

# An Asset at Risk

## Willows Road Corridor Economic Impact Analysis

OneRedmond<sup>1</sup>

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### Executive Summary

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Enterprises located in the Willows Road Corridor in northwest of the City of Redmond make a significant contribution to the state, regional and local economy. The 244 firms dependent upon the Corridor as their primary transportation access employ over 5,900, pay in excess of \$409 million in direct wages and support over 16,000 jobs in the King County economy. Total direct, indirect and induced labor income from Willows-based business activity exceeds \$1.04 billion. Corridor firms generate over \$4.5 billion in gross business revenues and pay over \$66.5 million in taxes to state and local jurisdictions. Corridor firms contribute \$1.4 million in sales taxes to the City of Redmond and \$551,000 in annual business license fees.

Traffic congestion imperils the long term economic vitality of the Corridor making it difficult to transport goods and services but most importantly talent, the life blood of these innovative enterprises. Several firms reported significant expansion opportunities and are evaluating locations both within and external to their current Redmond facility due to congestion.

To ensure the retention and expansion of existing businesses it is recommended that OneRedmond, the City of Redmond and others with the interest in promoting the economic viability of the Corridor take immediate action including the following steps.

1. Identify and convene key stakeholders impacted by congestion in the Willows Corridor and to develop a clearer picture of the issue and to identify short, medium and long term solutions to transportation and other issues facing firms in the Corridor.
2. Identify and implement short term solutions to increase employee mobility in the Corridor.
3. Immediately take steps to quantify the scale and scope of transportation improvements necessary to improve transportation access in the Corridor.
4. Elevate the priority of the Corridor in adopted transportation improvement plans.
5. Improve communications between the City and businesses located in the Corridor to discuss both issues and solutions to business expansion and retention.

### Introduction

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OneRedmond is the public/private partnership whose mission is to expand and retain local employers, attract new companies, and create community vitality in the City of Redmond. The foundation of OneRedmond's economic development program is to support the growth and expansion of the community's existing businesses.

The Willows Road Corridor that serves northwest Redmond is home to a diverse mix of globally significant technology and service businesses. The innovative expertise employed by these companies' powers the economy from writing the code that control's the US electric grid<sup>ii</sup> to manufacturing the engines that landed Curiosity on Mars<sup>iii</sup>.

OneRedmond's Business Expansion program has as its core a visitation program that resulted in calls to leading businesses in the Corridor in 2014. Information from executive interviews identified themes that were both exciting and troubling:

- Firms in the Corridor are significantly expanding both sales and employment.
- Several companies must expand facilities to take advantage of new business opportunities. Expansion either at their existing site or at locations outside the region are under consideration.
- Traffic congestion in the Corridor is a significant long-standing issue. Congestion is increasing as the economy rebounds and firms expand.
- Congestion has reached the point that it is making it increasingly difficult for companies to attract and retain talent and is decreasing the efficiency of operations.
- Existing traffic congestion and the potential of further deterioration will increase the risk of business relocations<sup>iii</sup> or expansions outside the area to more conducive sites.

To place these risks and the economic contribution of businesses in the Corridor in context OneRedmond conducted an economic impact analysis of companies operating in the Corridor. The purposes of the analysis were to:

1. Quantify the economic contribution of the Corridor to the local, county and state economy;
2. Quantify the assets at risk of dislocation if issues in the Corridor are not addressed; and
3. Make recommendations as to the public and private sector response necessary to secure additional investments and avoid potential dislocations and economic losses.

## Methods

OneRedmond mapped a tributary area for businesses directly served by the Willows Road Corridor. For the purposes of this study the boundaries were defined as:

- North of Redmond Way
- West of the Sammamish River, excluding businesses on 154<sup>th</sup> Ave NW
- South of 124<sup>th</sup> Ave NW
- 148<sup>th</sup> Ave NW between Willows and Redmond Way

Business names, addresses, reported employment and industry classification (NAICS) were obtained from City of Redmond records. County-level data from the federal Bureau of Labor Statistics (BLS) was used to develop average and total wages for each NAICS classification. Washington Department of Revenue (DOR) provided sales and tax data<sup>iv</sup> for firms located in the Corridor.



OneRedmond tabulated and calculated primary economic activity. This summary data was provided to the economic consultancy Community Attributes, Inc.<sup>v</sup> that developed a summary economic impact analysis.

## Findings

There are 244 businesses in the study area served by the Willows Road with 65 having direct ingress or egress. These firms reported directly employing over 5,900<sup>vi</sup> (FTE) in January 2013 with an average annual wage of \$69,028. This wage is 30% higher than the state average of \$52,945. The high average wage is driven by the large number of technology firms and regional headquarters in the Corridor.

The Department of Revenue reports firms in the study area generated \$4.5 billion in gross business income in 2013 and paid over \$27 million in state business and occupation tax and \$39.4 million in state and local sales tax. The City of Redmond received over \$1.4 million in sales tax from business activity in the Corridor in 2013 in addition to \$551,000 in business license fees.

The 65 firms located directly on Willows Road account for 4,104 (68%) of reported FTE's with average annual wages of over \$72,000.

