New study sheds light on Valley

Freshly incorporated city has strong tax base, but faces some hurdles ahead

By Paul Read

The new city of Spokane Valley enjoys relatively affordable and newer housing, less poverty than the county as a whole, strong growth in retail sales, and a rising property-tax base.

It also, however, could see volatile sales-tax revenue due to the makeup of its economy, will face complicated land-use decisions because its businesses are so widely dispersed throughout the city, and will have to deal with a comparatively low college-graduation rate that could affect economic-development efforts.

Those are among the findings of a comprehensive economic and demographic study of the new city completed recently by Eastern Washington University professor Grant Forsyth for EWU’s Institute for Public Policy and Economic Analysis. The study is to be released soon.

“It’s really a prosperous area overall,” says Forsyth, who began his analysis last summer in connection with his role on an economic-development committee convened by organizers of the new city. “They shouldn’t have a problem funding the city, but they do have potential hurdles.”

Spokane Valley, which celebrated its official incorporation date just last week, has a population of about 96,500, the study shows, though Forsyth says that number is somewhat high because the census tracts he used in his analysis include some land outside the city’s borders.

As of the 2000 Census, there were nearly 3,000 employers in the Valley, together employing about 43,000 people, a draft copy of the study shows. Just over 70 percent of those employers are small, employing fewer than 10 workers. It should be noted, however, that those numbers don’t include businesses that have no employees, such as one-person sole proprietorships, of which there likely are many in the Valley, Forsyth says.

The largest percentage of the Valley’s employers, about 16 percent, are involved in retail trade, followed by construction, health care, wholesale trade, and “other services,” the study shows. Manufacturers make up less than 8 percent of employers.

The strength of the Valley’s retail sector—which includes such powerhouses as the Spokane Valley Mall, Costco, Home Depot, Lowe’s, and Wal-Mart—will contribute richly to the city’s coffers in terms of sales-tax revenue, Forsyth says.

Though specific sales-tax receipts for the new city aren’t yet available, some conclusions can be drawn from the taxes collected in the rest of Spokane County outside of the city of Spokane, he says. From 1984 to 2001, for instance, annualized growth in countywide sales-tax receipts outside of the city of Spokane was 6.2
percent (2.8 percent if adjusted for inflation), compared with 4.3 percent (0.9 percent inflation adjusted) in the city of Spokane, the study shows.

That strength, however, can be fragile, Forsythe says.

“The high percentage of retail, wholesale, construction, and hospitality firms suggests that the new city’s business activity will be quite sensitive to changes in the business cycle,” he writes in his report. “In turn, this means the city’s sales-tax revenue will be quite sensitive to changes in the business cycle.”

Also, he writes, “As other Washington cities have discovered, the long-run stability of local sales-tax revenues is subject to the location decisions of firms.”

Spokane Valley City Councilman Steve Taylor agrees with those concerns. “We’ll need to work hard to continue to diversify the economic base of the Valley,” Taylor says. “We rely too heavily on retail, which is a good thing for city funding, but we still need primary employment to support the economy.”

Forsyth says that since small businesses have such a significant presence in the Valley, the federal data on small-business lending he used in the study helps identify where those businesses are concentrated and which areas of the city might be undergoing a decline in small businesses. What he found was that small-business lending was scattered pretty broadly throughout the city.

“As a result,” he writes in his report, “setting up clearly defined zones for commercial and residential structures may be difficult.”

Adds Councilman Taylor, “That will be one of the prime focuses of the planning process—deciding what we should be doing to create our central business cores.”

According to the study, the largest concentrations of small-business lending were found in the Yardley, Opportunity, and Dishman-Mica areas, though the Trentwood area showed the biggest percentage growth in such loans over a five-year period ending in 2001. Greenacres and the far north side of the city, also showed growth in small-business lending, while the Opportunity and Otis Orchards both appear to be in decline in that regard, the study shows.

Higher incomes

Demographically, Spokane Valley largely reflects the rest of the Spokane metropolitan area, and in most cases, the U.S. as well, Forsyth says.

The average age in the Valley is about 36, and about 94 percent of the new city’s population is Caucasian. The city has about 38,000 households, a third of which are families with children. Home ownership is higher than the U.S. average. Nearly 70 percent of housing units in the Valley are occupied by their owners. About 9 percent of households are occupied by people over 65 years old.

Between 1990 and 2000, the population of the area that now is the city of Spokane Valley grew an average of about 1.4 percent a year, compared with 1.5 percent in the county as a whole, 1.9 percent for the state, and 1.2 percent nationally.
The median household income in the Valley, at $40,309, is somewhat higher than in the county ($37,308), but lower than the state median of $45,776, the study says. Within the new city, the Dishman-Mica, Veradale-Shelley Lake, and far north areas are the wealthiest, and the Yardley and Millwood areas have the lowest incomes. The Yardley area, for instance, had a median household income of $29,680.

The Valley also compares well with the rest of the county, and with the state, in terms of poverty rates. Based on the 2000 Census, about 9 percent of the Valley’s population would be classified as below the federal poverty line, compared with 12.3 percent for Spokane County and 10.6 percent for the state. The Yardley, Millwood, and Dishman-Mica areas all showed higher poverty rates than the rest of the new city.

One notable finding of the study, says Forsyth, is the educational attainment found in the Valley. Though the high-school graduation rate there is roughly the same as that in both countywide and statewide, only 19.4 percent of the Valley’s residents over age 25 have earned a four-year college degree, compared with 25 percent countywide and 27.7 percent statewide. Just 5.7 percent of Valley residents have earned a graduate degree, versus 8.7 percent countywide and 9.3 percent statewide.

“Consequently, holding other influences constant, the new city cannot expect to increase its own income growth unless the (percentages)” of college graduates grow, Forsyth writes.

He adds, “The ability to attract high value-added firms will depend, in part, on the Valley’s ability to supply these firms with skilled workers and managers.”

Meanwhile, the Valley’s housing inventory is relatively new and affordable, the study shows.

About 67 percent of the city’s housing units are single-family homes, and nearly 20 percent were built since 1990, a somewhat higher share than in the county. Only 6.3 percent were built prior to 1940, compared with 18.1 percent countywide.

The median Spokane Valley home value in 2000 was $119,383, which was higher than the countywide median of $113,200, but well below the state average of $168,300, and roughly half of the median price in King County.

The median price of homes in the Valley grew at an annualized rate of 6.5 percent between 1990 and 2000, better than the state growth rate and about the same as the county as a whole. That growth “indicates that the Valley has been experiencing an expanding property tax base,” Forsyth writes.

All contents copyright © Journal Of Business