

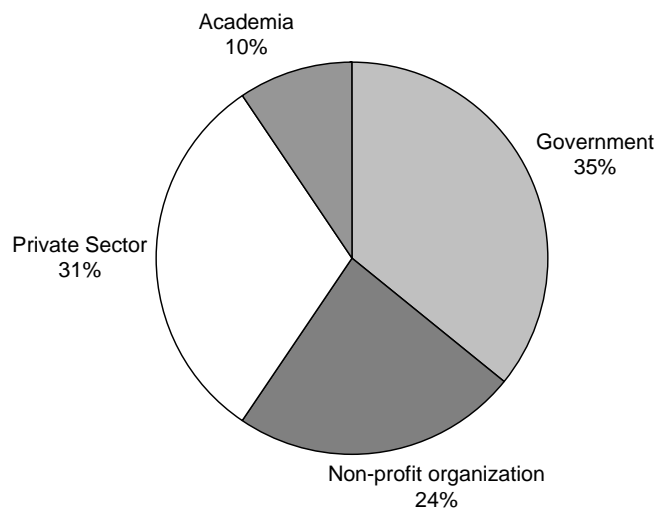
PART VII: SURVEY RESULTS & ANALYSIS

A. Overview & Methodology

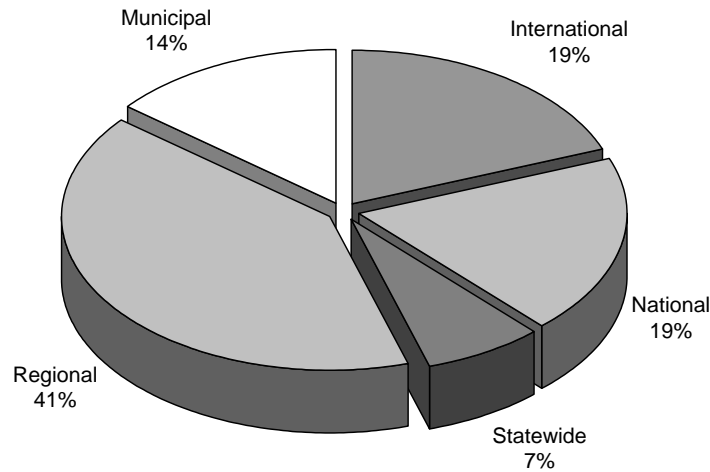
This chapter analyzes the strengths, weaknesses, opportunities and threats facing the Central Puget Sound from an economic development perspective. The primary source of information used for this analysis is the stakeholder survey the project team administered between the months of September and November 2004 (a copy of the survey instrument can be found in *Appendix G*). The project team sent out a total of 314 surveys (164 by email and 150 by mail) to a variety of private companies, local government offices, nonprofits, training organizations, labor unions, and other economic stakeholders in the region. The project team received 42 completed surveys.

The respondents to the survey represent stakeholders in government, nonprofit organizations, private companies, and academia (see *Figure VII-1*). The scope of the respondent organizations varied, with the majority being regional in scope, but equal portions being international, national, and municipal in scope. The remainder were statewide in scope (see *Figure VII-2*).

Figure VII-1: Breakdown of Survey Respondents by Sector.



Source: ECG Survey, 2004

Figure VII-2: Geographic Scope of Survey Respondents

Source: ECG Survey, 2004

In this section, each of the respondents to the survey were asked to mention what, in their opinion, worked well in the region (strengths) and what needed improvement (weaknesses) in each of the following aspects of the economic setting of the region: quality of life; infrastructure (roads, airport, rail, utilities, transit); housing; and planning for growth. This is a summary of their open-ended responses (detailed responses can be seen in *Appendix H* at the end of this report).

B. Findings

Quality of Life

What Works Well

Respondent's comments focused mostly on clean air and water, natural beauty and opportunities for recreation and leisure time. But some of the more interesting comments noted the region's tolerant mindset and ability to "get along" as a strong positive feature of the area. There were also positive comments about the region's Growth Management Act and new approaches to regional cooperation.

What Needs Improvement

Here the comments focused on both physical and non-physical attributes of the region. For example, several respondents noted just the opposite of what some felt were clean air and water, commenting instead on what they perceived as constant degradation of both air and water quality and other issues like "losing green" in the landscape. Non-physical issues noted included a perceived unfair tax system, and on the part of leaders a lack of vision and poor coordination among jurisdictions and organizations.

