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BELLINGHAM**

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Mary Van Nimwegen

House Transportation

3/15/90

Whatcom County and Bellingham

In the late 1800s, Bellingham's Fairhaven District was alive with the sounds of progress. Local businessmen were busy constructing proud new banks and office buildings in anticipation of Fairhaven being selected as the terminus of the Great Northern Railroad. It was the beginning of a great new age of prosperity for Whatcom County, and locals reckoned Fairhaven would be its centerpiece.

Then the news came that Seattle, not Fairhaven, would be Northern's rail head. The community went into shock. A worldwide depression sapped what was left of its resources, and by the early 1900s, Fairhaven's glory days were over.

It took nearly a century, but Whatcom County got its own taste of success last year when the Alaska Department of Transportation selected Bellingham, not Seattle, as the southern terminus of the Alaska Marine Highway System. Echoing the hopes of 100 years ago, construction workers not long ago put the finishing touches on Bellingham Cruise Terminal, a \$10-million, 22,000 square foot, brick and glass structure that serves the Alaska Marine Highway System's home base in the lower 48 states.

At last, Whatcom County seems ready to fulfill its destiny as a hub of regional and international commerce.

Today, the county has a population of 122,200. Roughly two thirds of the eastern part of the county (1,350 square miles) is in the Mount Baker-Snoqualmie National Forest and North Cascades National Park. The western portion is a mix of forestry and agricultural land, urban and rural areas which include seven incorporated cities. Bellingham, the largest city (47,290), is the county seat and the economic and cultural center of the region.

At present, in the unincorporated portion of the 735 square miles of the county not in federal ownership, 44% of the area is zoned for commercial forestry, 28% for agriculture; 26% for rural low density living; 6% for a variety



Golf is attracting tourists to Whatcom County. Photo by Rod del Pozo.

of urban residential densities and 4% for commercial and industrial uses.

COOPERATIVE EFFORT

For much of its history, Bellingham Mayor Tim Douglas says, Whatcom County suffered from the cyclical boom-and-bust of farming, timber and fishing. In the 60s and 70s, the general business climate spiraled down into recession, and young people, growing up in one of the state's most physically attractive areas, were forced to look elsewhere for a secure future.

"Even as recently as six years ago when I first came into this office," Douglas says, "the economy was stagnant at best."

But the seeds of change had been sown. In 1979, the chamber of commerce and council of governments commissioned the Stanford Research Institute to conduct a thorough economic study of the region. On one level the results simply underscored the obvious: the county's ideal location for trade with Canada, Alaska and the Pacific Rim; the recreational potential of the area; and the community's excellent educational system.

One immediate outgrowth of the Stanford study was the creation of

Fourth Corner Development Group, a cooperative organization which remains active in marketing Whatcom County and Bellingham. Another result of the study, Douglas believes, was that it put the burden of change directly on the community. "This has always been a bootstrap kind of community," he says. "Gradually people began to accept the idea that if we were going to survive and prosper, we were going to have to make some changes."

THE EXPO DIFFERENCE

Meanwhile another catalyst was brewing just over the border as work on Expo 86 in Vancouver, B.C. sprung into high gear. To Whatcom County, Expo 86 meant opportunity. Every entity from the Visitor and Conventions Bureau to the Port of Bellingham began working to attract the attention of the tens of thousands of visitors who would be passing through the county on their way to the World's Fair.

Preparations for Expo 86 underscored another weakness in the local economy — the lack of an adequate retailing base. "There was a tremendous leakage out of Bellingham and Whatcom County from our own resident population and from Canadi-

ans driving past to go to the Seattle area to shop," Douglas remembers.

Diverting that economic potential into local dollars was a top priority for area developers like David Syre, president of The Trillum Corp.

Syre's belief in the fundamental vitality of Whatcom County led him to some bold investment decisions that

had local skeptics snaking their heads. With the help of San Francisco-based Questor Research Group, Trillum came up with a three part development strategy that included a major planned resort community, a mix-use business/residential/industrial development, and a regional shopping complex.

Today, Syre's vision seems clear

indeed. The Resort at Semiahmoo near Blaine, with its Arnold Palmer designed golf course and four-star rated inn, has become one of the Northwest's most successful resorts; the Bellis Fair regional mall, on Interstate-5 near downtown Bellingham, ranks in the top 10% of malls nationwide, with many of its tenant retailers the top grossing stores in their chains; and the 600-acre Cordata Business Park already has attracted a number of major tenants.

PORT IN HIGH GEAR

Under the leadership of Director Don Fleming, the Port of Bellingham embarked on an aggressive program of its own.

"In a way, we're at the right place at the right time," says Bonnie McDade, Port of Bellingham's director of marketing and public affairs. "We have an incredible advantage because of our location."

