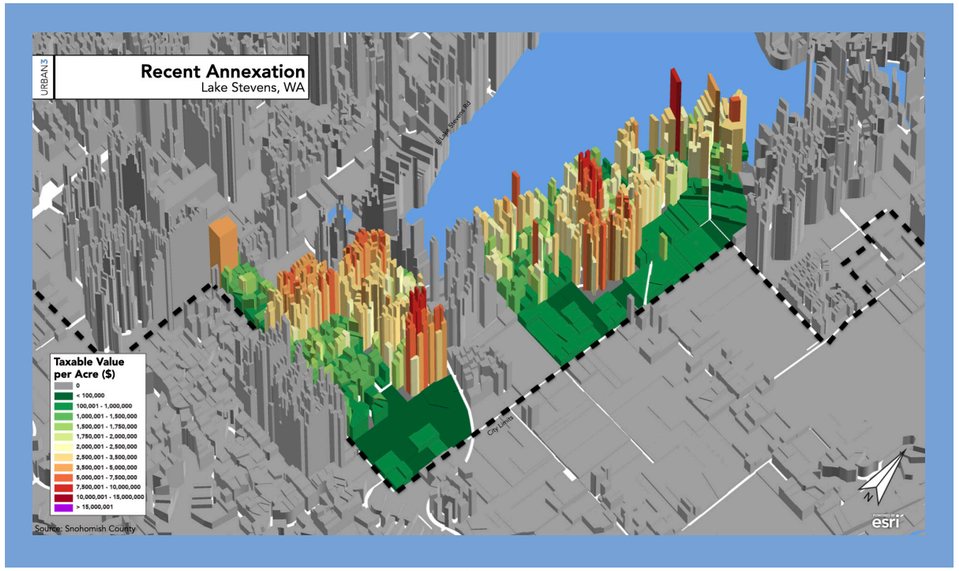


Figure 11 - Urban3's Property Tax Model for Annexation

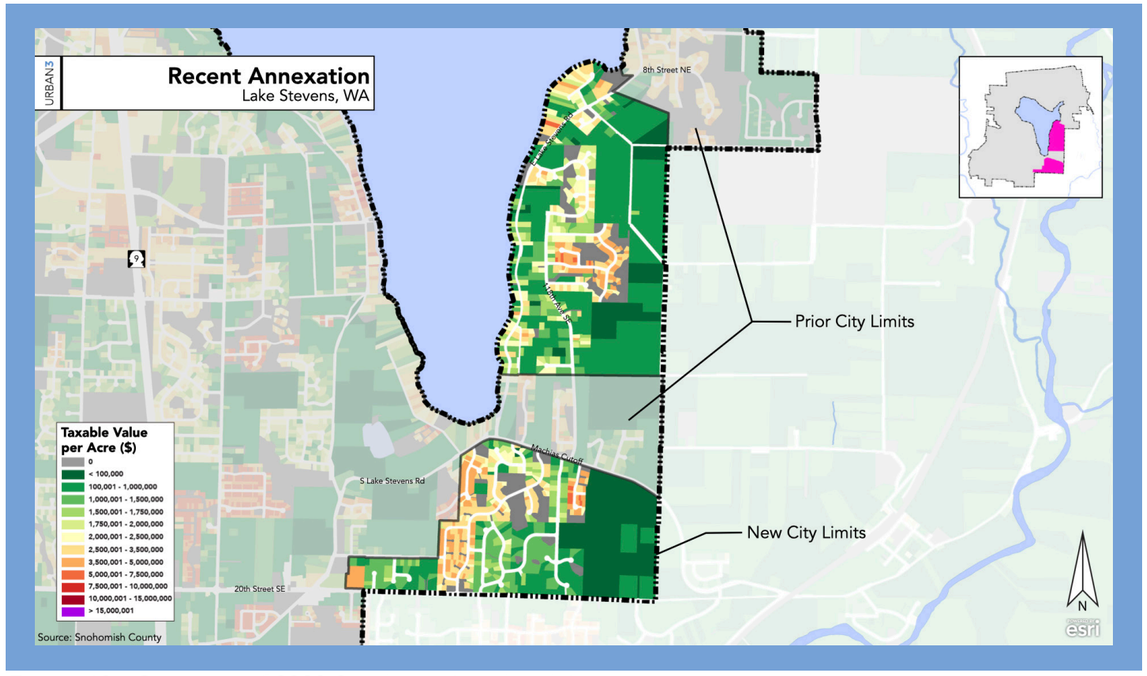


Figure 10 - Overview of 2020 Southeast Interlocal Annexation

Figure 12 - Sample Development from Annexation

PROJECTIONS

The most significant aspect of our work in Lake Stevens was the creation of future development scenarios in four areas of interest of the city: Hartford Industrial Area, Lake Stevens Center, 20th Street SE, and Downtown. These projections were generated to explore opportunities in these places and understand how different development types could impact tax revenues.

Lake Stevens Center, 20th Street SE, and Downtown are all recognized as defined "subareas" by the city and have detailed subarea plans. The Hartford Industrial Area is a newer area that has not yet undergone an intense planning process like the other areas have. While creating projections, we used subarea plans to inform our work and the selection of potential development examples in the projections. When subarea plans were unavailable, we worked with city staff and existing data to imagine future development options given an area's context.

It is important to note that each of these projections shows examples of what property values could be based on examples from other locations in Snohomish County. Lake Stevens currently lacks the style of developments referenced in the projections, so future values may differ based on individual building characteristics. However, it is clear that the style of development proposed in the projections offers significantly better property tax value and at least comparable sales tax value for Lake Stevens.

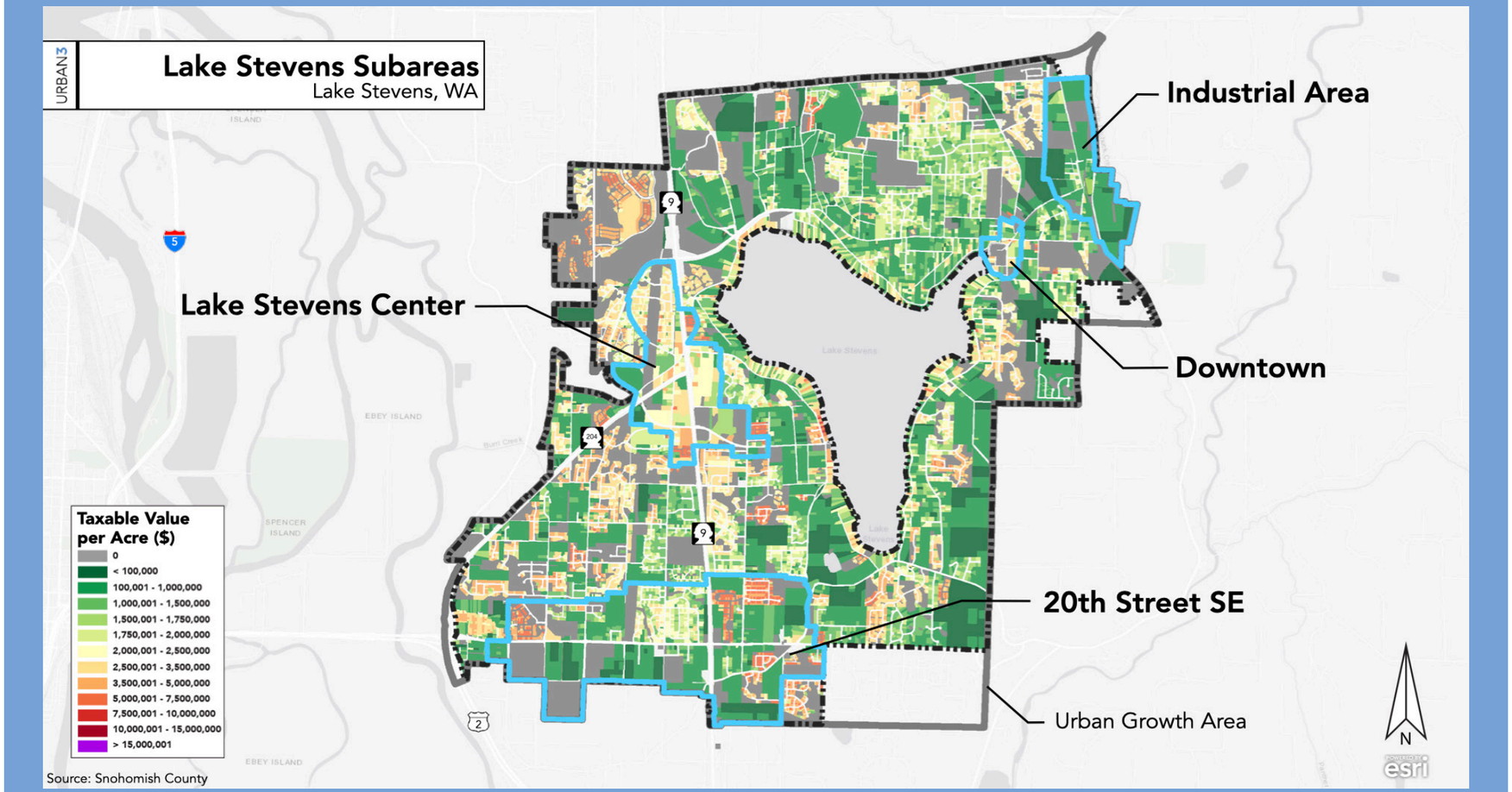


Figure 13 - Overview of Projection Subareas in Lake Stevens

HARTFORD INDUSTRIAL AREA

The Hartford Industrial Area, or simply Hartford, is currently sparsely developed with low intensity uses. Mini storage, open air storage, low density residential, and undeveloped land make up most of Hartford. Hartford is in the northeastern corner of the city and is about 210 acres in size.

An interesting note is that Hartford is the main area in Lake Stevens where the cannabis industry has established itself. There is about 53,000 square feet of building area devoted to marijuana production and processing, with a total cap of 71,000 square feet in the industrial area. Though cannabis may seem like a valuable asset to local government tax revenues, the reality is that very little marijuana tax revenue is disbursed to local jurisdictions due to the vast majority going to various state-level entities and programs.

Hartford has low value productivity, matching its current land use pattern, but it presents an opportunity. The city can take steps to help it transform into a more valuable and attractive area.

