

January 27, 2009

Residents of Snohomish County
Council Chairman Cooper
Members of the Snohomish County Council
County Wide Elected Officials
Snohomish County Employees



**STATE OF THE COUNTY ADDRESS
JANUARY 27, 2009**

I am honored to deliver to you my sixth State of the County Address since taking office as your elected Snohomish County Executive.

Today, I speak to you with the backdrop of historic challenges, uncertainty and change. A time unique in both the scope of its challenges and in the manner in which these challenges must be overcome. Our time requires serious individuals, who are up to the task of facing these new realities and committed to doing the important job of defining our future as we see it regardless of impediments both practical and political.

The most important issue affecting Snohomish County today is the state of our economy. No other issue is as far reaching, volatile or demands more attention and action from our local and regional leaders.

For the past five years, tactical local efforts to reduce regulatory barriers, increase investments in infrastructure and focus on employer recruitment and job retention allowed Snohomish County to see its greatest five-year period of job growth in history. From 2004 through 2008, the number of jobs in Snohomish County increased by nearly 46,000, or more than 22 percent. Between 2004 and 2008, Snohomish County median household income grew to \$67,324, about 15 percent

higher than the state average. And, Snohomish County's rate of job growth has been 7.2 percent, nearly three times the state average of 2.6 percent.

Unemployment during that time continued to decrease to its lowest rate in several decades to a low 4 percent until last year when the effects of Wall Street trickled down to every Main Street in our country.

We are all aware today that our Puget Sound economy, which is stronger than almost any regional economy in the nation, has slowed significantly. The effects of the housing bubble have had a devastating impact in virtually every corner of this nation and in every market in this world. And, we most definitely are not immune.

We are in the midst of a national economic crisis, the likes of which have not been felt in more than 70 years. Even as the President and Congress look to take action on a second stimulus package and re-work the financial bailout, existing companies with sufficient amounts of capital have halted investing, and consumers have all but stopped making large discretionary purchases. Third quarter 2008 sales show that major purchases including automobiles, furniture and building materials posted losses of 20 percent from the third quarter of 2007 while smaller purchases remained flat or showed minimal gains. Homebuilding, which is one of the strongest indicators of a stable middle class, has halted while consumers watch warily as housing values deflate. While the 12 percent losses in Puget Sound home values pale in comparison to losses of double and triple that amount in much of the country, they contribute to the fear gripping consumer spending and investor confidence.

Not surprising, in the last couple months many local and state leaders have openly taken a "wait-and-see" approach to our local economy. They talk about "weathering the storm" and try to instill confidence in their constituents by saying

“this too will pass.” Others put their faith in our new President and Congress. However, federal actions will have more of an impact on macroeconomic policy and U.S. gross domestic product than specific local job growth and retention, business investment and housing values.

Today, we in the Puget Sound region have an important role to play to save the jobs we worked so hard to create during the last five years and to make our regional economy more competitive.

Our collective efforts to increase the competitiveness of this region during this historic economic crisis will help determine the depth to which we are affected and forever shape our economy going forward. While we did not create the economic forces that led to this slowdown and we alone cannot stave off the worst effects of this recession without swift national action, we also cannot wait for decision makers in the other Washington to act before we take the necessary local steps to ensure that the Puget Sound region is the most competitive region in the nation.

The economic growth we experienced over the last five years is significant and unprecedented. And, it was because of our willingness to evolve with change that afforded our county with a competitive advantage in the region. To stay competitive both nationally and internationally, we must grow the businesses we have, anticipate emerging markets, come to terms with the change that is necessary and act accordingly. We must rally around a common purpose and compete and fight for our community.

We cannot lose sight of the fact that despite a continued slide in the national economy, Snohomish County remains in a strong position to recruit and retain businesses at a faster pace and with less cumbersome regulations than many other

counties in this state. But, our enduring prosperity is inextricably linked to the competitiveness of the Puget Sound Region as a whole. Therefore, it is incumbent upon all of us to move aggressively forward to eliminate the regional barriers to competitiveness. Our mission must be two-fold: We must do all that is necessary to protect our existing jobs and employers from further decline; and, we must use change to our advantage as we position our region as the most competitive in the country.

Five years ago, as a state we embarked on a journey to increase our competitive advantage in the country. After decades of taking our homegrown businesses for granted we found ourselves competing against the rest of the country for what was traditionally our “bread and butter.” Our hard work paid off and we kept the final assembly of the 787 in Washington. Moreover, our pursuit of making this state and county more competitive resulted not just in new jobs at Boeing, it resulted in more than 45,000 new jobs across every sector in Snohomish County.