On balance, we conclude that because "quality of life" can only be in the eye of the beholder, different people will simply see, and like or dislike, different features of the region. It may be worth noting that there were more open-ended answers to the "what needs improvement" question than for the "what works well" question. Respondents apparently had more negative issues on their minds than positive (except where noted below, this was the case for all topics commented on in this section of the survey).

General Infrastructure

What Works Well

It is worth noting in this summary that a number of people commented on PSRC's planning capacities, especially in the area of transportation, in a positive way. There were also positive comments about Sea-Tac Airport, the region's "seamless, intermodal transportation system," and most surface streets.

What Needs Improvement

The comments on infrastructure needs were more robust than comments on what works well. Most focused on inadequacies in highway transportation, but others on perceived inadequacies in more non-traditional forms of infrastructure, including comments that the region's wire and wireless data capabilities need improvement.

It is hard to generalize from the broad array of comments made on this topic. Readers looking for detail are encouraged to review *Appendix H*. On balance highway transportation inadequacies weigh heavily on the minds of at least these residents of the region.

Housing

What Works Well

Respondents tended to focus positive comments on housing variety and choices in the region. Specific comments noted the high-density central business district as a positive feature as they did the notion of the region's perceived "urban village" character. Some respondents noted that they sense more housing innovation in the region's cities, perhaps relative to the kind of housing innovation seen in outlying areas.

What Needs Improvement

Perhaps predictably, comments on needed improvements focused on costs—observations on the lack of "affordable" housing, perceived high property taxes and the like. Negative comments were also noted as regards perceived continuous housing sprawl, inadequate housing for the homeless, and the unappealing (even ugly, one said) look of new housing developments.

Healthcare

What Works Well

The dominant healthcare theme offered by respondents revolved around what they perceive as the region's high quality healthcare, especially as it relates to HMOs, community health clinics, hospitals, and medical research. Many comments focused on specific high quality healthcare institutions such as Fred Hutchinson, Children's, Swedish, and Tier One Trauma Center.

What Needs Improvement

Balancing the comments on high quality were the observations on the need to control costs (in essentially all facets of healthcare). There was also a dominant theme around inadequate healthcare accessibility for the disadvantaged, for low-to-moderate income earners, and for the uninsured.

Demographics

What Works Well

Cultural and ethnic diversity was widely noted as a positive demographic feature of the region, as was relatively high educational levels of workers.

What Needs Improvement

A strong “needs theme” revolved around the matter of engaging ethnic leaders in the region, the absorption of ethnic and non-English speakers into the workforce and the need for employers and others to adapt to the fact of a diverse workforce.

K-12 Education

What Works Well

Positive comments focused on quality of teachers and administrators and the ability of the education system to meet student’s special needs and on education innovations in K-12.

What Needs Improvement

Negative comments focused on a wide array of problems in school infrastructure, inadequate opportunities for gifted students, and the need for more programs for the disabled/learning impaired.

On balance, respondents had many more negative comments on K-12 education than positive, especially related to costs/funding, quality and general performance.

Post-Secondary Education

What Works Well

The University of Washington’s high rank in the “top 10 nationally” received comment as did the accessible and generally well-regarded community colleges of the region.

What Needs Improvement

Areas that need improvement range widely, from the lack of sufficient numbers of higher education institutions to poor performance overall regarding teaching needed skill sets. Key “needs themes” include the perception that higher education institutions are unable to meet workforce demands. Respondents also commented on turf issues among institutions and on perceptions of poor communication within or among institutions.

Because the responses in this area were so numerous and wide-ranging, readers wanting to get into the many details are encouraged to review *Appendix H*.

Vocational Training

What Works Well

There seemed to be a near consensus among respondents choosing to comment on this topic that the region’s community colleges are working well to provide the kind of vocational training needed for students to achieve job skills in demand by employers.

What Needs Improvement

Funding for vocational education is an issue, as is the need to work more closely with both students and institutions to link the “supply” with the “demand.”

It may be worth noting that respondents provided an equal number of positive and negative open-ended comments on the topic of vocational training.