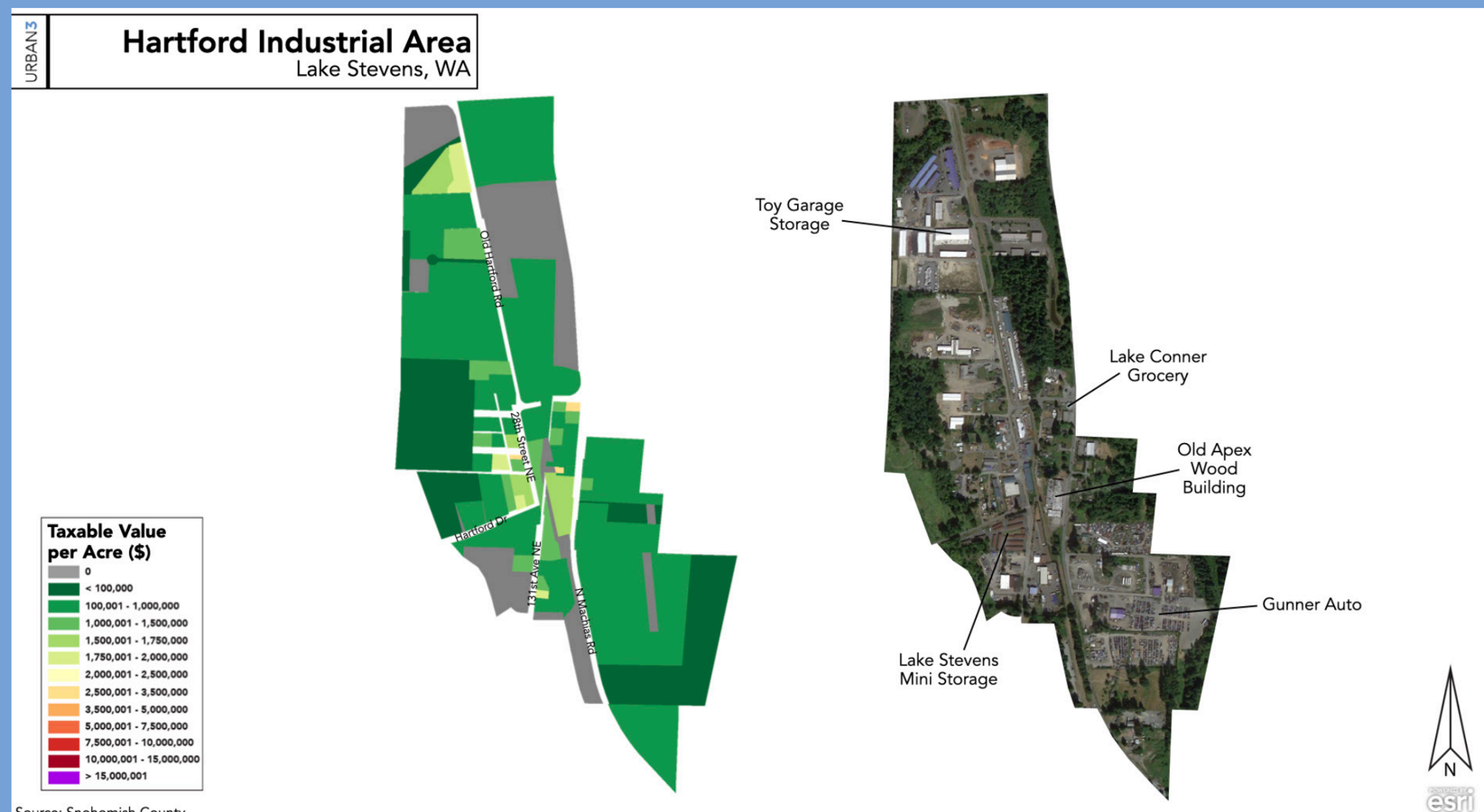


Figure 14 - Hartford Industrial Area Overview

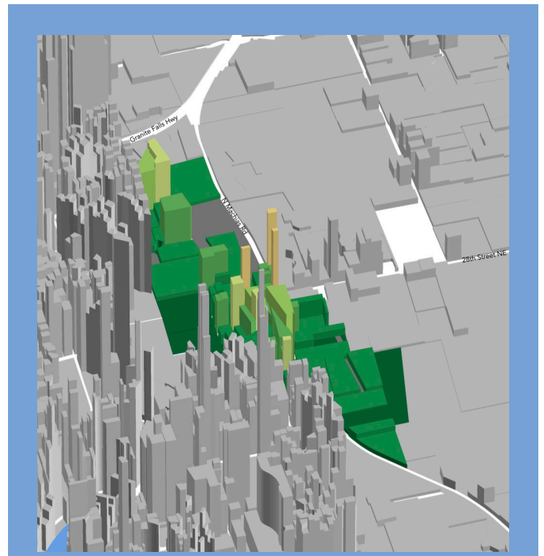


Figure 15 - Hartford 3D Model

HARTFORD INDUSTRIAL AREA

First, with the input of city staff, we looked at industrial areas in three other locations in Snohomish County to see how Hartford compares. Marysville, Arlington, and Monroe were selected as comparison cities. Looking at data from industrial areas in these cities shows that Lake Stevens is behind, but not dramatically. Marysville and Arlington both have very large industrial areas, but they are not very well developed. They are only slightly more productive than Hartford. Monroe has an industrial district more similar in size to Lake Stevens', but it is much more densely developed with manufacturing and warehousing uses. Monroe's industrial district is a little more than six times as productive as Lake Stevens'.

URBAN3

Industrial Areas Comparison
Lake Stevens vs. Snohomish County Cities

shown at same scale

Industrial Area:	Lake Stevens	Marysville	Arlington	Monroe
City Population	35,630	70,714	19,868	19,699
Area Acres	213	1,651	1,078	187
Taxable Area Acres	170	1,424	933	159
Value	$55M	$556M	$391M	$333M
VPA	$0.3M	$0.4M	$0.4M	$2.1M

Figure 16 - Current Industrial Areas Comparison Chart

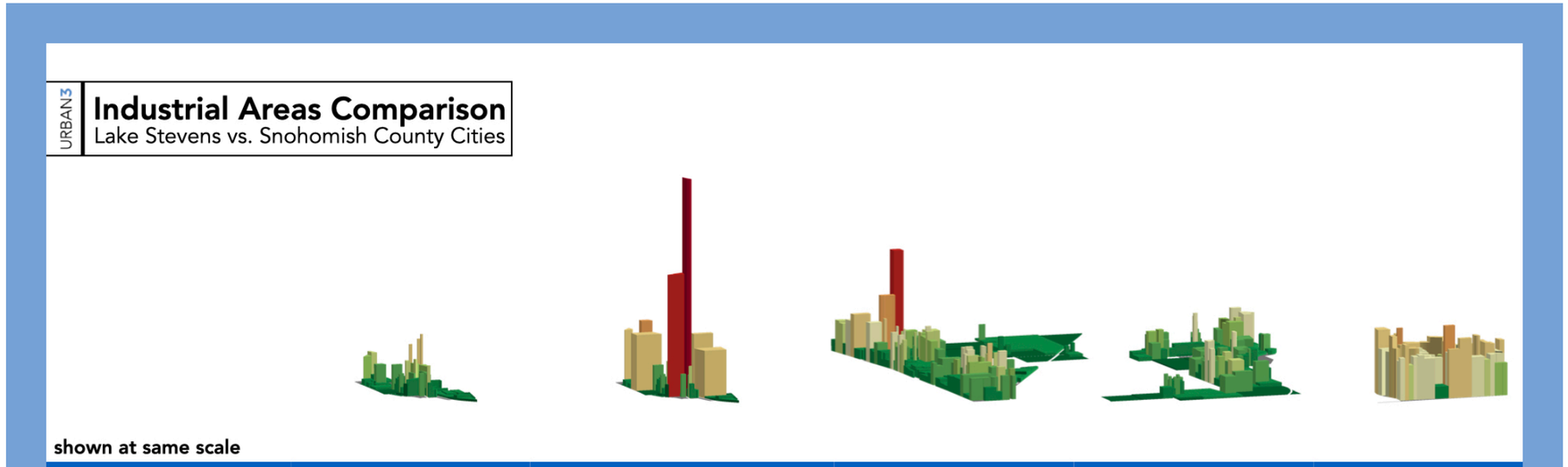
HARTFORD INDUSTRIAL AREA

Using samples from Monroe and other places in the county, we added in sample developments to see how certain land uses impacted value productivity. Examples include an aerospace manufacturing facility and consumer product manufacturing and distribution facility. Combining a few of these potential developments, we were able to increase Hartford's value per acre from about $300,000/acre to about $900,000/acre. This was done while only redeveloping about 42 acres of land, less than a quarter of the Hartford area. With these sample uses, Hartford jumped the productivity of Marysville and Arlington, and cut Monroe's previous advantage nearly in half.

Figure 17 - Current Conditions

Figure 18 - Ministorage Examples

Figure 19 - Manufacturing Examples



Industrial Area:	Lake Stevens	New Lake Stevens	Marysville	Arlington	Monroe
City Population	35,630	35,630	70,714	19,868	19,699
Area Acres	213	213	1,651	1,078	187
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Value	$55M	$191M	$556M	$391M	$333M
VPA	$0.3M	$0.9M	$0.4M	$0.4M	$2.1M

Figure 20 - Industrial Areas Comparison Chart with New Projected Hartford Area

LAKE STEVENS CENTER

Lake Stevens Center is the commercial center of the city. The majority of large stores and shopping centers are found here, along with a mix of older and newer residential developments. Lake Stevens Center is bisected by Highway 9 running north-south. The subarea is about 360 acres in size.

In January of 2011, Lake Stevens started a subarea planning process for Lake Stevens Center. The process took a year and half to complete, ending with the adoption of the Lake Stevens Center Subarea Plan in September of 2012. The plan envisions a revitalized retail core with a "renewed vitality, purpose and character". An increase in density and mix of uses is also outlined in the plan. Even the creation of a new "main street" featuring pedestrian-oriented development is described.