<b>Major Employers in Willows Corridor</b>	<b>Sector</b>	<b>FTE (2013)</b>
Volt Management Corp	software services	964
Physio-Control Inc	medical devices	559
Aerojet	aerospace	445
Alstom Grid USA	software	312
Crane Electronics Inc	aerospace	244
Wyndham Vacation Resorts, Inc	travel services	198
Wyndham Resort Development	travel services	196
B E & Meyers Co.	aerospace	179
VMC Consulting Corporation	software services	159
DigiPen Corporation	education/ interactive media	127
King & Prince Seafood Corporation	seafood processing/ distribution	119
Playnetwork, Inc.	interactive media	115

<b>Businesses With Direct Access to Willows Road</b>	
Total Firms	65
Total Jobs	4,104
Average Wage	\$72,698
Total Wages	\$298,318,182

The cumulative economic impact of the firms considered is impressive. Total direct, indirect and induced employment within King County is over 16,000 with annual total labor income exceeding \$1.044 billion. Average annual earning are high due to the preponderance of technology firms and associated occupations.

## Summary of Wage, Employment, and Revenue Impacts of Willows Road Corridor

### Direct Impacts

• Firms in study area	244
• Number of Employees	5,900
• Average Yearly Salary for Employees	\$ 69,028
• Labor Income	\$ 502,700,000
• Business Revenues	\$ 4,525,100,000
• State Tax Payments and Fiscal Impact	\$ 66,500,000
• Redmond Sales & Use Tax Revenue	\$ 1,400,000

### Direct, Indirect, and Induced Impacts

• Total Employment	16,400
• Total Labor Income	\$ 1,044,900,000
• Total Business Revenues	\$ 6,150,400,000
• Total State Tax and Fiscal Impact	\$ 89,200,000
• Total Redmond Sales & Use Tax Revenue <sup>vii</sup>	\$ 2,000,000

## Discussion and Recommendations

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OneRedmond had recognized that the Corridor served an impressive list of companies, many with global stature. We were however not prepared for the magnitude of the contribution to the local and regional economy demonstrated by the analysis. While the study scope did not look to compare similarly sized suburban office parks elsewhere in the metro area, OneRedmond feels that few would contribute as much to the state and region in terms of innovation, revenues and taxes as the Willows Corridor. OneRedmond believes that the Corridor is a locally underappreciated asset as well as at the state and metro level.

Nor does OneRedmond believe that risks to this asset are fully appreciated. Our interviews identified a widely shared dissatisfaction with the multimodal transportation system serving area businesses and that this dysfunction was impacting firms' ability to attract and retain talent, the lifeblood to an innovative economy. Several of the companies OneRedmond interviewed are considering expansions. As should be expected, firms are considering alternative locations, driven both by strategy and financial considerations and the shortcomings of their current location, the dominant deficiency being transportation access.

OneRedmond held discussions with City of Redmond staff, the Greater Redmond Transportation Association (GRTMA), and others concerning the current traffic conditions in the Corridor and plans to address capacity improvements or other transportation management techniques. There are no current plans to add capacity to the Corridor before 2030 and there are no funding sources currently identified to support improvements. Further, expansion in the Corridor is complicated by the abandoned rail corridor that is being reserved for pedestrian and trail purposes with the trail seemingly taking precedent over capacity improvements.

While bus service in the Corridor is provided by Metro, there are funding, capacity, timing and safety issues that compromise its utility. The GRTMA operates a regional Commute Trip Reduction Program and has membership in the Corridor. There were no new solutions brought to light other than to attempt to promote

increased use of alternative transportation modes versus single occupancy vehicles (SOVs). Several of the businesses contacted by OneRedmond during the project report participating in commute trip reduction programs but were doubtful as to their utility in impacting the problems they were experiencing.

From our discussions with governmental officials OneRedmond was left with the impression that while traffic congestion was recognized as an issue, it is viewed as no worse than elsewhere in the region. Further, we were told that in an environment of limited and inadequate resources, there were higher priorities for transportation investment.

OneRedmond finds this response unacceptable and feel it's our responsibility to shine a light on the risks to business expansion and retention posed by the condition of transportation in the Corridor.

OneRedmond recommends that the City and other responsible parties take action to find solutions to transportation capacity and services to support the expansion and retention of businesses in the Corridor. They should consider the following actions.

1. Identify and convene key stakeholders impacted by congestion in the Willows Corridor and to develop a clearer picture of the issue and to identify long term solutions.
2. Identify and implement short term improvements to increase employee mobility in the Corridor.
3. Immediately take steps to start to quantify the scale and scope of transportation improvements necessary to improve transportation access in the Corridor.
4. Elevate the priority of the Corridor in adopted transportation improvement plans.
5. Improve communications between the City and businesses located in the Corridor to discuss both issues and solutions to business expansion and retention.

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<sup>i</sup> OneRedmond wishes to thank the City of Redmond for their financial support of the contracted portion of the economic impact analysis.

<sup>ii</sup> [Alstom Grid North America](#)

<sup>iii</sup> [Aerojet Rocketdyne](#)

<sup>iv</sup> Washington Department of Revenue data was provided to OneRedmond in a summary format to protect the confidentiality of individual company information.

<sup>v</sup> Community Attributes; 1411 4th Avenue, Seattle, WA 98101; (206) 523-6683

<sup>vi</sup> OneRedmond believes that job estimates and therefor wage and economic impact estimates are very conservative. Employment is based on City of Redmond Business License data that was reported January 2014 for 2013. There is motivation for a business to provide conservative estimates to reduce tax consequences. Further, this data was current for 2013 just when the economic recovery accelerated. OneRedmond knows of undercounts of over 300 at just two firms from these factors alone.

<sup>vii</sup> \$1.4 Million in Direct Local Sales and Use Tax revenue as reported by Washington State Department of Revenue, plus induced Local Sales & Uses Tax for select sectors within Willows Road Corridor as only certain sectors have final demand sales within the City of Redmond. Therefore estimates for local fiscal impacts are conservative.