It has been more than five years since that successful effort. Staying competitive in this global economy means continued vigilance. Once again, it’s time to come together to protect our economic strengths and vitality. We must act with a sense of urgency to make our region more competitive and to shore-up investor confidence. But our most important short-term economic opportunity isn’t being discussed in the halls of Olympia and on the front page of our newspapers, or at the tables of the many good and decent associations and committees of government and business leaders.

Though times may be different, our key economic objective remains tied to the future of the Boeing Company in Washington State. We must do all that is necessary as a region and state to make certain that the second line of the Boeing 787 is built here in the Puget Sound.

To stay competitive in a fierce international economy, the Boeing Company must do whatever it takes to meet the demands of its customers. Those who follow the Boeing Company closely know that based upon the volume of orders and projected orders of the 787, a second line will have to be established. It is not clear, however, *where* that line will be established. For the last five years, as our state reaped the benefits of our success in landing the 787, other states have made tremendous efforts to gain a competitive advantage. It is imperative that the second line of the 787 not be taken for granted and that we in this region identify the Boeing Company's needs going forward.

Securing the second line of the 787 is critical for our region. First, our fundamental responsibility as it relates to this economic crisis is to take all steps necessary to increase investor confidence and protect the jobs we have. Existing businesses want to expand and new businesses want to locate in a region that embraces and supports their long-time employers. Losing the second line of the 787 due to a lack of competitiveness as a region significantly undermines this effort. Second, our efforts to maintain the second line of the 787 are mission critical to this region's ability to land the next generation of the Boeing 737.

We must be aware of the global competition our employers face and be ever vigilant to make Washington State their home. Boeing is, for our region, our "franchise player." And we must not lose them or a single line of business without a fight.

In addition to improving our regional competitiveness and securing the future of Boeing, we must also work to capitalize on an unprecedented influx of federal funds into the economy. To be effective, this federal capital must find its way into circulation quickly. For us, that means working closely with our federal

lawmakers as they negotiate the terms of the second federal stimulus package. The first federal stimulus passed in early 2008 was touted as a measure to jump-start the economy. The first problem is that it was too small. And, second, it took the form of rebates. Most of these rebates were saved and not spent, thus the money Washington, D.C., was hoping to get flowing through the economy never moved. The second stimulus package should focus on sustained and expanded government spending. A significant portion should be directed to state and local governments, allowing more of the money to be infused into the economy through needed public works projects much faster than traditional federal projects. Thus jobs can be created and money can start flowing. And, the taxpayers benefit to a greater degree because making our state and regional economy more competitive in the long-term also hinges on the completion of the backlog of needed transportation projects such as the Alaskan Way Viaduct in Seattle and Highway 2 in Snohomish County, just for starters.

Other forms of stimulus should be directed to expedite research and development for new energy technologies. Such R&D is traditionally costly as it takes many skilled people working in concert to develop and track the evolution of a new technology over an extended period of time. By helping to create the incubator for these new energy technologies, we can speed up the process of developing, manufacturing and implementing these new energy technologies. Again, this is a greater win for the taxpayer because in the early phases we are creating needed jobs in a bad economy and in a critical field. Second, we are able to advance a source of tremendous economic growth potential ahead of schedule that can also provide a point of strength for our economy after recovery. And, lastly it is a meaningful action consistent with the development of a true national energy independence policy.

By making our region more competitive during this economic crisis, working to ensure the next phase of the 787 is built in the Puget Sound and through partnering with our federal lawmakers to make certain the second stimulus package is both large enough and targeted directly to the infrastructure needs of local and state governments we can begin to make meaningful progress to strengthen our economy. Inherent in these objectives are three keys to recovery. First, we can protect and even expand the jobs in the region. Second, by securing these jobs we can help get money circulating through the region. Third, by making our region more competitive we can begin to improve investor confidence in our region to attract new capital.

Investor confidence has been a key component to Snohomish County's success during the past five years. We made a concerted effort to change our image from a regulatory nightmare to a leader in regulatory reform. We proved that red tape didn't equal environmental quality, family wages or a better quality of life. We demonstrated red-tape equals unnecessary costs, investment prohibitive delays and a regulatory obstacle course that only a roomful of attorneys can navigate with the help of a judge. Our changes to make Snohomish County business friendly demonstrates that outcomes matter. And, by following this path we created more jobs with higher wages and protected more farms and environmentally sensitive lands than at any other period in our history.

Investor confidence matters in good times and it is especially important today. As we work to improve the competitive environment and the overall economic health of the Puget Sound region, we will also continue forward with the advancements we have made here at home to retain and expand local jobs and businesses Snohomish County families depend on.

For larger businesses, we will continue to identify and target the needs of existing employers and prioritize companies with family wage jobs for recruitment to Snohomish County. Jobs at Bayer, Goodrich, Comcast and Korry Electronics are the direct results of these efforts.