The October start-up of weekly passenger and cargo ferry service to Alaska signaled a renewal of long-standing ties with the North Star State. Thousands of southeastern Alaskans rely on the system to connect them with friends and families and to provide an economic lifeline for the shipment of groceries, building materials and vehicles. Thousands more visitors use the ferry system to tour one of the last unspoiled coasts of North America.

The port's foreign trade zones have become part of integrating the local economy on a global scale. KAP International will soon begin operations at FTZ No. 129 at the 300-acre Bellingham International Airport Industrial Park. KAP will import helmets and components from production facilities in China for assembly, warehousing and distribution from Bellingham — a classic use of the zones.

Yamato Engine Specialists, the largest importer of used Japanese engines, is building a plant at the airport FTZ to expand its business into the United States. Yamato will import engines into the zone, rehabilitate them, and ship them to markets in Southern California.

Since the start of jet service in October 1985, passenger traffic using Bellingham International Airport has grown over 400 percent. In mid-1989, Alaska Airlines and United Express joined USAir and Horizon Airlines.

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escalating passenger and cargo service to a new level. The close proximity to the Lower Mainland, ease of clearing U.S. Customs, low parking rates, and the lower U.S. fares have combined to attract thousands of Canadian air travellers to the rapidly-growing airport.

Now the port hopes to entice pocket cruise lines to operate out of the Bellingham Cruise Terminal, adding a new layer of activity to the economy of Whatcom County.

"We knew we were in the right place at the right time," McDade says. "Now I think people are finally starting to believe it."

REAL ESTATE BOOM

Like others in the community, Scott Lipton, president of InterPacific Realty Group, credits the Canadian connection for much of the area's current resurgence: "When Vancouver received international attention because of the World's Fair, so did next-door Whatcom County, which came into focus as a desirable place to live.

to expand, to grow.

And to prosper. Whatcom County has watched one real estate development after another spring up in recent years. The Resort at Sudden Valley was perhaps the first venture to realize the area's potential. Since then the county has become a retirement mecca, bolstered by Rand McNally nominating Bellingham as "the 13th best place to retire in America."

A flurry of commercial development occurred in 1989 with another 450,000 square feet being added to Sunset Mall, and Kohl Co's plans for a power mall at Cordata, with 360,000 square feet anchored by Costco Wholesale Corp. Slated for this year a major manufacturers' outlet mall is planned for Blaine. And as many as five golf course communities are on now on the drawing board.

On the industrial side, there's the planned major expansion of facilities at the Cherry Point Arco Refinery, with an \$800 million capital expenditure over the next three years. The Port of

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- ▲ **APPROVED GOLF COURSE SITE** with 200 condos. 177 acres of prime "Point Roberts" land with major development permit in place. Also 60 acres **PRIME INVESTMENT SITE** at strategic I-5 interchange in NW Whatcom County. Call J. Scott Lipton.
- ▲ **COMMERCIAL SITE**—4.46 acres with I-5 frontage!! Outstanding Hotel site. Currently a mobile home park. Walk to Bellis Fair Regional Mall. \$9.25/sq. ft. Call Cliff Zacharias.

Bellingham foresees a \$100-million waterfront convention hotel complex on a landfill site created by the dredging of Squaticum Harbor Marina. The proposed site will include a 300-room hotel, convention facilities, public promenades, offices and exclusive boutiques.

As real estate values have skyrocketed, housing has become extremely tight: the area suffers from less than 1% rental vacancy rate and the demand for single family housing has increased dramatically. Homes in new

subdivisions are being snatched up before completion of construction, as evidenced by rapid absorption in Sudden Valley, a large recreational community on the shores of Lake Whatcom. The number of new homes being built there has quadrupled in the past three years.

The influence of Canadian investment continues to be significant. When the Canadian dollar recently hit a one-year high, Canadian investors began to show up in Whatcom County in force.

Reportedly, a comparable acre of land which sells for \$5,000 in Whatcom County goes for up to \$25,000 in British Columbia. With over 13 million people crossing the border each way per year, Lipton says, it's not hard to see these prices someday equalizing.

Yet Canada is only one of the investment forces shaping Whatcom County. Two years ago, when the overnight boom began, says Lipton, InterPacific Realty was working with investors primarily from California, British Columbia and Seattle. Now they come from all over the world.



Contributing to the Growth and Prosperity in Whatcom County

As a newcomer to the Pacific Northwest, BP Oil purchased the Ferndale Refinery from Mobil Oil in 1988. A major producer of Alaska North Slope crude oil and a 51% owner of the Trans Alaska Pipeline, BP Oil made a move to the Northwest for its strategic location and market growth potential.

As the first petroleum refinery in the State of Washington, BP Oil is committed to preserving the Refinery's long history of pride and accomplishment by protecting the environment. In 1990, the Ferndale Refinery achieved six years without a water quality violation.