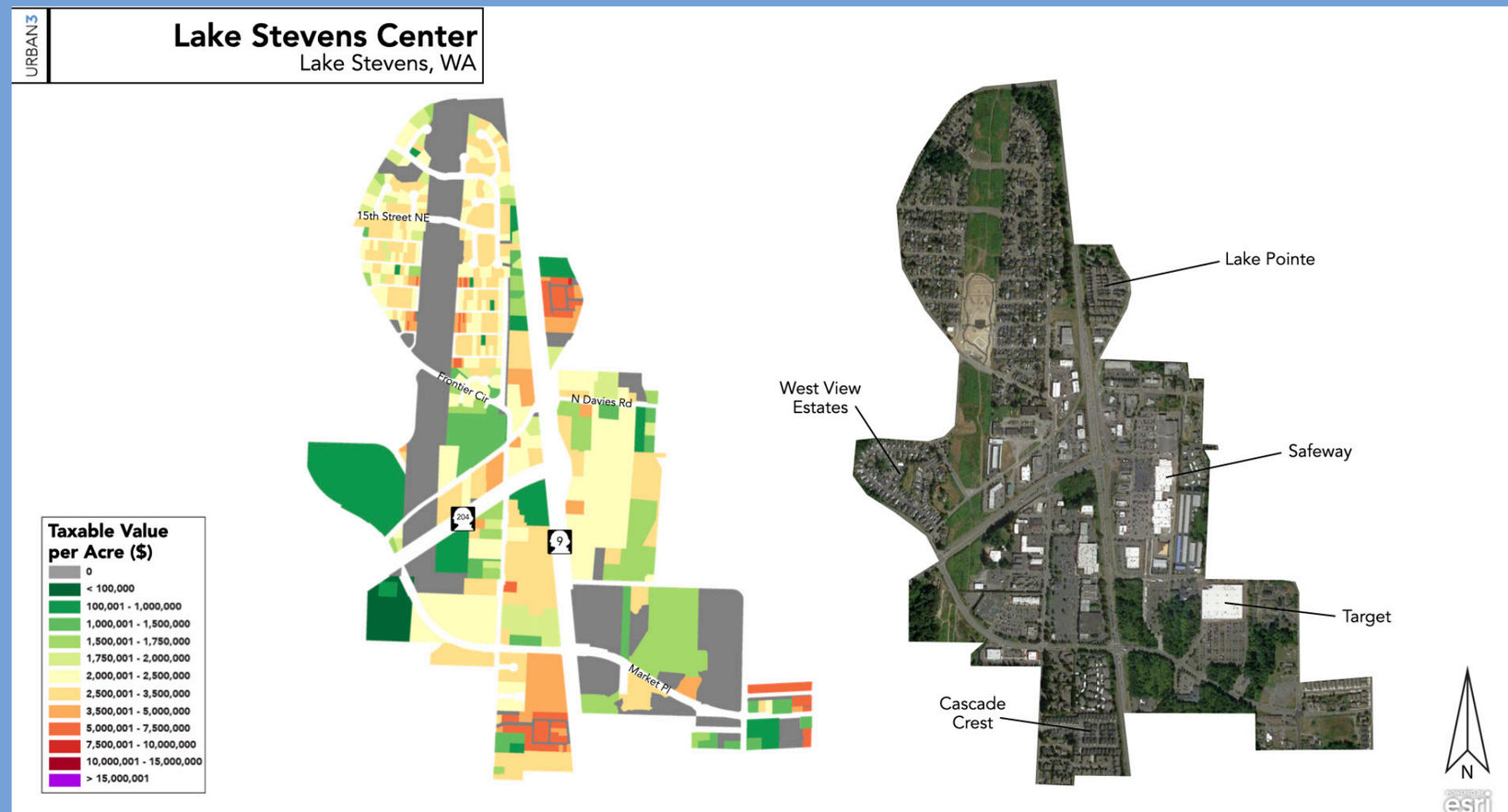


Figure 21 - Lake Stevens Center Overview

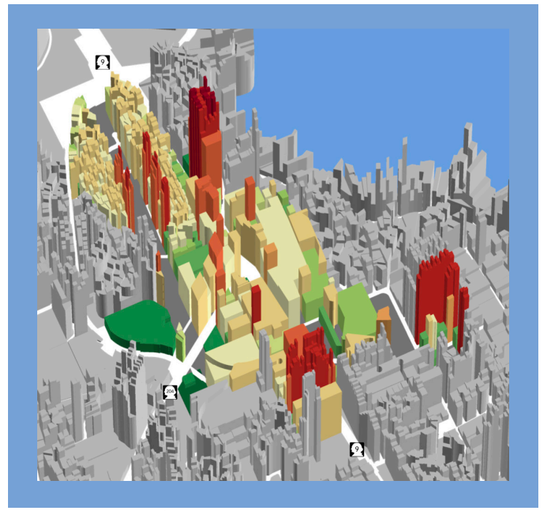


Figure 22 - Lake Stevens Center 3D Model

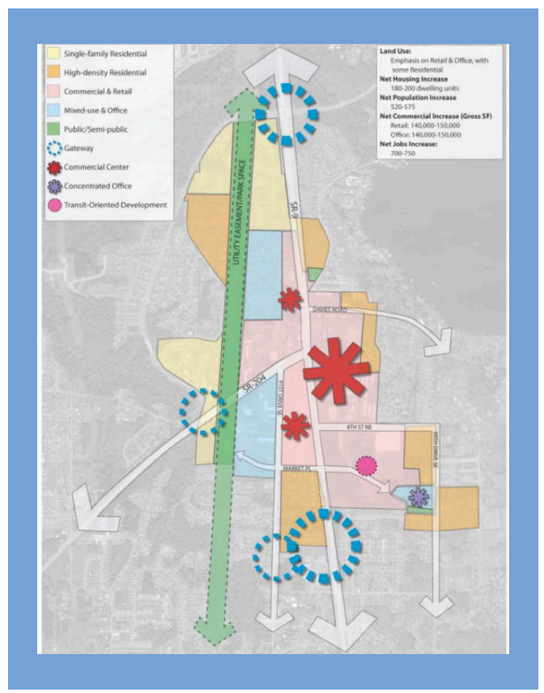


Figure 23 - Lake Stevens Center Subarea Plan Preferred Alternative Map

LAKE STEVENS CENTER

Using information from the plan, Urban3 created a scenario providing examples of future development on locations of interest in the subarea. We used samples of high value developments from surrounding areas as comps and used their property values to estimate the increase in value they would bring to the area. We stepped through the various projections one by one, but all together they were estimated to increase the property value of the area by $169 million. All while redeveloping under 11 acres of property. This projected boost in property value brought the average value per acre for the subarea from about $2.2 million/acre to about $3.0 million/acre. The final projection build out is shown on the following page.

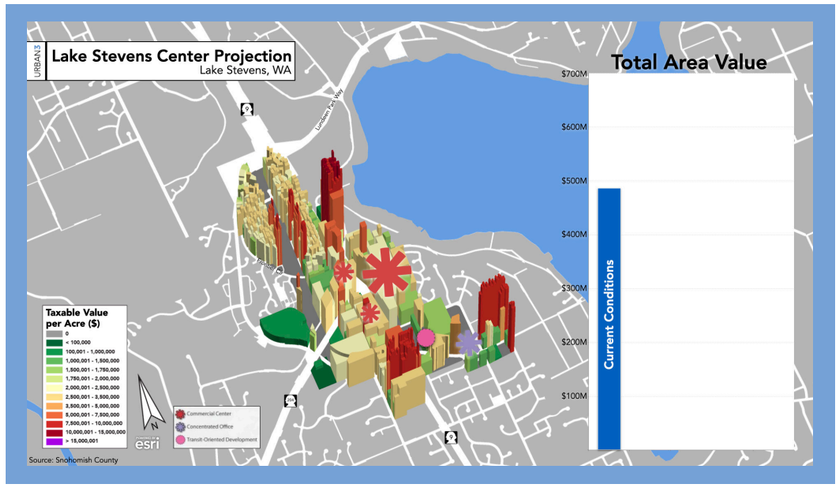


Figure 24 - Lake Stevens Center Current Conditions 3D Model and Key Development Sites

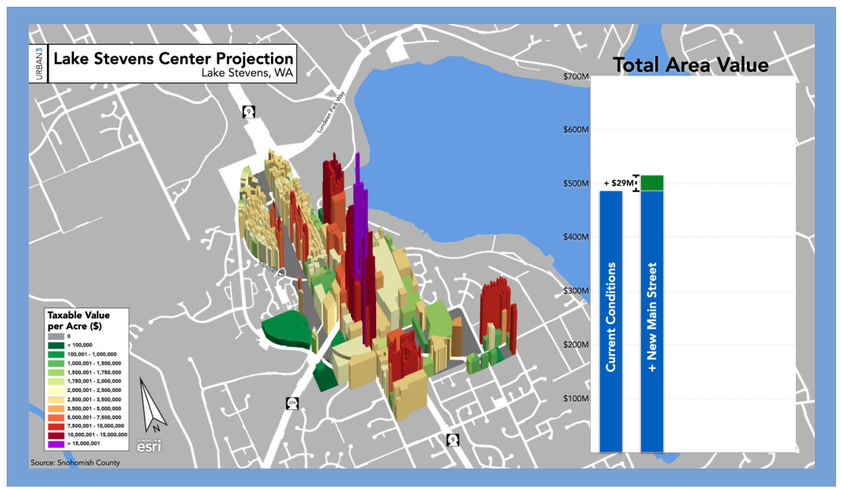


Figure 25 - Lake Stevens Center Projection with New Main Street 3D Model, Adding $29 Million in Value

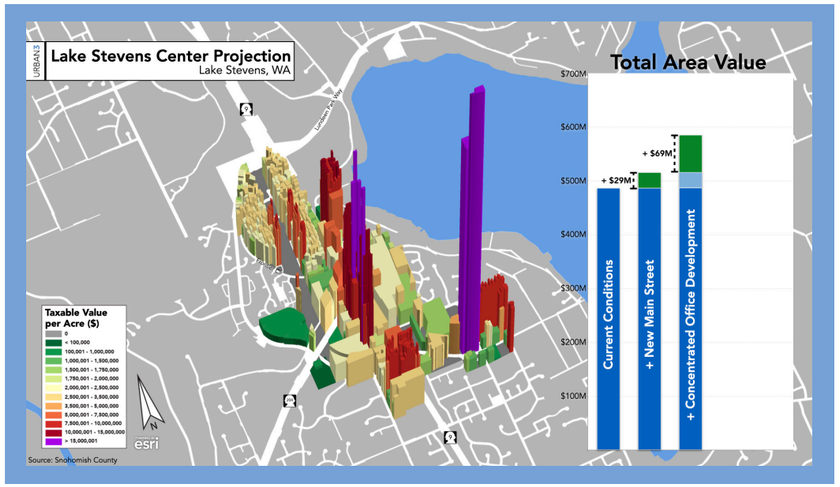


Figure 26 - Lake Stevens Center Projection with New Office 3D Model, Adding $69 Million in Value