Institutional Topics***Policy Making***What Works Well

The Growth Management Act (GMA) received positive comments as did the notion of or trend in the direction of improved intra-region and intra-agency “collaboration.” Respondents also commented on the degree of cooperation perceived among key organizations in achieving the goal of regional approaches to economic development.

What Needs Improvement

“Too much process, too little implementation” summarizes comments on what needs improvement in policy making. Beyond the “implementation theme,” respondents noted a wide variety of issues having to do with the policy climate for economic development; for example, perceptions of an inadequate tax incentive package, the need to reduce permit processing burdens on firms, and the need to address the region’s tax structure.

Planning for GrowthWhat Works Well

PSRC received positive comments about its work with the GMA, VISION 2020 and *Destination 2030*. Respondents also noted good work developing regional partnerships, presumably including the Prosperity Partnership. Other positive comments focused on Everett’s “good growth plan” and work in Kitsap County and cities in the county to plan for and build good infrastructure.

What Needs Improvement

Comments here focused on the perception that more needs to be done to implement the GMA, the need for government to work more collaboratively with developers, and the need to improve coordination between key organizations.

Regional CollaborationWhat Works Well

High marks focused on the perceived success of the region’s planning processes, in an array of areas (e.g., growth/land use, transportation, watershed, economic development). “Collaboration” was another widely noted strength of the region (e.g., in the areas of education, federal transportation, land use).

What Needs Improvement

The dominant “needs themes” focused on the issue of governmental complexity (i.e., too many) and jurisdiction and agency parochialism. To the question of what needs improvement, one person said “everything.”

Obviously, it is not possible to come to much of a conclusion from the responses to this question but to say that while respondents may generally feel that there are too many jurisdictions, at least some are doing good planning (e.g., PSRC is most often noted) and that some are working hard to collaborate better.

Public Investment Decision Making**What Works Well**

Several comments were recorded about “Forward Thrust” and the good civic work of Jim Ellis who apparently has left a broad legacy of good will. Other comments generally focused on good local government processes, including processes at the neighborhood level.

What Needs Improvement

Again, respondents recorded a wide range of concerns, perhaps best summed up by the need to ensure alignment of investment choices with the Growth Management Policy Board, *Destination 2030*, VISION 2020, the forthcoming Regional Economic Strategy and other high-level plans.

Business Associations**What Works Well**

Positive comments were recorded regarding many specific organizations (e.g., Rotary, EDCs, WBBA, others) as well as comments about well-managed chambers of commerce and the advocacy and networking role played by business associations regarding economic development in the region.

What Needs Improvement

The dominant “needs theme” focused on the sense that there are too many business organizations and that they are too parochial and jurisdiction-centric. Respondents sense that there are many opportunities for mergers, or at least more collaboration to achieve common objectives.

Labor Organizations**What Works Well**

Apprenticeship programs, civic involvement, and visionary leadership were among the positive comments. There were also positive comments on the ethnically diverse workforce.

What Needs Improvement

The “needs improvement” themes ranged widely, from the perception of too much political militancy among organized labor leaders to the perception that union leaders lack long-range vision.

Business Climate Topics

Access to Financing

What Works Well

Respondents commented favorably on the availability of real estate financing/residential loans and noted reasonable access to private financing. Several comments focused on the re-emergence of venture capital in the region.

What Needs Improvements

Many comments focused on remaining inadequacies in the venture capital market (e.g., lack of large-scale venture capital, VC still not readily available outside of Seattle). Other comments focused on inadequate financial incentive packages making it difficult to compete with other regions offering better packages. One comment noted that the state constitution restricts incentives for business growth.

There were many other comments on what to do to improve access to capital. Readers are encouraged to review *Appendix H* for the full range of issues identified.

Access to Technology

What Works Well

Most comments focused on the good work of specific institutions (e.g., UW, WSU, Washington Tech Center, Fred Hutchinson). Other comments noted excellent public libraries, and increasing rates of Internet access and use, including access to broadband.

What Needs Improvement

Relatively few comments noted a need for improvement in this regard. One noted the growing digital divide, another the need for more incentives to launch needed studies in biotechnology and hydrogen uses.

Entrepreneurial Culture

What Works Well

Positive comments were made regarding the region's small business support networks (e.g., chambers, business associations, community colleges, Small Business Development Centers (SBDCs), Small Business Administration and local VC firms). One respondent noted that the local media does a good job of covering local small business success stories.