With a workforce of nearly 300 men and women, BP Oil's Ferndale Refinery makes a significant contribution to the economic well-being of the community through locally purchased goods, a sizeable payroll, annual property taxes, and community contributions to educational, cultural, civic and charitable organizations.

BP Oil is proud to be a member of this growing community!



RETAIL DEVELOPMENT

Led by the Bellis Fair, with nearly 1 million square feet fully leased, retail sales in Whatcom County have been one of the main engines of the region's recent economic growth.

When I came to Bellingham in 1985, retail was very soft," says Bellis Fair General Manager Gary Shimada. "There was a lot of resistance in the retail community against any change that would affect the status quo."

Then things began to change. From 1985 through 1988, taxable retail sales grew at more than 8% annually. Preliminary data for 1989 indicates that the rate of growth will have increased at an even greater rate.

With a sales-dollar-per-square-foot average surpassed only by that of Bellevue Square Mall (\$300 per square foot vs. Bellevue Square's \$350), Bellis Fair, which opened in August 1988, has dramatically increased the number of retail dollars moving through Whatcom County.

According to Shimada there are several factors that account for this growth. First, the underlying causes. For one, the U.S. has enjoyed sustained economic expansion for over a decade; that has fostered an increase in disposable incomes. Another is the fact that Bellingham has emerged as a transportation and commercial hub at the center of a 5.5 million population base within 1.5 hours drive time.

The British Columbia economy, with its \$66 billion of personal income, has a major impact on the region: a 1% increase in personal income in British Columbia will translate into an increase of \$726,000 of taxable retail sales in Whatcom County. Equally important is the influence of exchange rates. The Center for Economic and Business Research at Western's College of

BELLINGHAM

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Low U.S. airfares can save you hundreds of dollars on all your business and pleasure travel. But that's only one reason to use our modern, convenient airport. We're just minutes from the border and the "Lower Mainland," with lots of parking at minimum rates. We have air cargo and U.S. Customs Service, plus direct flights to major West Coast cities. And we have acres of industrial park land adjacent to the airfield. Bellingham International is full of potential for you!

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As the new southern terminus for the Alaska Marine Highway System, Bellingham is now a true gateway to the rich Alaskan marketplace. Passengers and cargo now arrive and depart from the most unique cruise terminal on the West Coast. So we are in the ideal location to help you expand *your* role in Alaskan/Canadian trade. Bellingham Cruise Terminal represents other opportunities, too, including the booming pocket cruise industry.

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Business and Economics estimates a 1% change in the value of the Canadian dollar leads to a \$5 million change in retail sales in Whatcom County.

Beyond these basic factors, Shimada points to a number of things that will influence the area's retail trade in the coming years. Among them, the U.S.-Canada Free Trade Agreement, which will ultimately eliminate all duties on products carried to or from the U.S. into Canada; Canada's imposition of a 5% to 9% "value added" tax on all product and services as of Jan. 1, 1991, which will make retail products even more expensive in Canada; the expansion of Bellingham International Airport, which will open up new markets, especially in Canada and Alaska; and steady growth of the Seattle Everett metroplex, which will inevitably drive more shoppers to Bellingham.

TOURISM

With Expo 86, the arrival of the Alaska Ferry and continual media coverage of the region's unspoiled envi-

ronment, Whatcom County tourism has become a thriving industry. For officials like Priscilla Sabin, director of the Bellingham and Whatcom County Visitors and Convention Bureau, "The biggest problem we have is figuring out how to describe the incredible array of vacation options."

For vacationers, nearly every form of outdoor recreation is available. Golfers have a choice of four PGA courses; the area ranks 25th among 300 locales nationwide for access to golf, according to the National Golf Foundation. Both Sudden Valley and Semiahmoo offer package deals. Heather Meadows, nestled between Mt. Baker and Mt. Shuksan, offers the longest ski season in the Northwest, with cross country, down hill skiing and snowboarding from mid-November until April. Backroads scenery provides miles of satisfaction for bicyclists. Other visitors satisfy their wanderlust by exploring the many art galleries, bakeries, museums, interpretive centers, antique shops and parks.

Sidewalk cafes and espresso bars provide a comfortable ambience for urban explorers.

Sabin, and others in Whatcom County's travel industry, are pleased with the growth of tourism and its positive influence on the economy. As well they should be. Five years ago most travelers stopped for a tank of gas and drove on. Last year, Whatcom County hosted an estimated 250,000 visitors.

But today not all visitors to the county are looking for recreational pursuits. Some are on their way to the Cruise Terminal to catch the Alaska Ferry; others are exploring the county to locate an expanding business; while others are attending a conference, or working out import/export deals with Pacific Rim customers.

And in a way, all of them are investing in the future of this promising "new" corner of Washington state.

This report was prepared by McDade & Co. for Washington CEO.

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