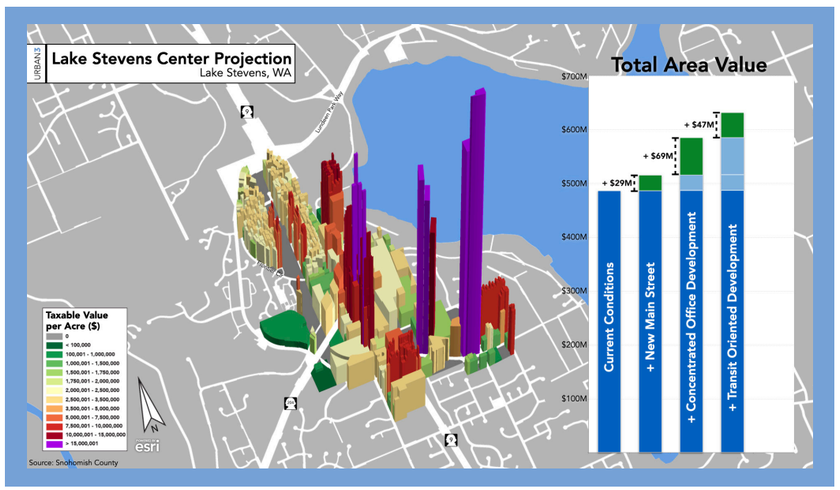


Figure 27 - Lake Stevens Center Projection with TOD 3D Model, Adding $47 Million in Value

LAKE STEVENS CENTER

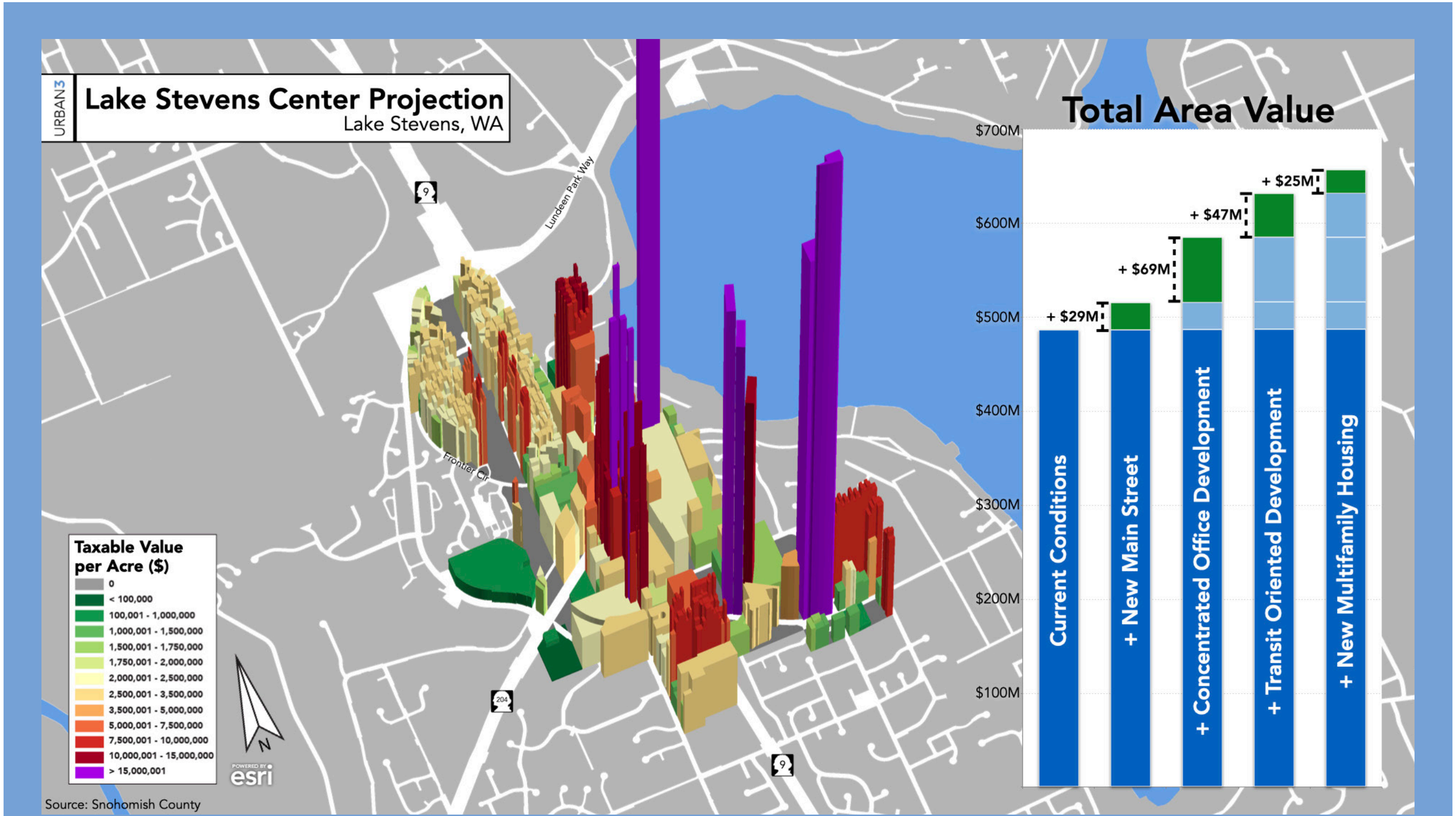


Figure 28 - Lake Stevens Center Projection with Multifamily Housing, Adding $25 Million in Value. Full Build-Out of Projection Adds $169 Million in Value.

20TH STREET SE CORRIDOR

The 20th Street SE Corridor is a primary east-west transportation corridor on the south side of Lake Stevens, with some commercial development adjacent to it and residential development filling out the majority of the area. Highway 9 intersects 20th Street SE in the middle of the subarea, forming the busiest intersection in this section of the city. The subarea is approximately 845 acres in size.

In January of 2011, Lake Stevens started a subarea planning process for the 20th Street SE Corridor. The process took a year and half and culminated in the adoption of the 20th Street SE Corridor Subarea Plan in September of 2012. The plan envisions a dynamic district with robust employment opportunities and retail attractions, complementing existing natural amenities in the area.

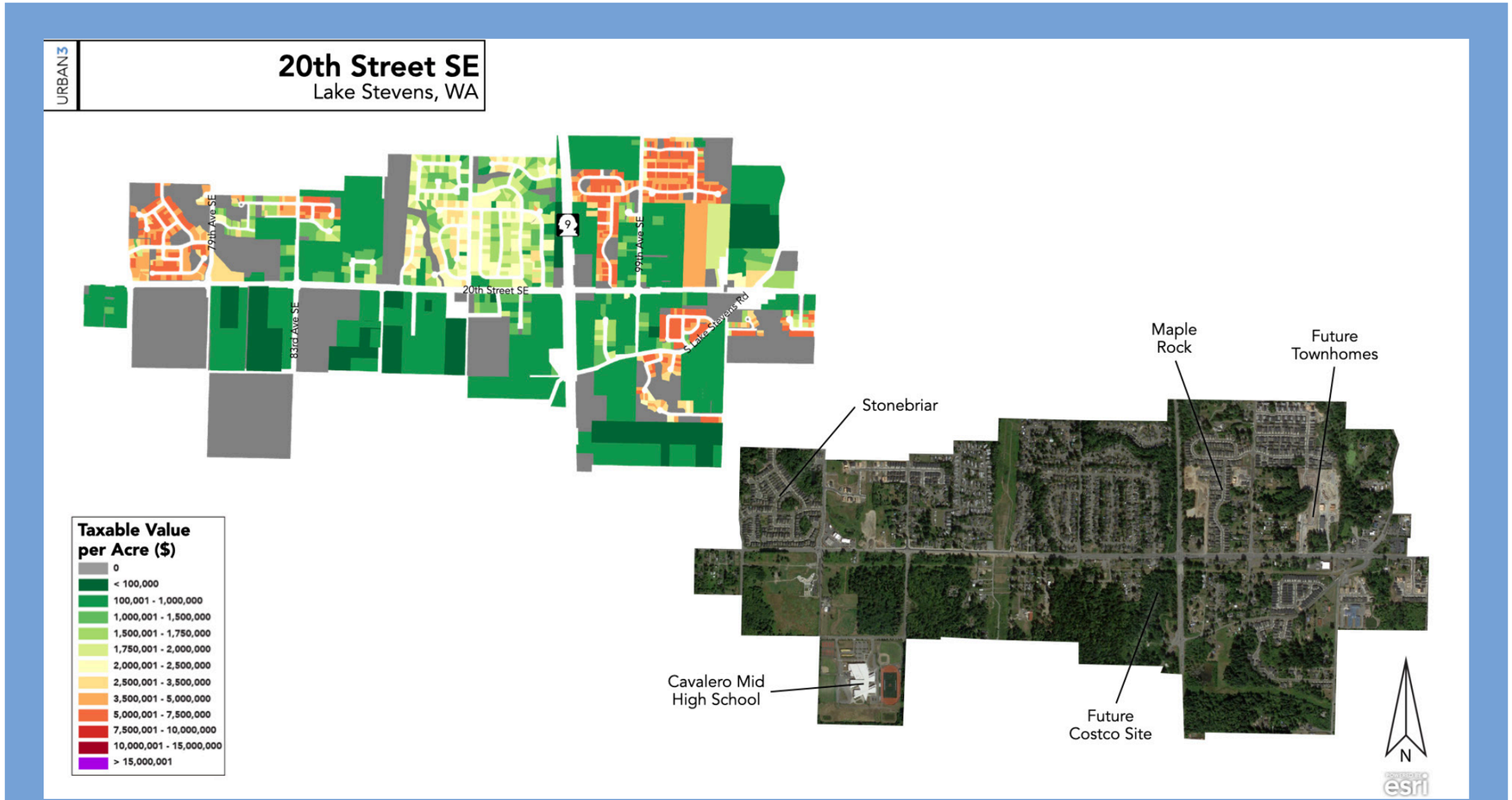


Figure 29 - 20th Street SE Overview

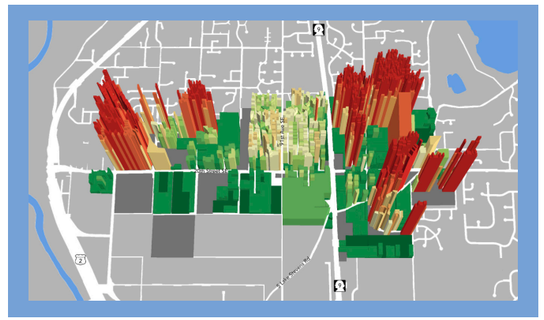


Figure 30 - 20th Street SE 3D Model

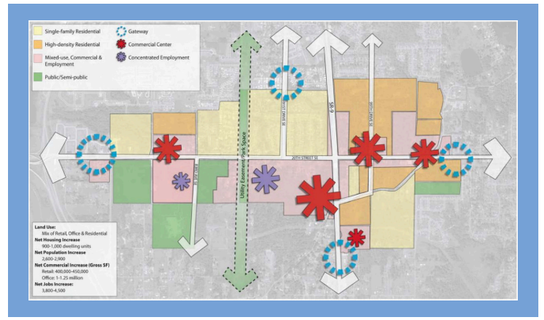


Figure 31 - 20th Street SE Subarea Plan Preferred Alternative Map

20TH STREET SE CORRIDOR

Before pulling in development samples from the broader region, we were able to examine a new development that is currently under construction. Recently, the development of a 37 acre site for a Costco began near the intersection of 20th Street SE and Highway 9. Compared to current uses on the site, the Costco is projected to bring a significant boost in tax revenue for Lake Stevens. Using property values from other Costcos in the area, we were able to estimate future property values for the site. We projected a value per acre of $1.2 million, generating approximately $44.5 million in taxable value. Though this is a significant improvement from the current taxable value of the site, this is not a very productive development overall.