What Needs Improvement

Most of the "needs statements" focused on the need for more, and for different kinds of small business financing (e.g., government financing, specialized VC and seed financing). One person noted the need to reform the state ethics law presumably to free up UW in ways that would improve their ability to patent and license faculty/researcher inventions.

Access to Markets (Foreign and Domestic)

What Works Well

Most comments focused on the region's relatively good infrastructure to reach distant markets (e.g., sea, air, rail). Others noted the positive role played by organizations such as the Trade Development Alliance and the positive role played by Governor Locke in attempts to open markets in China and Europe.

What Needs Improvement

One of the most thoughtful comments noted the need for more education and training of business people in the "ins and outs" of reaching non-traditional markets. Another noted the potential to increase trade with the home countries of the region's many foreign-born business people.

Regulations

What Works Well

Once again, several respondents commented favorably on the GMA. Additional positive comments were recorded on the region's "certainty," "consistency," and "increasingly simplified" permitting processes. A particularly strong and apparently thoughtful comment was recorded on Seattle's efforts to protect the city's industrial land base. Another comment noted Snohomish County's permitting successes regarding aerospace uses.

What Needs Improvement

There were numerous and wide-ranging comments on "what needs improvement." Themes developed around the need for: better implementation of regulations, less overlap between jurisdictions and more consistency and timeliness of permits.

Readers interested in the long and complex list of specific comments on this question are encouraged to review *Appendix H*.

Taxes

What Works Well

Positive comments focused on the fact that the region has no personal or corporate income tax that makes for a generally favorable tax climate. More specific issues focused on the B&O high minimum thresholds and on the administration of taxes.

What Needs Improvement

Some respondents commented on the over reliance on sales tax, suggesting a complete overhaul of the state's tax structure which, it was commented, would require stronger leadership at the legislative level to be accomplished. One interesting comment suggested the need for additional incentives to attract and help "knowledge-based" industries to grow. Another noted that the public is resisting increased user fees.

Cluster-specific Opportunities and Constraints

Aerospace

Opportunities

Respondents knowledgeable of the aerospace industry noted opportunities in markets (e.g., more defense-related, smaller aircraft/air taxis, sharper focus on emerging Pacific Rim markets), manufacturing processes (e.g., more automation, precision engineering), use of technology (e.g., composites) and supply chain management (e.g., incentives to retain small parts suppliers in region, more attention to geographic proximity and less to their “lean manufacturing” competencies.)

Constraints

Most responses noted the high cost (e.g., labor, land, energy), and legacy cost (e.g., union) environment of the industry. Others noted the intensifying competition from Airbus, and manufacturers in Canada and Brazil.

Information Technology (hardware, software, telecom and computer services)

Opportunities

Leaders in the IT industry noted opportunities in specialized, niche markets (e.g., embedded software, games, graphics, e-commerce, “creative” products). Others noted opportunities to link product and service offerings with those of the biotech industry, “fusing” the core technologies of the two industries.

Constraints

Most comments focused on needs for new kinds, or levels, of education/training that would better support the industry (e.g., need to enhance K-12 science/math programs, more effort at baccalaureate and graduate levels, more interest needed in IT in the entire scope of K-16 education). More specific constraints were noted in the high reliance the region has on Microsoft and its fortunes, the need for VC for start-ups, and improved management of IT firms. One person noted the need to extend DSL throughout the region.

Life Sciences (health and biosciences)

Opportunities

Most opportunities noted focused on “place” (e.g., opportunities to “make more of” Lake Union, Snohomish County locales, the “Eastside”). Other comments noted opportunities within specific organizations (e.g., Fred Hutchinson, UW, SBRI, Amgen). Interesting comments noted opportunities to link bio/nanotechnology with Washington Technology Center and UW. Other comments noted product/service opportunities (e.g., molecular diagnostics, chronic disease management systems, photonics, alternative medicine).

Constraints

In general, comments were focused on the need for venture financing, improved technology transfer from UW, a better skilled workforce and the need for tax reform (especially B&O). Interesting observations noted a trend among biotech firms in the region to sell company or licensing rights during the process of getting drug approval, limiting business opportunities in the region.

Logistics and International Trade (seaports, airports, rail, logistics services)

Opportunities

A relatively few specific opportunities were noted. One person commented on the opportunity to make more of the presence of a strong support system of freight forwarders, customhouse brokers and the like. Another noted a niche business opportunity in systems and products that would improve freight security.