We are targeting and will soon complete an assessment of available land for our next business centers, large-scale companies and industrial parks, allowing us to quickly inform existing and prospective companies of their options within Snohomish County and its cities.

We also will continue our focus on the needs of small businesses in Snohomish County. We will provide better access to valuable technical and investment resources that small-business owners need to be successful. We will use technology to better connect local business owners with each other and available resources allowing them to act as a business cluster while increasing their market share in each respective sector.

In addition to new resources for local business, we already have begun identifying new opportunities to continue the reform of our permitting and regulatory environment to further reduce costs, keep businesses in business, stimulate economic growth, appeal to new commercial development and assist the ailing homebuilding industry. Last month, along with the chairman of the County Council, I signed a joint resolution announcing our intent to move forward with an economic summit and promote legislation to stimulate our local economy. Building on the successes of the economic development strategies contained in our 2004 Citizens Cabinet Report on Economic Development, we are working with stakeholders to identify immediate actions to make County government a better business partner.

The stagnant building industry has driven a 50 percent reduction in permit-review staff employed by the County. While this presents one of the most challenging business environments both for the county and our customer in memory, we must continue to look for every opportunity to increase performance and reduce time-consuming processes. In 2009, we will continue our effort to make planning and permitting a paperless business. Electronic submittal and review of projects makes good business sense for both the private sector and the County. In addition, I have asked for legislation detailing technical code changes to help businesses affected by the slow pace of home sales and lack of available cash flow. I will present this legislation to our County Council next month and ask for swift review and action so we may do our part to stave off unneeded business closures and further job losses. First, extending the expiration date on preliminary plats that meet the County's code requirements would allow for better debt recovery and provide property owners the time needed for financing and construction. Second, we are proposing a reduction in the overly burdensome carrying costs associated with performance and maintenance bonds to reduce the cost of bringing housing to market. This simple and necessary change would allow businesses to access capital to complete more projects in these times when credit is in short supply. Additional code amendments already are being considered, and we look forward to partnering with the private sector and members of the county council to identify those changes that will have the most immediate benefit to our local housing economy.

Increasing job opportunities and reducing the cost of bringing a home to market through regulatory reforms are keys to increasing investor confidence and rebounding quickly when the housing market stabilizes.

As we march toward an ever more global and competitive economy, we will continue to do what comes naturally: work hard, capitalize on the ingenuity of our

businesses and bring together the energy, talent and ambition of our richly diverse population. We will build on the blocks that have made this region attractive to billions in business investment. We will take the risks that give us the edge in promoting new businesses and new jobs.

But let us not lose sight of the great social cost of our current economic crises, in particular, the impact it has had on the chance that families and individuals have to achieve the American dream of homeownership. The lack of available credit for those who have a steady income stream can now be added to the high cost of housing and slow wage growth as an obstacle that American's face. The affordable housing challenges are further exacerbated for those who were victimized by the easy credit era and now find themselves facing foreclosure and the specter of homelessness. Unprecedented opportunities are now forming for local government to partner with state and federal government and nonprofits to increase the availability of affordable housing. The federal stimulus package is expected to infuse more than \$10 billion in additional resources to support housing and homelessness objectives nationally. Much of this will be available on a competitive basis to local governments and nonprofits. It is imperative that our community partner together to take full advantage of this opportunity.

Today, every conversation at every kitchen table, in every café, office cubicle, board room, government building and factory floor centers on one topic: our future. How we prevent future job losses and grow our economy, and how we help families stay in their homes and provide for their children's education depends on how government and our civic leadership respond to the challenges of today.

We have a role to play. While our President and members of Congress work tirelessly to ease the credit crunch and liquidity crisis that grips our nation, we

must work tirelessly to increase investor confidence in the Puget Sound by making it the most competitive region in the country.

Our shared success toward this effort requires a break from outmoded political norms which are increasingly irrelevant to today's economic and political reality. We must ask the question of every action and piece of legislation "does this make us more competitive or less competitive?"

We cannot expect the change we seek to come from somewhere other than ourselves. We cannot embrace policies and practices out of tradition. And, we cannot tell our constituents that their government will be less effective or involved in problem solving simply because revenues are down and budgets are being slashed. If there are problems that we can help to remedy then we must find new creative ways to address them.

Revenues are down in every business and household budgets everywhere are being slashed. And, people everywhere are doing whatever it takes to march on. Government must do the same.

The ideas and actions which lead us through this storm will not be borne from one person or one political party. The path forward requires all of us who possess the capacity to step forward. And, it requires all of us to put inconsequential differences aside and work together.

I, for one, look forward to the challenge – and together – we all look ahead to a more prosperous and successful future.