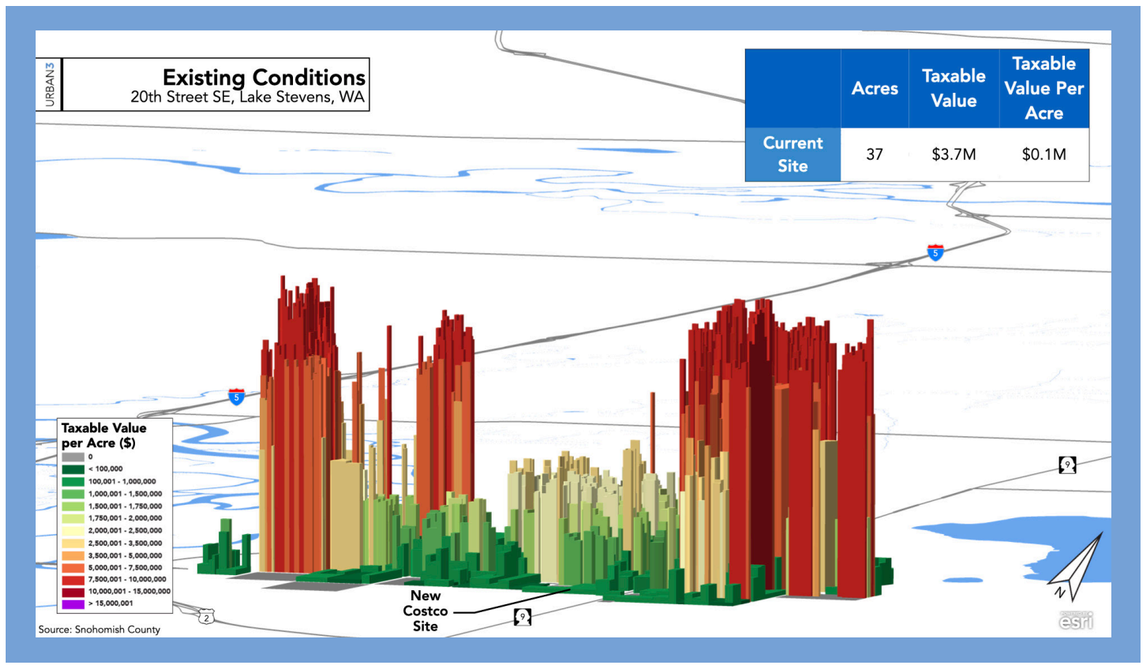


Figure 32 - 20th Street SE - Costco Site Current Conditions

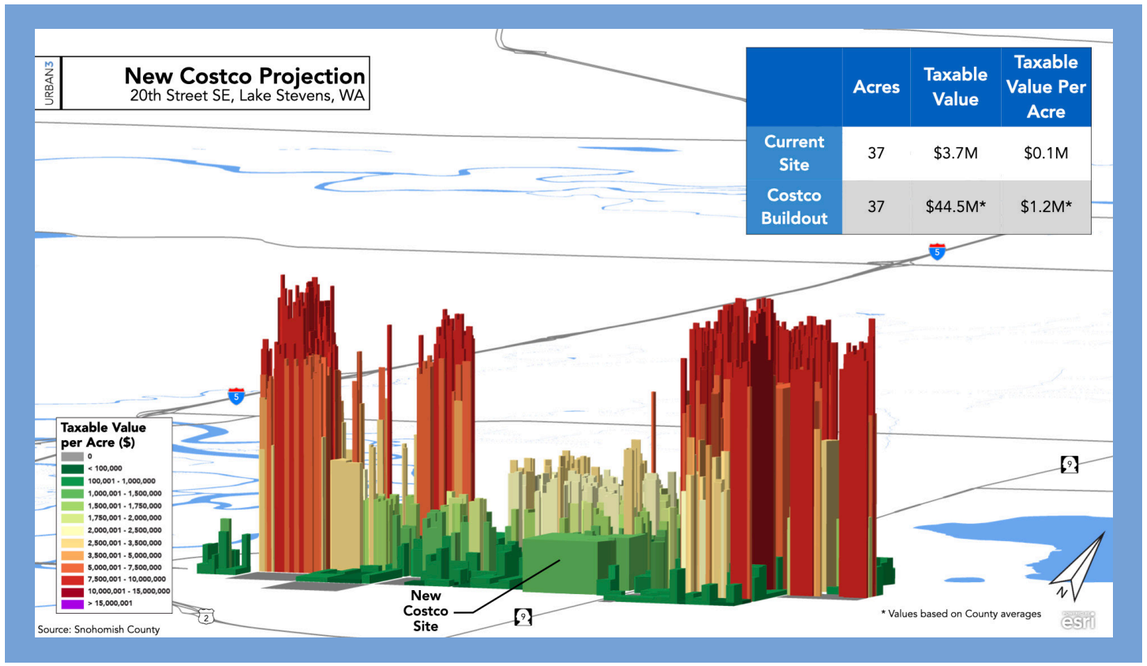


Figure 33 - 20th Street SE - Costco Site Projected Property Value

20TH STREET SE CORRIDOR

Though property tax revenues are an important consideration, many jurisdictions view the sales tax revenue that Costcos, and similar commercial developments, produce as the real value they bring to local budgets. Using numbers quoted by Costco representatives, we were able to estimate the annual taxable sales the site is projected to produce. Overall, the Costco is predicted to produce about $132 million in taxable sales. This translates to about $3.6 million in taxable sales per acre. However, to make the data comparable to other taxable sales data we have for the county, we must add this projected taxable sales production to the current taxable sales data we have for the census tract where the Costco site is located. When we do this, it lifts the taxable sales per acre value from about $6,000 to $74,000. This is a much lower productivity, though, compared to the $3.6 million per acre on the site alone.

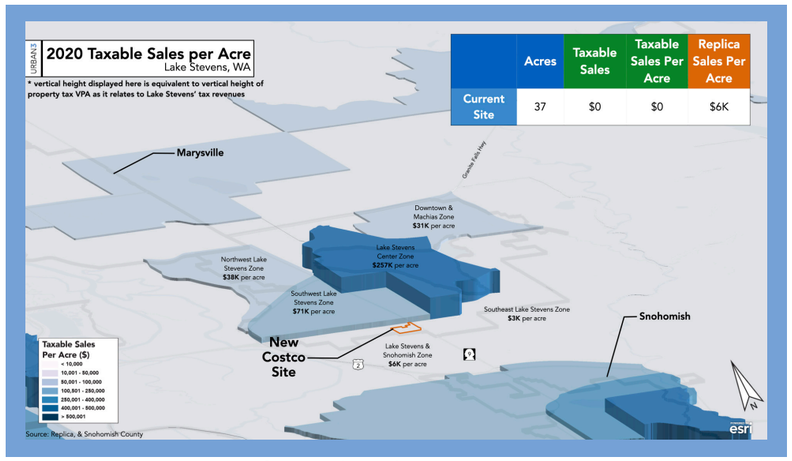


Figure 34 - Overview of Taxable Sales per Acre Data, Highlighting New Costco Site

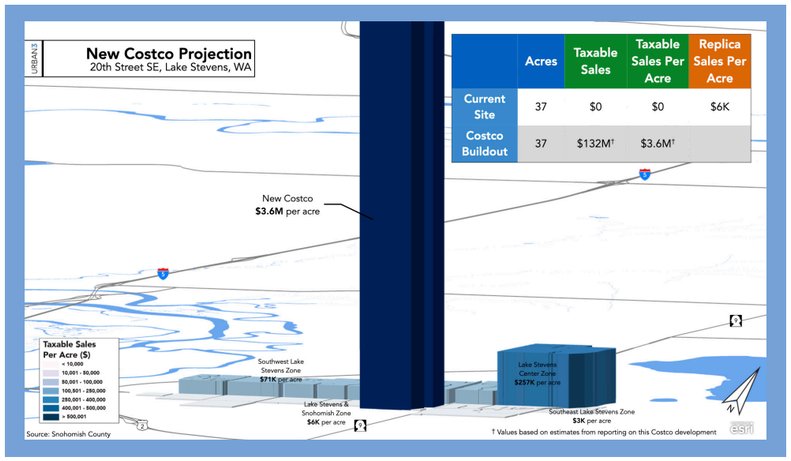


Figure 36 - Projected 20th Street SE Taxable Sales per Acre Data Applied Only to Costco Site

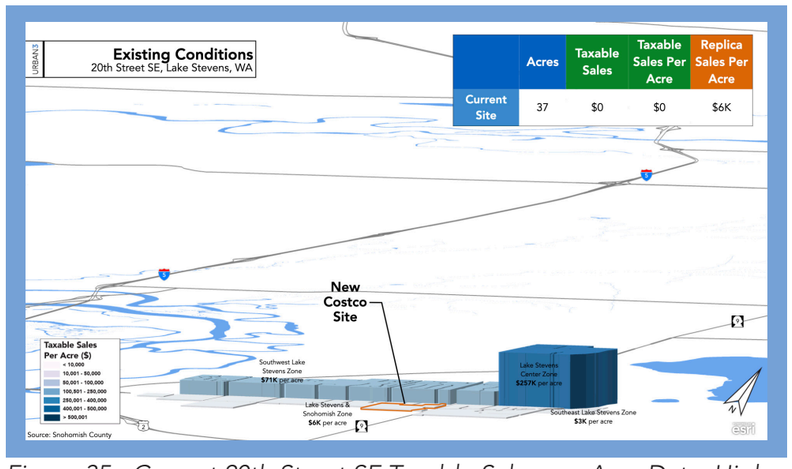


Figure 35 - Current 20th Street SE Taxable Sales per Acre Data, Highlighting New Costco Site