Constraints

Most respondents noted the need for improved highway and rail infrastructure. Others commented on such constraints as: relatively high costs at Sea-Tac and slow airport construction processes. One person commented on the need for more, and better access to international trade talent in the region. Another person noted the impact of the Department of Homeland Security requirements and procedures.

Linkages

When asked about existing linkages between the different economic sectors, 90% of respondents believed linkages between their firm or organization and other businesses in the region existed, and 72% of those considered these linkages important. Seventy-three percent of respondents believe that a good and healthy relationship with governmental agencies is important. Finally, only 2.7% of the surveyed think that the linkages between companies and workforce development system are “virtually nonexistent,” showing the importance of workforce development and training institutions in the region. The average rank of importance (where 1 is the most important and 5 is the least) given each of the linkages is summarized in the table below:

Table VII-1: Significance of Linkages Between Different Organizations/Companies

<i>When asked if there were economically significant linkages between the respondent’s organization/company and:</i>	Yes	No	No response	Sum of Ranks	Average Rank
Other businesses in the region	36	4	2	80	2.2
Other organizations in the region.	34	2	6	92	2.7
Government agencies.	32	1	5	68	1.9
Workforce training institutions in the region.	30	7	5	71	2.4

Source: ECG Survey, 2004

When asked about existing levels of collaboration between the public and private sectors in the region, 100% of the respondents said such collaboration exists and more than 85% of the respondents believe that a “good” or “somewhat good” level of collaboration exists. Nearly 93% believe that inter-county collaboration exists.

Economic Vision

When asked, “What is your vision for the future economy of the region (e.g., traditionally balanced, high tech, creative services, “industries of the future”)?”

The majority of the respondents envision a “diverse, balanced and innovative economy with increasing focus on new and creative sectors.” While interested in a balanced economy, only 20% of the business leaders surveyed foresee traditional sectors as pillars of the economy of the future. More than 60% included the word “creative,” “innovative,” or “high technology” in their visions for the region, and only three out of 29 included “aerospace” or “manufacturing.”

When asked, “Where would you get support for your vision (e.g., public/private sector leaders, higher education, pro-growth interests, etc.)”?

Local private and public sector leaders are seen by 30% of the respondents as the strongest source for support for their visions, compared to universities and higher education institutions.

When asked, “Where would opposition come from (e.g., anti-growth interests)”?

“Short-sighted and anti-growth” individuals are perceived as the major obstacle for support by 60% of those surveyed.

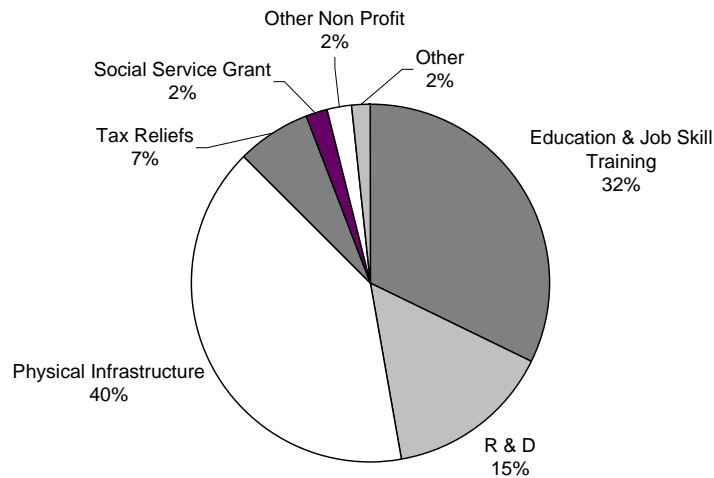
When asked, “What would be the key ingredients of a successful strategy initiative (e.g., securing involvement of top business leadership in the project)”?

The strategies for success sketched by the leaders are diverse in nature, ranging from financial incentives and leadership support to collaboration and roundtable discussions. Conversely, lack of collaboration, leadership apathy and lack of implementation are the most feared failure strategies.