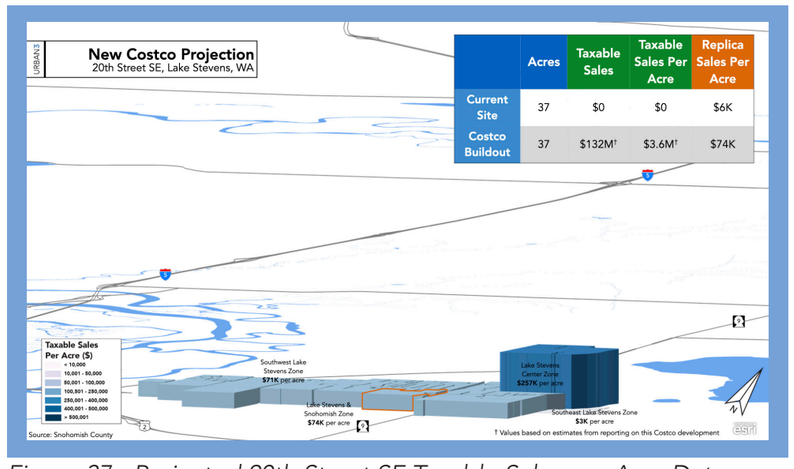
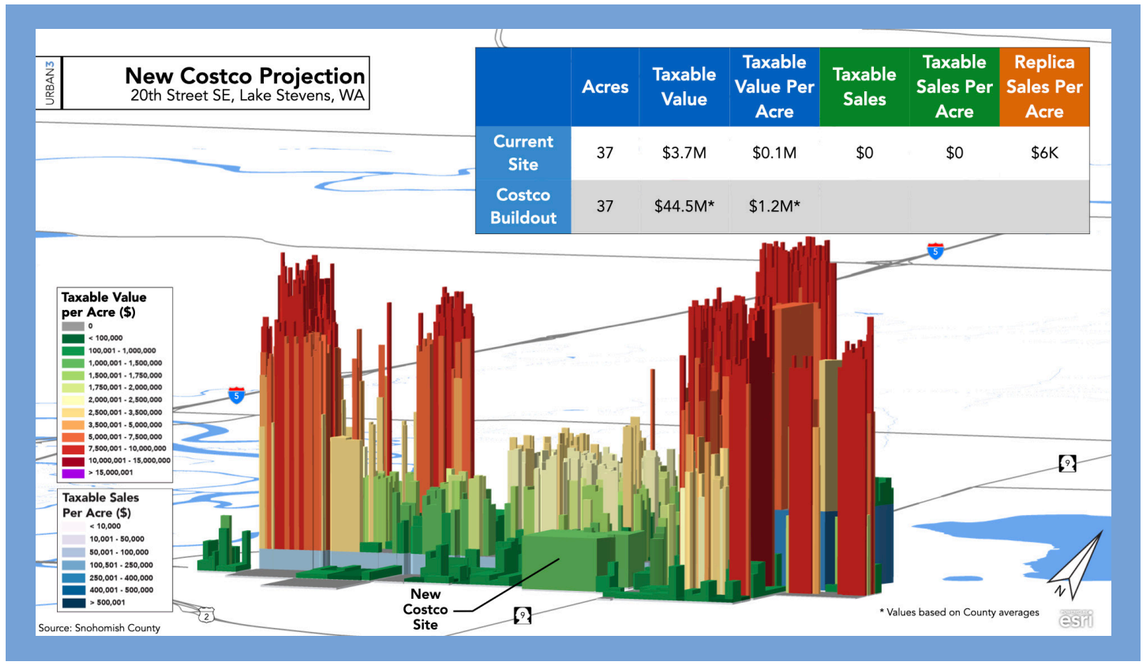


Figure 37 - Projected 20th Street SE Taxable Sales per Acre Data Spread Across Census Tract

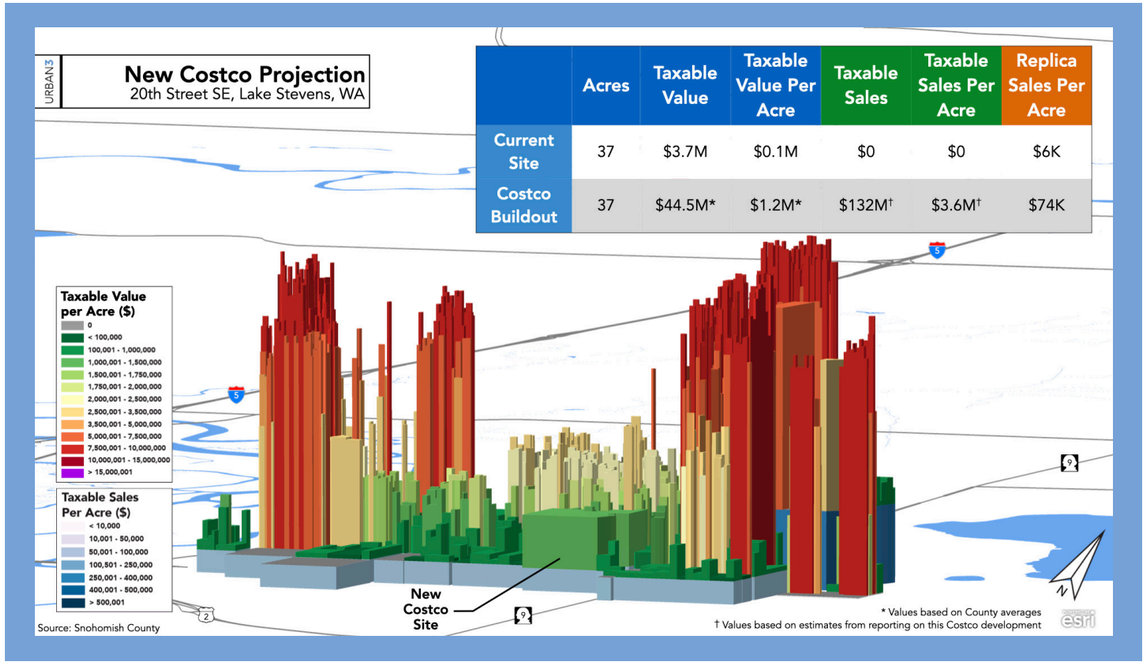
20TH STREET SE CORRIDOR

In the figures below, we combined the property tax and sales tax values for the Costco development. By laying the per acre values on top of each other, we can see the changes that the Costco brings to the 20th Street SE subarea. Overall, the Costco development will have a positive impact on property and sales tax values, especially when considering the current productivity of the site. However, the sheer size of the development works to mute these increases when considering the value per acre metrics.



	Acres	Taxable Value	Taxable Value Per Acre	Taxable Sales	Taxable Sales Per Acre	Replica Sales Per Acre
Current Site	37	$3.7M	$0.1M	$0	$0	$6K
Costco Buildout	37	$44.5M*	$1.2M*			

Figure 38 - 20th Street SE with Taxable Sales Data - Costco Site Projected Property Value and Current Taxable Sales



	Acres	Taxable Value	Taxable Value Per Acre	Taxable Sales	Taxable Sales Per Acre	Replica Sales Per Acre
Current Site	37	$3.7M	$0.1M	$0	$0	$6K
Costco Buildout	37	$44.5M*	$1.2M*	$132M†	$3.6M†	$74K

Figure 39 - 20th Street SE with Taxable Sales Data - Costco Site Projected Property Value and Projected Taxable Sales

20TH STREET SE CORRIDOR

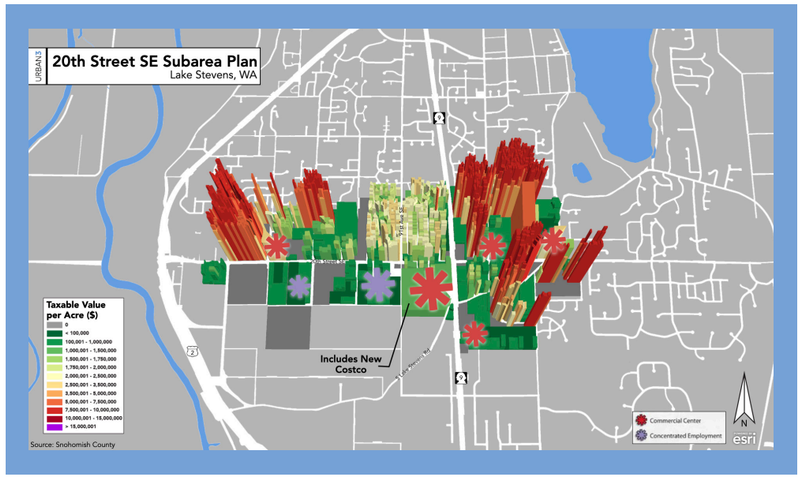


Figure 40 - 20th Street SE 3D Model and Key Development Sites

Figure 41 - 20th Street SE Projection Development Examples

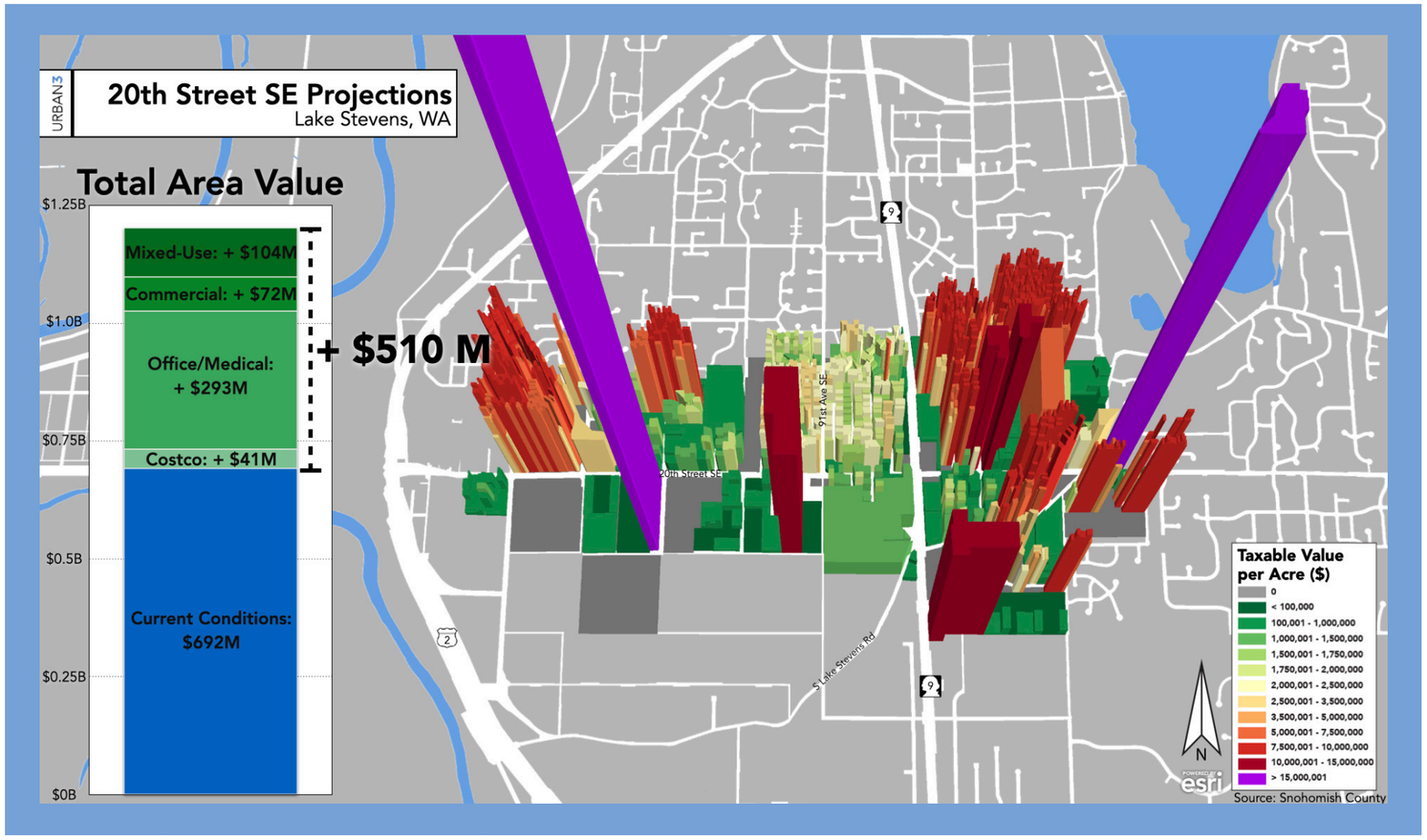


Figure 42 - 20th Street SE Projection 3D Model

After modeling the Costco, we brought in other development samples to fill out the vision of the subarea provided in the plan. By adding in high value employment and commercial centers, we were able to increase the property value of the area by $510 million. This was done while only redeveloping about 73 acres of land, less than 10% of the subarea. This projected boost in property value brought the average value per acre for the subarea from about $1.4 million/acre to about $2.7 million/acre, nearly doubling the initial productivity.

DOWNTOWN

Lake Stevens' downtown lies in the northeastern portion of the city and partially borders the lake. The focal point of downtown is North Cove Park, which was recently renovated to improve public facilities that include City Hall and The Mill. The subarea is about 40 acres in size.

Due to the time of Lake Stevens development and growth, a classic downtown never truly formed. Lake Stevens' downtown is situated around the City's civic center and public amenities, but there is a lack of robust retail and employment attractors that draw people to the area. That being said, the City has a great opportunity to encourage development of a lively downtown destination that attracts people from the community as well as the broader region.

Figure 43 - Downtown Overview

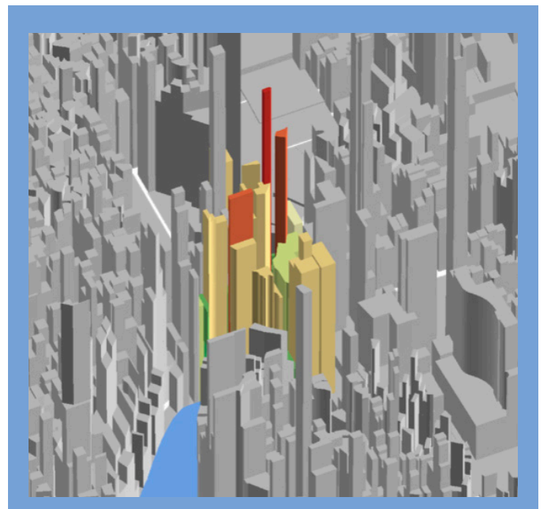


Figure 44 - Downtown 3D Model

DOWNTOWN

In July of 2016, Lake Stevens began a subarea planning process for the Downtown. The process took two years and culminated in the adoption of the Downtown Lake Stevens Subarea Plan in July of 2018. The plan outlines a future downtown that is reinvigorated and draws in people from surrounding areas to enjoy community amenities, like North Cove Park, and improved restaurant and retail options. The plan also envisions an increase in housing options in the subarea to support the desired vibrant atmosphere.

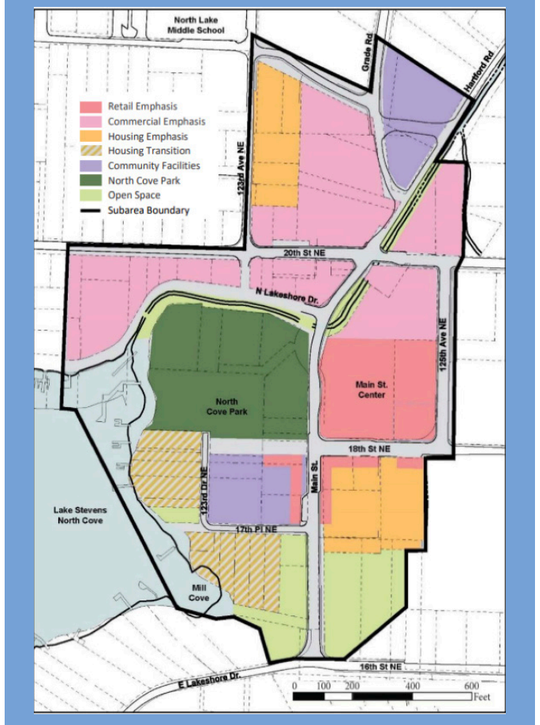
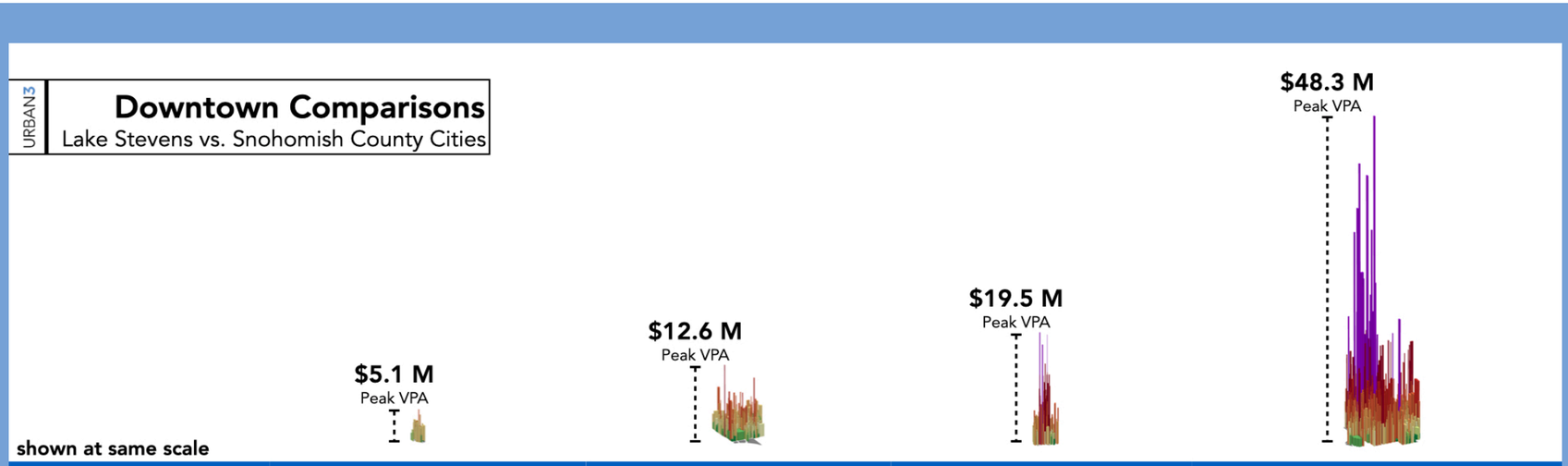


Figure 45 - Downtown Subarea Plan Preferred Alternative Map

Figure 46 - Downtown Subarea Plan Conceptual Development Overview

DOWNTOWN



Downtown:	Lake Stevens	Marysville	Snohomish	Everett
City Population	35,630	70,714	10,126	110,629
Area Acres	42.2	509	50	674
Taxable Area Acres	18.3	266	29	273
Value	$35.6M	$483M	$109M	$1.2B
VPA	$0.8M	$0.9M	$2.2M	$1.7M
Productivity	1:1.4	1:1.7	1:2.8	1:2.5

Figure 47 - Current Downtowns Comparison Chart

Before creating a projection for the downtown, we compared the downtowns of other cities in the county to Lake Stevens. Marysville, Snohomish, and Everett were selected to provide a variety of downtown forms and stages of development. Looking at data from downtowns in these cities shows that Lake Stevens' downtown is underperforming, but great strides can be made to match and exceed the productivity of these downtowns. Marysville and Everett both have significantly larger downtowns compared to Lake Stevens and do have overall higher average value per acre numbers. However, it is Snohomish, with its historic and compact downtown, that is the most productive. Snohomish's downtown is about two times as productive as Lake Stevens' and even beats out the metropolitan center of Everett in productivity (percent of taxable value divided by percent of taxable area).

DOWNTOWN

Using details from the downtown subarea plan, Urban3 created a scenario providing examples of future development on less productive parcels and locations of interest in the subarea. We pulled sample high value developments from surrounding areas to project future development in Lake Stevens' downtown. Examples include three-story mixed-use developments like 437 5th Ave S and The Gregory from Edmonds. We also added a portion of Snohomish's downtown, a stretch on the northern side of 1st Street from Avenue A to Avenue D. With the sample developments, we were able to increase the value per acre of the downtown from about $800,000/acre to over $5 million/acre, while redeveloping only about 5.5 acres of land. The improvements in this projection vaulted the productivity of Lake Stevens' downtown ahead of the three other cities used as comparisons, nearly tripling current property value productivity.