Setting Priorities

When told that they had \$100 million to help move the region toward the vision you have begun to articulate, and asked how would you invest it to achieve that vision, respondents ranked their priorities as follows:

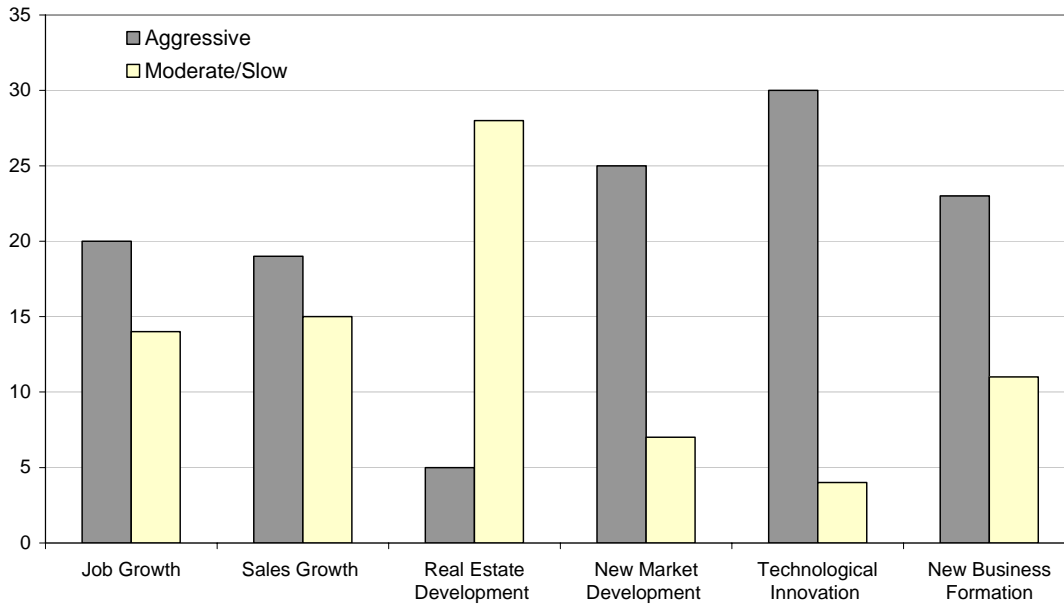
Figure VII-3: Investment Priorities in the Region



Source: ECG Survey, 2004

When asked, for each indicator of economic growth below, to please indicate whether he/she, as an individual representing his/her organization, would like to see aggressive (fast-paced) growth, moderate growth, or slow growth, respondents answered as follows:

Figure VII-4: Desired Pace of Growth in the Region



Source: ECG Survey, 2004

CONCLUSION

The purpose of this report is to provide updated economic data and analysis for the central Puget Sound region to support the long-term economic development strategy developed under the auspices of the Prosperity Partnership. To do this, this report adopted a cluster-based approach which framed the major drivers of the region's economy in terms of the export-oriented groups of related industries that, through buyer-supplier networks and common economic foundations, form the structure of the region's wealth generating activity. Using unique data sources from Global Insight and the state of Washington's Employment Security Department, this report identified 15 industry clusters, five of which became the focus of the report and the ultimate strategy.

To assess the competitiveness of the Puget Sound's economic foundations, as well as its key clusters, this report examined the region's performance across a spectrum of indicators and compared that performance with five peer regions. From this assessment, it is clear that the region is strong in terms of the quality of its workforce and the volume of cutting-edge research and development in key industry clusters. However, other elements, including the region's ability to direct early stage capital and entrepreneurial expertise at new companies, compare less favorably to the region's peers.

Other research methods included a survey of major stakeholders in the region, as well as one-on-one interviews with executives of companies active in each of the five selected clusters. These primary sources provide an interesting perspective of a region still striving to make its name as a "world city" in a global economy. Many business leaders believe the region can and will thrive, but that key investments in infrastructure and education must be made to make the difference. Interestingly, most of the respondents to the survey classified themselves as "aggressive" in terms of every growth category (jobs, sales, new market development, technological innovation, and new business formation) except real estate development. This may speak to the values of a region striving to compete in the global economy without compromising its high quality of life and access to open space.

As part of the larger work effort involved in the ultimate regional economic strategy produced by all of those who participated in the events and cluster working groups convened by the Prosperity Partnership, this report aims to contribute a sense of definition, structure, and competitiveness of the central Puget Sound economy. What the project's participants do with this information and how they choose to shape the future trends anticipated in this document is the important work that is still to come.