Figure 48 - Downtown Projection Development Examples

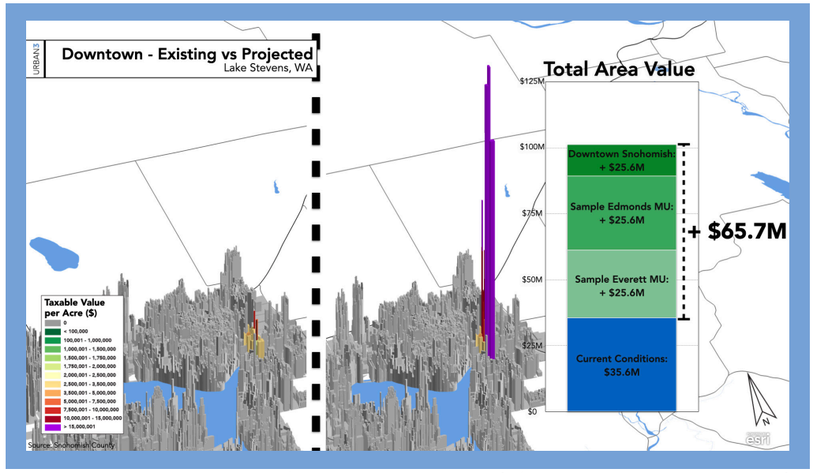
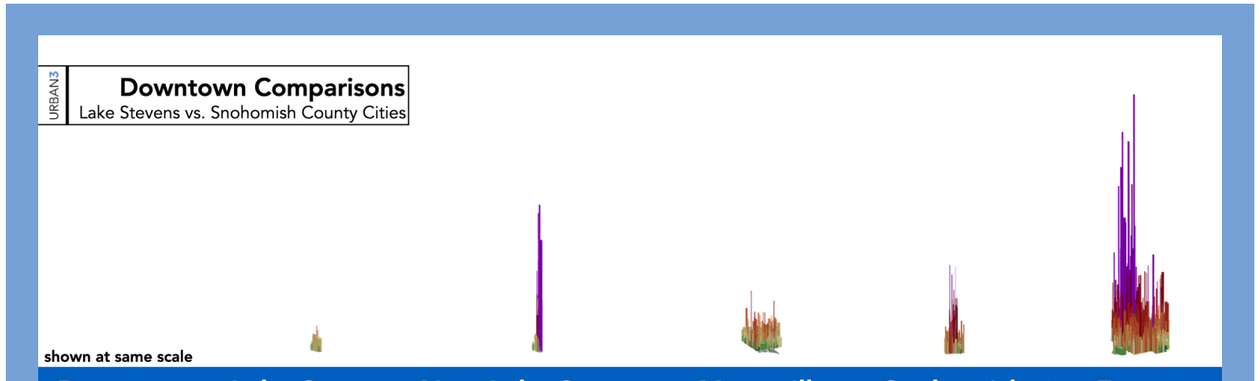


Figure 49 - Downtown Lake Stevens 3D Model - Existing v.s. Projected



Downtown:	Lake Stevens	New Lake Stevens	Marysville	Snohomish	Everett
City Population	35,630	35,630	70,714	10,126	110,629
Area Acres	42.2	42.2	509	50	674
Taxable Area Acres	18.3	19	266	29	273
Value	$35.6M	$101M	$483M	$109M	$1.2B
VPA	$0.8M	$5.3M	$0.9M	$2.2M	$1.7M
Productivity	1:1.4	1:3.9	1:1.7	1:2.8	1:2.5

Figure 50 - Downtown Comparison Chart with New Projected Downtown Lake Stevens

TAKEAWAYS

Our work in Lake Stevens centered on understanding existing land use and development patterns and analyzing future development opportunities in four key areas of the city. The results show that Lake Stevens generally has an unremarkable development pattern that is similar to much of the suburban land use patterns throughout Snohomish County.

One area where Lake Stevens lags behind some cities in the county is in the lack of a downtown core which serves as a value peak in the community. However, this means the City has an opportunity to pick and choose typologies that have worked in other places and implement them in Lake Stevens. Learning from others' successes is a simple strategy that can lead to big benefits for the community.

Many people imagine that in order to have a highly productive downtown or other activity center, large buildings are required. But the fact is that using space efficiently and encouraging smaller developments with lasting value can be even more effective for promoting productivity. Little buildings can have a big impact.

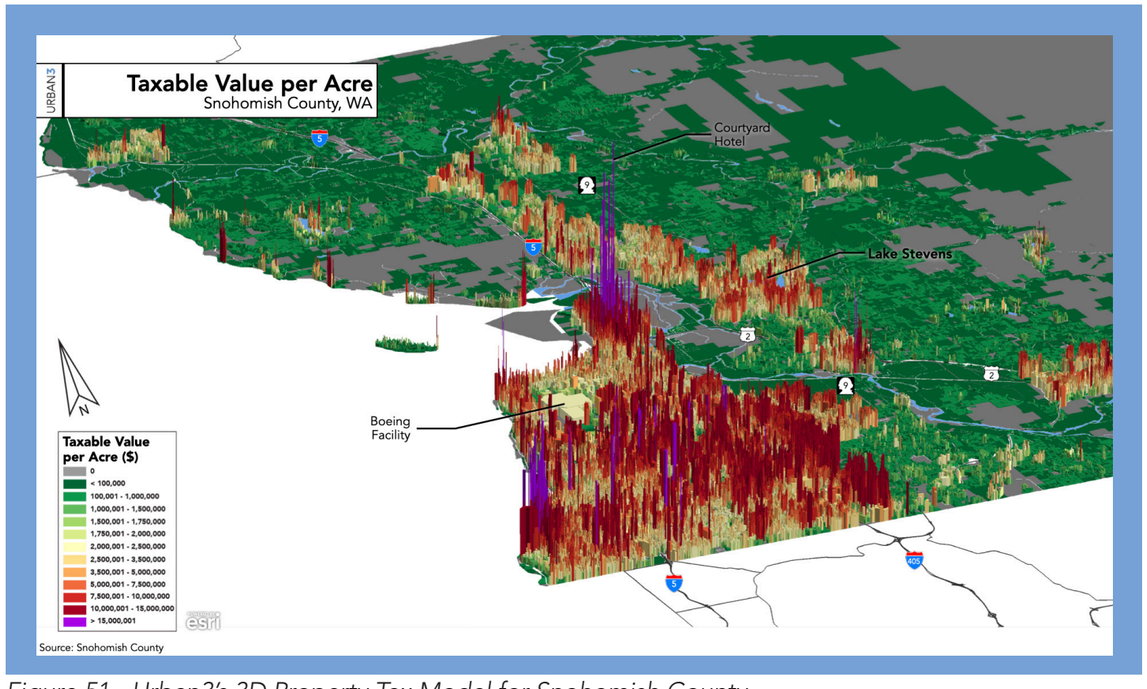


Figure 51 - Urban3's 3D Property Tax Model for Snohomish County

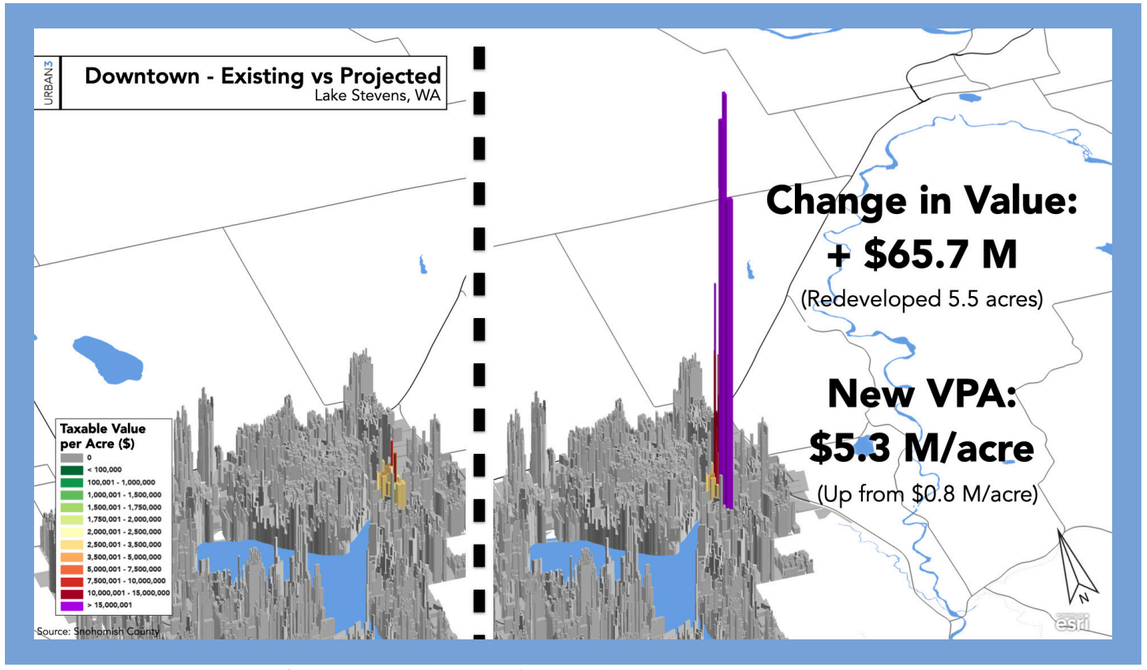


Figure 52 - Downtown Lake Stevens 3D Model - Existing v.s. Projected

In the projections we completed for the subareas, we were able to review the existing subarea plans and saw many encouraging goals and objectives in them. The plans that city staff and the community worked to create are pointing the city in a positive direction. There are various tools available to help the City continue working towards these visions. The city can re-evaluate zoning regulations to promote envisioned development, employ public-private partnerships to facilitate investment where appropriate, and make thoughtful capital investments to ensure infrastructure and land use mesh with a focus on value added steps as identified for each focus area. A single action or solution is unlikely to lead to the desired outcomes, but sustained effort and smart choices will, over time, lead to positive changes in productivity.

We appreciate having had the opportunity to work with Lake Stevens Staff and Officials during this project. We hope that we have been able to plainly outline characteristics of land use in Lake Stevens and highlight productive development options available to the city moving forward. Thanks for letting us do the math!

CREDITS AND ATTRIBUTIONS

All data used in this analysis and report, unless otherwise noted, was provided by the City of Lake Stevens and Snohomish County. All maps are created with ESRI software.

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URBAN3

Data-driven storytelling

Principal	Joe Minicozzi, AICP
Chief Operating Officer	Cate Ryba
Senior Planning Analyst	Phillip Walters, AICP
Project Analyst	Adam Carr, AICP